

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
June 9, 2010

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

Jimmy Shook
Rich Seamon
Pat Highland

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Tim Nash, Investment Monitor
Steve Palmquist and Duane Howison, Actuary

ADDITIONS AND DELETIONS

Ms. Highland inquired about the vacancy on the Board and a possible posting of the vacancy. Ms. Adcock advised that she had contacted the City Clerk to remind them of the vacancy.

ACTUARY REPORT

Steve Palmquist and Duane Howison appeared before the Board. They presented the Actuarial Valuation as of October 1, 2009. Mr. Palmquist reviewed the changes from last year to this year due to the merger with the County. He noted that last year there were 43 active members and this year there are 17; last year there were 10 in the DROP and this year there are 19. He reviewed the Participant data. He noted that covered payroll went from \$3,293,733 at October 1, 2008 to \$1,309,166 on October 1, 2009. He noted that in determining the required employer contribution, the Valuations normally show what is to be paid in the following fiscal year. For the 2008 Valuation it indicated what the City had to pay beginning October 1, 2009. However, due to the merger, he decided to have this 2009 Valuation apply to this fiscal year and not next fiscal year.

Mr. Palmquist noted that the City contribution was \$1,820,301 from the prior Valuation and will now reduce to \$1,654,000. He noted that the amount does not include what the County pays to the City for FRS rates. It was noted that pursuant to the Interlocal Agreement the County pays the City for FRS rates. The City can use that money to pay the contributions rate to the Fund. It was noted that the required employer contribution for the fiscal year ending September 30, 2011 is \$1,593,456. There was a lengthy discussion on the contributions and payment by the County to the City. Mr. Palmquist stated that he would draft a letter to the City advising of the amount to be paid which includes the amount that is paid to the City by the County. There was a lengthy discussion on the amounts received by the Fund from the City for employer contributions. It was noted that the Florida Statutes require contributions to be paid on a quarterly basis. Mr. Palmquist noted that he assumes contributions are made monthly and interest is built into those amounts. If the City is paying quarterly that will change the amounts slightly with a higher contribution amount. A motion was made, seconded and carried 3-0 to direct the Actuary to send a letter to the City advising of the Valuation and contribution requirements and to direct the Administrator to send a letter to the City regarding the City contributions and the need for at least quarterly payments.

Mr. Palmquist continued reviewing the Actuarial Valuation as of October 1, 2009. He noted that changes in the actuarial methods and assumptions are advisable due to the significant demographic changes from the merger with the County. He stated that he had information to discuss with the Board now or at a later date. Mr. Palmquist advised that the funded ratio was 62%. He reviewed the unfunded actuarial accrued liability. He reviewed the cumulative actuarial gains and losses. He noted that no 13th check would be payable. The cumulative balance as of September 30, 2009 was a negative \$9,111,312. He reviewed the calculation of actual value of assets and discussed the 5-year smoothing. He reviewed the history of investment rate of returns since fiscal year ending December 31, 1972. Mr. Palmquist noted that the Division II payment to Division I is \$140,081 for this fiscal year and not \$366,527 as was originally determined. There was a lengthy discussion. If there was a higher payment received in October than the required contribution, Mr. Palmquist and Mr. Levinson thought the appropriate way for the overpayment to be treated is as a credit against the next year. It was noted that all checks should go to Division II in the future.

It was noted that the Actuary was recommending changes to the actuarial methods and assumptions. Such changes include reducing the assumed rate of return lowering the mortality rates and shortening the amortization rates on the unfunded liability. There was a lengthy discussion. It was noted that the Police and GE Pension Plans were doing similar changes for the next fiscal year. It was noted that these changes should be presented at a future meeting and City representative should be invited to attend. A motion was made, seconded and carried 3-0 to accept the Actuarial Valuation as of October 1, 2009.

Duane Howison 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 financials was the best performing sector and technology and energy were modestly positive. Mr. Nash reviewed the performance as of March 31, 2010. He advised that the total market value as of March 31, 2010 was \$26,287,794. The asset allocation was comprised of 51.3% in domestic equities; 9.8% in international equities; 32.9% in fixed income; and 6.0% in cash. The Fund was up 3.42% net of fees for the quarter while the benchmark was up 3.81%. Domestic equities were up 4.96% while the Russell 3000 was up 5.94%. International was up 1.72% while the EAFE was up .94%. Fixed income was up 2.14% while the benchmark was up 1.67%.

