

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
February 9, 2009

The meeting was called to order at 9:04 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

TRUSTEES

Mark Lamb
Rich Seamon
Pat Highland

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Tim Nash and Mike Welker, Investment Monitor

ADDITIONS AND DELETIONS

Mr. Levinson stated that he would discuss the Worker Retiree Employer Recovery Act of 2008 and a recent court case regarding beneficiary designations under his Attorney Report.

MINUTES

The Trustees reviewed the minutes of November 11, 2008. A motion was made, seconded, and carried 3-0 to accept the minutes of November 11, 2008.

INVESTMENT MONITOR REPORT

Tim Nash and Mike Welker appeared before the Board. Mr. Nash stated that they had some issues with the reporting from Salem Trust so they do not have the final report for the quarter ended December 31, 2008 as of yet. Salem Trust did not open up the account for Cornerstone or the transition account for DHJ. Mr. Nash stated that he was hoping to get the information this morning so they can verbally update the Board later in the meeting.

Mr. Nash stated that it was a brutal quarter. Calendar year 2008 was the worst year international markets ever had going back to the 1970's. Bonds were positive this quarter but all equities were down. The Fund was down about 11.5% for the quarter while the benchmark was down over 12%. Mr. Nash provided a rough estimate of performance for the quarter ended December 31, 2008 for the individual managers. Aletheia was down 29.06% and Rigel was down 25.61% while the Russell 1000 Growth was down 22.80%. What hurt Rigel was their overweight to energy. Energy and healthcare significantly impacted the performance of Aletheia. Advisory was down 19.22% while the Russell 2500 Value was down 24.85%. Davis Hamilton was up 5.0% while the benchmark was up 4.8%. In January, Treasuries went negative for the first time in history (-.01%).

David Freitas with Salem Trust appeared by teleconference. He explained the production of the custodial statements. He stated that they are working with SEI to make sure the

statements are set up in a timely manner. The issue has been straightened up now. He discussed the bonds in the DHJ and transition accounts.

Mr. Nash provided an updated Investment Policy Statement to allow for real estate and some other asset classes as well as Addendums for each manager. He reviewed the draft IPS. He noted that for the bonds he changed the reference of the Lehman Brothers Intermediate Index to the Barclays Capital Aggregate Bond Index. He stated that the managers have all reviewed the IPS and it is acceptable to all of them. He stated that he added the ability to invest in real estate and alternative investments to give more flexibility. He also added the ability to have commingled funds, mutual funds and exchange traded funds. He reviewed the criteria for the investment manager review and reviewed Schedule A. He stated that he changed the benchmark for Advisory to the Russell 2500 Value Index as they were buying stocks in the mid cap range as well as small cap. They will now be compared to both small and mid cap, not just small cap. Mr. Nash provided and reviewed the Addendums for Aletheia, Rigel, Cornerstone, Advisory and DHJ. Mr. Levinson stated that he has not reviewed the documents as of yet but has no problem with the Board approving the documents subject to review by the Attorney and the Chairman. Mr. Nash stated that he would make the changes discussed and send it to Mr. Levinson for review. A motion was made, seconded and carried 3-0 to approve the Investment Policy Statement as changed, subject to review by the Attorney and the Chairman.

Mr. Nash discussed the top ten holdings for each manager. He stated that Aletheia was overweight substantially in energy and that was the worst performing sector and the biggest contributor for negative performance. It took almost 13% out of their portfolio for the quarter. They were also significantly underweight in healthcare, which hurt as well. Advisory had some cash in the portfolio, which helped. Rigel was overweight in energy, financials, and healthcare. Mr. Nash provided the attribution results for Advisory, Aletheia and Rigel by market cap. He stated that it shows that they do have a diversified portfolio and are true to their style.

Mr. Welker discussed the staff changes at Aletheia. He stated that three people left and started a new firm. There were two people that were solely in client services and marketing and one back office person. Mr. Welker stated that they feel as far as investments nothing has been broken. They have added new people to the staff. However, they are going to put them on probation and are not including them in new manager searches at this time.

INVESTMENT MANAGER REPORT: ALETHEIA

David Bunzel appeared before the Board. He is the founder and a portfolio manager. He stated that one of the people that left was Joe Boskovich, Sr. and he was fired for cause last year. He stated that the members of the firm work long hours. Mr. Boskovich was a family friend of Peter Eichler and was hired for the marketing part of the firm. However, he did not put in the hours like the other members of the firm did. In fact, he took about ten weeks of vacation each year. After he was fired and left the firm, he started his own

business and took with him his son Joe Boskovich, Jr., who did client service, as well as a back office person. They now claim to be money managers and claim to have taken key members from Aletheia. Mr. Bunzel stated that Aletheia is in litigation in court with Mr. Boskovich as a result of all of this. He stated that there is very little, if any, in diminishment in assets. Aletheia has a long-term track record that has been noticed. They have not lost any clients, but have gained assets.

Mr. Bunzel has been with the firm since 1997. He is a founding investor of the firm. He reviewed the organizational chart. He discussed the investment process. They use a completely bottom up process. Each individual stock has a reason(s) as to why they own it. It has to be able to stand on its own. He reviewed their buy and sell discipline. He reviewed the performance of the portfolio as of December 31, 2008. They were doing well going into the 4th Quarter. October was a particularly brutal month. The portfolio for the quarter was down 29.14% while the Russell 1000 Growth was down 22.79%. Since inception of July 30, 2007 the portfolio was down 40.48% while the Russell 1000 Growth was down 37.25%. Mr. Bunzel reviewed the growth portfolio and the top five contributors and top five detractors. He discussed GE and American Express. The firm has \$9 billion in total under management.

David Bunzel departed the meeting. Mike Welker departed the meeting.

ATTORNEY REPORT

Adam Levinson appeared before the Board. He provided a memorandum dated December 2008 regarding the Worker Retiree Employer Recovery Act of 2008. It is federal pension and tax legislation that was passed unanimously. He reviewed the Act. He stated that they saw nothing negative in the Act.

Mr. Levinson reported on a memorandum dated January 2009 regarding a decision by the United States Supreme Court concerning an ERISA pension plan. He reviewed the facts of the case that involved a beneficiary designation. The pension plan had followed the beneficiary designation and not the intent of the participant. The Supreme Court unanimously held that the beneficiary designation stands and that the plan did the right thing. Mr. Levinson stated that they recommend that the Board get people to update their beneficiary designations.

There was then discussion on the death benefits of the Plan and the difference between the benefits for duty deaths and non-duty deaths. Mr. Seamon stated that it appeared to him that the benefit is less when a firefighter is killed on duty versus off duty. Mr. Levinson stated that Chapter 175 provides that one cannot get less than their accrued benefit. Therefore, he would say the Ordinance is the minimum amount. Mr. Seamon thinks there is a conflict in the Ordinance and thinks it needs to be cleared up. He noted that during the Application process of the DROP, if someone passes away before they have actually chosen an option, the default is a 10-year certain because that is the normal form of benefit. Mr. Levinson stated that the Board could have an Administrative Rule to

address that. Mr. Levinson suggested having a conversation regarding this with Steve Palmquist when he presents the Actuarial Valuation.

Mr. Levinson discussed the letter from the Actuary dated January 14, 2009 regarding performing a possible study for a five-year projection showing the impact of the poor asset returns on required contributions. It would cost about \$1,500 to \$3,000 for this study. Mr. Seamon stated that he would check with Drew Hacker on the merger talks that have been continuing to see if the City or County has already requested this information.

Mr. Levinson provided an updated version of the Travel Policy. He noted that the IRS mileage rate is .55 effective January 1, 2009. He reviewed the Policy with the Board. He stated that he would bring back a revised Policy with the changes discussed for the next meeting.

ADMINISTRATIVE REPORT

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. A motion was made, seconded and carried 3-0 to pay the listed disbursements.

The Board was presented with a list of benefit approvals. A motion was made, seconded and carried 3-0 to approve the benefit approvals.

There was discussion on the status of the DROP elections. It was noted that there were still one participant that had not yet made an election.

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary