

# ***LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND***

## **MINUTES OF MEETING HELD**

**February 18, 2010**

The meeting was called to order at 9:03 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

### **TRUSTEES**

Jimmy Shook  
Rich Seamon  
Pat Highland  
Mark Lamb

### **OTHERS**

Margie Adcock, Administrator  
Adam Levinson, Attorney  
Tim Nash, Investment Monitor  
John Gallop, Advisory  
Israel Diaz, Auditor

### **ADDITIONS AND DELETIONS**

Mr. Seamon requested a discussion on sending correspondence to the Actuary to get an update on the merger report.

### **MINUTES**

The Trustees reviewed the minutes of the meeting of November 12, 2009. A motion was made, seconded, and carried 4-0 to accept the minutes of the meeting of November 12, 2009.

### **AUDITOR REPORT**

Israel Diaz appeared before the Board. He presented the Annual Audit as of September 30, 2009. He stated that he was issuing a clean opinion. He reviewed the Statement of Plan Net Assets. The total assets were \$27,317,283 with most of the money in investments. Total liabilities were \$1,794,679. Total net assets were \$25,522,604. Mr. Diaz reviewed the Statement of Changes in Plan Net Assets. He stated that there was an increase in Plan net assets of \$1,375,064. He reviewed the administrative expenses. He reviewed the notes to the financial statements. He stated that there was an additional note this year advising of the subsequent event that the Plan became closed effective October 1, 2009. A motion was made, seconded, and carried 4-0 to approve the Audit as of September 30, 2009.

Israel Diaz departed the meeting.

### **INVESTMENT MANAGER REPORT: ADVISORY**

John Gallop appeared before the Board. He provided a brief overview of the firm. They have \$5.6 billion under management, with \$1.9 billion in the small-midcap value strategy. The firm was established in 1974 and is based in Chicago. They have a fundamentally, bottom up research process. They have a team based decision-making process. Mr. Gallop stated that Advisory was going to merge with Piper Jaffray & Company on or about March 1, 2010. Advisory will become a wholly owned subsidiary and major shareholder of PJC. Piper has been around for 115 years. Piper is a broker dealer, but Advisory is committing to not trade through them or buy any potential IPOs. He stated that there would be no changes to their investment philosophy, process or team. Mr. Gallop reviewed the investment performance through February 12, 2010. The total market value of the portfolio as of February 12, 2010 was \$1,443,934. Since inception of March 7, 2006 through February 12, 2010 the portfolio is down .6% while the Russell

2500 Value is down 9.5%. For 2009 the portfolio was up 19.3% while the Russell 2500 Value was up 27.7%. He stated that most of the underperformance was in the 3<sup>rd</sup> quarter where low quality stocks prevailed. There was a discussion on the investment process. He reviewed the market cycle analysis for the portfolio and the rolling period returns versus the Russell 2500 Value. He reviewed the portfolio structure. He stated that there are currently 45 positions in the portfolio. He reviewed the portfolio diversification, noting the top ten holdings and sector distributions. He noted that they have a significant overweight in energy, almost two times that of the Russell 2500 Value Index. He reviewed the portfolio holdings as of February 12, 2010. He discussed specific stocks such as Winn Dixie and Sotheby's. Mr. Gallop discussed the market outlook. They are not seeing any meaningful job growth at the company side and do not believe there will be another stimulus package. They are being defensive on the US side. They see inflation as a big issue to track.

John Gallop 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 higher quality did not perform as well as lower quality. Mr. Nash reviewed the performance as of December 31, 2009. He advised that the total market value as of December 31, 2009 was \$24,908,861. The asset allocation was comprised of 50.0% in domestic equities; 10.2% in international equities; 33.3% in fixed income; and 6.5% in cash. He stated that he would not recommend any changes to the asset allocation. The Fund was up 2.75% net of fees for the quarter while the benchmark was up 3.30%. Domestic equities were up 3.98% while the Russell 3000 was up 5.90%. International was up 4.15% while the EAFE was up 2.22%. Fixed income was up 1.40% while the benchmark was up .28%.

Mr. Nash provided a review on the individual managers. Cornerstone was up 3.71% while the Russell 1000 Value was up 4.22%. Aletheia was up 1.80% and Rigel was up 6.13% while the Russell 1000 Growth was up 7.94%. Advisory was up 4.69% while the Russell 2500 Value was up 4.65%. Vanguard Developed was up 1.67% while the EAFE was up 2.22%. The Vanguard Emerging Market was up 8.22% while the benchmark was up 8.58%. With respect to fixed income, Davis Hamilton was up 1.36% and the bond holding account was up 3.75% while the benchmark was up .28%.

Mr. Nash further discussed Rigel's performance. He stated that there have been personnel changes. The portfolio manager got ill and they brought back a former portfolio manager. The other team members are still in place. As there was a management change, Mr. Nash stated that his firm did due diligence. He noted that CALPERS owns 30% of Rigel. Rigel wants to have more employee ownership so they are trying to pay back CALPERS more quickly. He believes the firm will move forward. He noted that Rigel will not be included in any new searches his firms does, but for existing clients they will continue to monitor it day to day. He stated that one bad quarter and they will recommend an immediate manager search be done. He stated that he could bring out a list of the possible managers now, but recommended the Board stay the course for now. There was a lengthy discussion. Mr. Nash noted that in light of the changes at Rigel, Rigel has revised their fee. Currently the Fund has a fee of 80 basis points and Rigel is offering to lower the fee to 70 basis points effective immediately. A motion was made, seconded and carried 4-0 to accept the fee reduction and instruct the Monitor to bring back a manager search for the next meeting.

Mr. Nash provided a revised Investment Policy Statement. He reviewed the changes. The revised Policy will allow domestic managers to keep 10% in ADRs if their process has shown the ability to do that. He stated that it would give them more flexibility and increase the direct investment in international. There was a lengthy discussion on perhaps increasing the international managers and not the domestic managers or allow the mix. One option would be to maintain it as it is and keep domestic managers only investing in domestic equities and expand the international directly via the Vanguard Index. Mr. Nash discussed the international equity benchmark. He recommended using the MSCI-ACWI ex US versus the EAFE. He noted that the EAFE does not include Canada, which is the fifth largest country in the world. He reviewed the language regarding scrutinized companies. Mr. Nash stated that he would finalize the revised IPS and bring it to the next meeting for approval.

### **ATTORNEY REPORT**

Adam Levinson appeared before the Board. He discussed proposed Senate Bill 1902 that was recently introduced into legislation.

There was a discussion on the update on the merger status. He noted that the DROP issue is a FRS decision and not a pension issue. He stated that the Union has not decided to pursue this any further.

### **ADMINISTRATIVE REPORT**

The Board was presented with a list of benefit approvals, including the refunds made as a result of the merger. A motion was made, seconded and carried 4-0 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 4-0 to pay the listed disbursements.

### **OTHER BUSINESS**

Mr. Seamon stated that he would like the Actuary to take the previous merger study he did and use the exact numbers to reflect what actually happened. It was noted that this would be included in the Valuation.

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

Respectfully submitted,

Mark Lamb, Secretary