Mr. Nash provided a review on the individual managers. Cornerstone was up 5.74% while the Russell 1000 Value was up 6.78%. Aletheia was up 2.57% and Rigel was up 4.27% while the Russell 1000 Growth was up 4.65%. Advisory was up 9.14% while the Russell 2500 Value was up 9.57%. Vanguard Developed was up 1.26% while the EAFE was up .94%. The Vanguard Emerging Market was up 2.47% while the benchmark was up 2.45%. With respect to fixed income, Davis Hamilton was up 2.08% and the bond holding account was up 5.04% while the benchmark was up 1.67%.

It was noted that Rigel is going out of business on June 30, 2010. He recommended that the Board move the money out of Rigel as quickly as possible. He also recommended that the Board hire a transition manager, ConvergeEx, to assist in the transition. Mr. Levinson reviewed the letter agreement with ConvergeEx and it was acceptable. A motion was made, seconded and carried 3-0 that, based upon the recommendation of the Investment Monitor and the Attorney, to use ConvergeEx as the transition manager.

Mr. Nash provided a research report on Aletheia due to their underperformance. He noted that they had a huge overweight to energy and growth stocks, which underperformed. He noted that his firm has done significant due diligence on Aletheia. They think they are a good growth manager for the long term. They are more volatile and should be paired up with another growth manager.

Mr. Nash discussed the letters he sent to the managers regarding identification and divestiture of scrutinized companies. He stated that he would send and monitor this on an ongoing basis and he will include it in the compliance checklist.

Mr. Nash recommended that the Fund move to the Russell 1000 Growth ETF while a search is done for a replacement for Rigel. He noted that he does have a manager search for the Board to review now.

There was discussion on real estate. It was noted that the Code limits investments to REITs. Mr. Nash stated that the Board might want to amend the Plan to allow for direct investments. He stated that he would bring back information on this asset class at a future meeting.

Steve Palmquist departed the meeting.

There was further discussion on the vehicle for which to put the money from Rigel. Mr. Nash recommended a temporary transfer of the money with Rigel to the most cost effective of the Russell 1000 Growth ETF or the Vanguard Growth ETF. A motion was made, seconded and carried 3-0 to amend the previous motion and follow the recommendation of the Investment Monitor to temporarily transfer the money from Rigel to the most cost effective ETF.

Mr. Nash provided a broad growth manager evaluation. The following managers were in the search: Fred Alger Management; Atalanta Sonsnoff Capital; Brown Investment Advisory Trust Company; Dana Investment Advisors; DSM Capital; Winslow Capital. Mr. Nash reviewed the different managers. He noted that Fred Alger was the most volatile and probably not the best one to pair up with Aletheia. Atalanta was less volatile than Fred Alger and had concentrated portfolios with 40-50 holdings. Brown was a bottom up manager with about 50 holdings while Dana was a sector neutral manager. DSM looks at the overall macro economy and Winslow will not do a separate account. There was a lengthy discussion. The Board decided to invite Atalanta Sonsnoff; Brown; Dana and Winslow to a special meeting on July 27th.

Ms. Nash provided a revised Investment Policy Statement. He reviewed the revised IPS. A motion was made, seconded and carried 3-0 to accept the revised IPS.

ATTORNEY REPORT

Adam Levinson appeared before the Board. He discussed a letter from Glenn Thomas dated April 19, 2010. He stated that the City is resurrecting the issue of the final average salary. Mr. Levinson reviewed the background of the issue. He stated that he replied to Mr. Thomas and invited them to the meeting today. He stated that he has not heard back from any City representative and noted that no one from the City was in attendance at the meeting today. There was a lengthy discussion.

Mr. Levinson reviewed the status of Merrill Lynch. He stated that in the next month or two they would be filing a class action lawsuit against Merrill Lynch.

Tim Nash departed the meeting.

ADMINISTRATIVE REPORT

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 a list of benefit approvals. It was noted that there was a question regarding at least one of the participants listed on the benefit approval. The Board decided to hold off on this until the next meeting.

Ms. Adcock provided the Board with a letter from Salem Trust Company dated April 29, 2010, which noted that they were able to honor the existing fee amount for an additional year.

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary