

***LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND***  
**MINUTES OF MEETING HELD**  
**November 11, 2008**

James Shook called the meeting to order at 9:15 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

**TRUSTEES**

James Shook  
Rich Seamon  
Pat Highland  
Mark Lamb

**OTHERS**

Margie Adcock and Scott Baur (11:30 A.M.), Administrator  
Adam Levinson and Andrew Lieberman, Attorney  
Tim Nash, Investment Monitor

**ADDITIONS AND DELETIONS**

Ms. Highland asked that three items be placed under the Administrative Report: the per diem rate; the letter from Tegrit Plan Administrators; and the letter from the Actuary letter dated September 25. It was noted that Drew Hacker was present at the meeting and would like to address the Board. This item was placed before the minutes.

**DREW HACKER BUY BACK**

It was noted that Drew Hacker made a request a year ago to purchase military time. A calculation could not be done for Mr. Hacker at that time because of the lack of payroll information from the City. Mr. Levinson stated that there was a one-year delay in getting Mr. Hacker his numbers. He stated that the Board had the discretion to calculate the buy back at what it would have been a year ago when Mr. Hacker made the request. It was not the fault of the member in the delay in getting the calculation. The Board had Steve Palmquist attend via teleconference to find out how long it would take him to recalculate the buyback if the calculation had been done in November 2007. Mr. Palmquist stated that he could recalculate the buy back in the next 2-3 days. A motion was made, seconded, and carried 4-0 to authorize Steve Palmquist to recalculate Mr. Hacker's buy back calculation as of one year ago.

**MINUTES**

The Trustees reviewed the minutes of August 22, 2008. A motion was made, seconded, and carried 4-0 to accept the minutes of August 22, 2008.

**PRESENTATION BY LARGE CAP VALUE MANAGERS**

Tim Nash appeared before the Board. He stated that Bernstein is the value equity manager and was not meeting the guidelines. He stated that the Board had looked at several different managers at the last meeting and narrowed it down to three that would be making presentations today.

### **ATLANTA LIFE INVESTMENT ADVISORS**

Randell Cain and Marc Sydnor appeared before the Board. Mr. Sydnor provided a brief introduction. He stated that he was the client service representative and Mr. Cain was the portfolio manager. Atlanta Life Financial Group is a 100-year-old financial service firm. In early 2001 they founded Atlanta Life Investment Advisors. The ownership will soon be 55% owned by Atlanta Life Financial Group and 45% owned by the 3 principals with 15% each. Mr. Cain stated that when they started the firm it was 100% owned by the Atlanta Life Financial Group. The three principals went from 10% ownership to 30% ownership as the firm became more successful. It will soon be going to 45% ownership. Mr. Sydnor stated that they had \$1.06 billion in asset under management as of September 30, 2008. They have 69 accounts, with 64% being public funds; 25% being corporate funds and 11% in other funds such as endowments and trusts. He provided a representative client list. He stated that risk management is the key. They have a product in all the large cap spaces – value, growth, core and international. Mr. Cain reviewed the investment management team. He discussed their investment philosophy and strategy. They look for companies that have a value creating opportunity. He reviewed their investment process including stock selection, sector allocation and their sell discipline. He reviewed their investment performance. They have outperformed 19 out of the last 25 quarters since inception or 75% of the time. They have outperformed 14 out of 14 rolling three year time periods or 100% of the time. They have outperformed 6 out of 6 rolling five year time periods or 100% of the time. He discussed fees noting that they were proposing 85 basis points but they were willing to negotiate. They are not members of the FPPTA yet because they currently have no business in Florida.

Randell Cain and Marc Sydnor departed the meeting.

### **CORNERSTONE INVESTMENT PARTNERS**

Jerome Garfer, John Campbell and Neilson Brown appeared before the Board. Mr. Garfer provided a brief introduction. He stated that they are an independent firm and are a member of the FPPTA. Mr. Brown reviewed the organization. They have 7 portfolio managers and one investment analyst. He reviewed their representative client list. They have not lost an account or any staff. They are a core manager with a value bias. Mr. Campbell discussed their philosophy on investing. The prices of stocks move a lot more than the fundamentals of companies. He discussed the investment process. He reviewed the investment in ITT Industries and noted that they invested in that company because the improving direction confirmed the value. He discussed their avoidance of Fannie Mae due to the eroding valuations. He discussed their sell discipline and reviewed the sell example of INGRSL RND. He reviewed their equity portfolio holdings as of October 28, 2008. They had 30 holdings. The top 10 positions comprised 40% of the portfolio. He reviewed the portfolio characteristics as of October 28, 2008. He stated that they are finding value in information technology and health care. He reviewed performance as of September 30, 2008. It was noted that the portfolio does have ADR's but they can take those out and replace them with domestic equities. They would still have 30 holdings in the portfolio. Their fee is 75 basis points on the first \$10 million.

Jerome Garfer, John Campbell and Neilson Brown departed the meeting.

### **WESTWOOD**

Kim Calhoun appeared before the Board. She is the Vice President of Marketing and Client Service. She has been with the firm for 13 years. She reviewed their Florida clients and noted that they are members of the FPPTA. They have \$18 billion in assets under management. They have been a publicly traded company since July 2002. Everyone is a shareholder in the company. The firm was founded in 1983. They are a team-based manager. Westwood has over 300 client relationships. Ms. Calhoun provided a representative client list. They have a 25-year-old value-oriented investment process that is grounded in proprietary fundamental research. Their true “best ideas” portfolio focuses on absolute, rather than relative performance to a benchmark, risk and return. She reviewed their large cap equity product, which is a commingled fund vehicle. It was established on January 1, 1987. It has over \$4 billion in assets under management with 40-60 securities. There are no ADR’s in the portfolio. She noted that the minimum for a separate account is \$25 million. The minimum for the commingled fund is \$5 million. She discussed the difference between the commingled fund and the separately managed fund. She provided an overview of their investment process. She discussed their analysts-driven research process; their due diligence process; their investment profile; portfolio management and risk control. She discussed the portfolio characteristics and sector weight distribution. Their sector weights are a by-product of their security selection. She reviewed their performance. Their fee is 80 basis points on the first \$10 million and they custody the fund as well.

Kim Calhoun departed the meeting. Scott Baur entered the meeting.

### **DISCUSSION ON PRESENTATIONS BY LARGE CAP VALUE MANAGERS**

Tim Nash reviewed the attribution analysis for the three managers. He reviewed the holdings based market cap attribution analysis and the holdings based sector attribution analysis. He reviewed the up and down capture ratios. He noted that all three managers are very good. There was discussion on a commingled fund versus a separate manager. Mr. Nash stated that he did not think it was as much of an issue because of the way they do block trades. He did not think the Fund would be negatively impacted by a commingled fund. There was a discussion on the fees, noting that Cornerstone had the lowest fee. It was noted that Cornerstone met on a daily basis and seemed to have the edge. Atlanta Life seemed to have more of an emphasis on small and mid cap and had not been around on their own for too long. A motion was made, seconded, and carried 4-0 to negotiate a contract with Cornerstone and have them exclude ADR’s from the portfolio.

## **INVESTMENT MONITOR REPORT**

Tim Nash reviewed the performance report for the quarter ended September 30, 2008. The total market value of the Fund as of September 30, 2008 was \$23,322,861. The asset allocation was comprised of 46.2% in domestic equities; 8.0% in international equities; 39.0% in fixed income; and 6.9% in cash. The total Fund was down 8.27% net of fees for the quarter, while the benchmark was down 6.99%. The domestic equity portion of the portfolio was down 12.85% for the quarter while the Russell 3000 was down 8.73%. The international equity portion of the portfolio was down 18.88% while the EAFE was down 20.50% for the quarter. Fixed income was down 1.39% for the quarter while the benchmark was down 1.26%.

Mr. Nash provided a review on the individual managers. Aletheia was down 19.41% and Rigel was down 19.26% while the Russell 1000 Growth was down 12.33%. Bernstein was down 8.72% while the Russell 1000 Value was down 6.11%. Advisory was down 6.40% while the Russell 2000 Value was up 4.96%. Oakmark was down 7.42% while the EAFE was down 20.50%. With respect to fixed income, Davis Hamilton was down 1.81% and Bernstein was down 1.02% while the benchmark was down 1.26%.

Mr. Levinson discussed that the Division of Retirement allows a fund to treat ADR's as domestic if that is how a fund characterizes them. He noted that it is a minority of plans that treat ADR's as domestic. Mr. Nash stated that he recommended that the Board exclude ADR's from domestic as it the easiest and most transparent way to treat them. He stated that a manager should not own any ADR's in a portfolio that is intended to be a domestic portfolio.

Mr. Nash stated that there are two fixed income managers that are doing the same thing – Bernstein and Davis Hamilton. He noted that Bernstein is holding some bonds that are not liquid. He recommended moving the Bernstein portfolio over to Davis Hamilton. He stated that they would place the illiquid bonds with Davis Hamilton and have them monitor them and liquidate them at the appropriate time. It was noted that he would advise the Custodian to set up a separate account to hold the four illiquid bonds. Mr. Nash stated that he prepared a letter to terminate Bernstein fixed income. There was a discussion on the fee on the illiquid securities that would be held. Mr. Nash stated that it made sense to put the securities in a holding account. Mr. Nash stated that he prepared a letter to direct Salem to open an account where the four bonds would be held. A motion was made, seconded and carried 4-0 to authorize the Chairman to execute the direction letters.

It was noted that there was turnover at Aletheia on two service client representatives. Mr. Nash stated that he would follow up on that and update the Board at the next meeting. It was noted that it appeared they were founding members but not on the investment portfolio team. A motion was made, seconded and carried 4-0 to accept the Investment Monitor's Report.

## **ATTORNEY REPORT**

Adam Levinson appeared before the Board. He provided a memorandum dated October 13, 2008 regarding IRS deferring normal retirement age regulations until January 1, 2011. They are still waiting on how it is going to be resolved.

Mr. Levinson reported on the status on the proposed rules to 60-T. He discussed the second workshop that was recently held.

Mr. Levinson stated that Mr. Palmquist sent a letter dated September 25, 2008 wanting the Fund to use their specific spreadsheets when providing information for the valuation. Mr. Baur stated that he would make every effort to comply. Mr. Baur noted that they send the information to all of the actuaries on their pension plans in a standard format and all but Mr. Palmquist will accept that format and use it. He noted that Mr. Palmquist's team is the only team at GRS that is having difficulty and has requested it differently. He stated that he would to the best of his ability try to use the format requested of Mr. Palmquist.

Mr. Levinson discussed the supplemental check that is sent in October of each year. He noted that the amount went down in 2008. He stated that that was important because they were relying on Division II to pay for the Ordinance passed in 2006.

He discussed the status of the letter to the City Attorney Chris Catuccy dated July 31, 2008 regarding the background and legal authority for adoption of the DROP. He stated that he has not received a response from the City and so assumes the City is satisfied with his response.

Mr. Levinson discussed the recent merger of the Lake Worth Police with the County. He discussed the question of whether a distribution can be paid from a Share Plan to a DROP member once they are in FRS. He provided an opinion letter from the Division of Retirement dated August 15, 2008. He also provided an e-mail dated October 20, 2008, which confirms that this is a case of first impression. He stated that the opinion is that a DROP Participant cannot continue to work for FRS and continue to receive Shares. He stated that there is a debate on whether that is an accurate conclusion. A motion was made, seconded and carried 4-0 to accept the Attorney Report.

## **ADMINISTRATIVE REPORT**

Margie Adcock and Scott Baur appeared before the Board. Ms. Adcock noted that there was a Trustee vacancy as Mary Lindsay had provided her resignation at the last meeting. It was noted that the City has not yet made an appointment to the Board to fill this vacancy.

The Board was presented with a list of disbursement that included a check register and a separate list of disbursements was attached with included the investment manager disbursements. That was requested at the last meeting so that the performance could be

tracked net of fees. Ms. Highland discussed the per diem rate. She stated that she was advised that the per diem rate was \$60 a day. She stated that she was never paid the per diem before the last conference she attended. Mr. Levinson stated that she was entitled to whatever the policy provides. She stated that her position on the Board is a volunteer position but she will accept whatever the Board's policy is going forward. A motion was made, seconded and carried 4-0 to pay the listed disbursements.

Tim Nash departed the meeting.

The Board was presented with a list of benefit approvals. A motion was made, seconded and carried 4-0 to approve the benefit approvals.

The Board reviewed the financial statement for the period ending September 30, 2008.

The Board was presented with the engagement letter from Steve Gordon for the audit for the fiscal year ending September 30, 2008. A motion was made, seconded and carried 4-0 to authorize the Chairman to execute the engagement letter from Steve Gordon for the audit for the fiscal year ending September 30, 2008.

There was discussion on the status of the DROP elections. It was noted that there were still two participants that had not yet made elections. Mr. Seamon stated that for the time period between when one enters the DROP and makes their benefit election, the default in the Ordinance is a 10-year certain, while the Police Ordinance provides that the default is the 100% joint survivor option. He stated that he would like to discuss this further at the next meeting.

Mr. Baur reported on the name change to Tegrit Plan Administrators. He stated that the firm has an additional partner that is a minority partner in the company. They are changing the name and the letterhead, although they do not believe it requires a change to the contract. The name change would not affect the Fund or the operations of their firm. It is believed that the change will bring in extra resources to their firm.

### **OTHER BUSINESS**

There being no further business, the Trustees adjourned the meeting.

Respectfully submitted,

Mark Lamb, Secretary