

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
November 12, 2009

The meeting was called to order at 9:00 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

TRUSTEES

Jimmy Shook
Alejandro Reyes
Pat Highland

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Tim Nash, Investment Monitor
Chris Reynolds, Rigel

NEW TRUSTEE

The Trustees welcomed Alejandro Reyes to the Board. It was noted that he was the new City appointee.

ADDITIONS AND DELETIONS

There were no additions or deletions.

MINUTES

The Trustees reviewed the minutes of the meeting of August 11, 2009. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of August 11, 2009.

INVESTMENT MANAGER REPORT: RIGEL

Chris Reynolds appeared before the Board. He stated that the markets have been very challenging in the past year. He stated that performance has suffered during that period. He reviewed performance for the quarter ending September 30, 2009. The total market value as of September 30, 2009 was \$3,241,512. The portfolio was up 13.2% for the quarter while the Russell 1000 Growth was up 14.0%. For the fiscal year to date, the portfolio was down 17.5% while the Russell 1000 Growth was down 1.9%. Since inception of July 2, 2007, the portfolio was down 16.5% while the Russell 1000 Growth was down 9.4%. Mr. Reynolds noted that most of the underperformance happened during a short time frame. He stated that the underperformance in March, April and a little bit of May pulled down the since inception numbers. He stated that there has been significant outperformance in the long term on the composite numbers noting that the composite was up 6.1% versus the benchmark of .4% since inception of September 30, 1998.

Mr. Reynolds reviewed the top ten holdings. He reviewed the sector weightings. He reviewed their investment philosophy and process. He reviewed the market environment. He noted that from June 2008 to June 2009 they outperformed in the first and second quarter in 2008. Then came Lehman Brothers and there was a liquidity driven decline in the market. He stated that because of the volatility it was hard for them to get conviction

in a sector fast enough. Most of the underperformance in the third and fourth quarter of 2008 was due to sector allocation, not stock selection. In the beginning of 2009 they were still overly cautious. Even today, credit is not free flowing, consumers' net worth is still crushed and unemployment is in the double digits. Their underperformance in the beginning of 2009 was due to more about what they did not own than what they did. Mr. Reynolds reviewed the sector performance around the beginning of the bull markets. He stated that for the last five straight months they have been within five basis points of the benchmark. That is decidedly different than where they were at the end of last calendar year. Mr. Reynolds reviewed excess returns since January 1, 2002 to September 30, 2009. He discussed their current position. The portfolio is more balanced. They have both defensive as well as beta names and are overweight in information technology.

Mr. Reynolds stated that they currently have \$750 million under management. Their assets have declined, some by liquidity, some due to performance, and some due to devaluation of the portfolio. He estimated that they probably lost about \$300 million due to performance firm wide. He stated that there has been no loss of investment professionals. They did trim one part time and one staff member in the last couple of quarters. Mr. Nash stated that his office did meet with Rigel several times and someone was going to visit the Seattle Company sometime soon. He stated that they have no recommendations at this time for any change. He noted that Rigel had a strong third quarter.

Chris Reynolds departed the meeting.

INVESTMENT MONITOR REPORT

Tim Nash appeared before the Board. Mr. Nash discussed the market environment and reviewed the major market index performance. He noted that for the quarter ending September 30, 2009 everything was positive. For the one-year period the only positive equity asset class was international. He reviewed the domestic equity style index performance and noted that value outperformed growth. Mr. Nash reviewed the performance as of September 30, 2009. He advised that the total market value as of September 30, 2009 was \$24,643,649. The asset allocation was comprised of 48.1% in domestic equities; 9.9% in international equities; 34.9% in fixed income; and 7.1% in cash. The Fund was up 10.53% net of fees for the quarter while the benchmark was up 11.32%. Domestic equities were up 15.36% while the Russell 3000 was up 16.31%. International was up 19.58% while the EAFE was up 19.52%. Fixed income was up 5.65% while the benchmark was up 3.35%.

Mr. Nash provided a review on the individual managers. Cornerstone was up 17.62% while the Russell 1000 Value was up 18.24%. Aletheia was up 14.82% and Rigel was up 13.24% while the Russell 1000 Growth was up 13.97%. Advisory was up 13.96% while the Russell 2500 Value was up 22.77%. Vanguard Developed was up 19.25% while the EAFE was up 19.52%. The Vanguard Emerging Market was up 21.15% while the benchmark was up 21.04%. With respect to fixed income, Davis Hamilton was up 5.67% and the bond holding account was up 9.45% while the benchmark was up 3.35%. Mr. Nash stated that Rigel's performance was a drag on the Fund's equity performance for the year.

Mr. Nash reviewed the holdings of the managers, showing the sector attribution analysis, portfolio characteristics and performance summary.

ATTORNEY REPORT

Adam Levinson appeared before the Board. He stated that Aletheia has a lawsuit against them by a former employee, Mr. Boskovich. He stated that the attorney for Mr. Boskovich has issued a subpoena for a deposition of the person with the most information from the Fund. He noted that Tim Nash would attend the deposition for the Fund, which was currently scheduled for November 19th.

Mr. Levinson stated that the Administrator has received the payroll as of September 30, 2009 so can begin processing the refund of contributions and benefit calculations due to the transfer of services. It was noted that if there were not enough money in the checking account to pay the refunds, Mr. Nash would need to advise where to pull the cash from. The Board provided direction to process the refunds as quickly as possible.

Mr. Levinson provided a memorandum dated November 6, 2009 regarding the new IRS required safe harbor notification and normal retirement update. He discussed the updated safe harbor notification that becomes effective January 1, 2010. He also discussed the normal retirement update and stated that the IRS extended the effective date for the normal retirement rules for governmental plans to January 1, 2013.

Mr. Levinson provided an email Mark Floyd sent dated August 5, 2009 to Tommy Wright at the Division of Retirement and an email Mr. Levinson sent to Tommy Wright dated October 9, 2009 regarding the transfer of services. He stated that there is a continuing pending issue with the FRS with regard to the treatment of the DROP Participants. He noted that in all other mergers, a member in the DROP was permitted to simultaneously be in FRS. Here, FRS has taken the position that Lake Worth is different and PBC is not allowing people in the DROP to go to FRS. He stated that FRS is working with the City and PBC on this and does not want to hear from the Pension Plan. He noted that it is not really a pension issue as it deals with employment of DROP. He stated that he might ask FRS to issue a Final Agency Action Letter. He stated that individual DROP members could challenge such a Letter. He noted that they are determining as a firm if and when a Letter should be sought.

Mr. Levinson provided a memorandum regarding physical files they have in their office. He stated that they are going "green" and have boxes in storage. They are asking clients if they want the boxes back. If not, then they are going to destroy the boxes in storage. Mr. Levinson stated that everything in the office has been scanned and will be permanently kept. He noted that those records in storage have not been scanned. He stated that in theory, all of those records should be duplicative but they will make sure there are no originals in those records before they do anything. The Board asked Mr. Levinson to see what they had in storage pertaining to Lake Worth. Mr. Reyes stated that he would rather know how much is there and perhaps review it before any decision is made.

Mr. Levinson provided a letter from the Division of Retirement dated October 13, 2009. He stated that in light of the letter, there might need to be an amendment to the Plan. He

stated that he would discuss any potential amendments at the next meeting. He also noted that SB 538 amended Chapter 175 by increasing the international investment maximum to 25% and imposing requirements regarding scrutinized companies.

ADMINISTRATIVE REPORT

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

The Board was presented with a list of disbursements that included a check register and a separate list of disbursements was attached which included the investment manager disbursements. A motion was made, seconded and carried 3-0 to pay the listed disbursements.

The Board was presented with the engagement letter from Steve Gordon for the audit for the fiscal year ending September 30, 2009. A motion was made, seconded and carried 3-0 to authorize the Chairman to execute the engagement letter from Steve Gordon for the audit for the fiscal year ending September 30, 2009.

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary