

***LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND***  
**MINUTES OF MEETING HELD**  
**November 10, 2010**

The meeting was called to order at 9:10 A.M. in the Conference Room at Station 93, Lake Worth, Florida. Those persons present were:

**TRUSTEES**

Jimmy Shook  
Rich Seamon  
Pat Highland  
Mark Lamb

**OTHERS**

Margie Adcock, Administrator  
Adam Levinson and Shaun Melvin, Attorney  
Tim Nash, Investment Monitor

**ADDITIONS AND DELETIONS**

There were no additions or deletions to the Agenda.

**MINUTES**

The Trustees reviewed the minutes of the meetings of July 27, 2010 and August 26, 2010. A motion was made, seconded, and carried 4-0 to accept the minutes of the meetings of July 27, 2010 and August 26, 2010.

**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 growth did better than value for the quarter and the year. He reviewed sector performance. He stated that they were concerned about bonds going forward. He stated that the probability of interest rates going up is stronger than going down. He reviewed the bond price change implications by maturity for rising and falling interest rates. There was a lengthy discussion on fixed income.

There was discussion on the position of the Fund for the future given the outlook for bonds. There was discussion on bond investment ratings. Mr. Nash discussed real estate as well as global bond investing. He stated that there were two things the Board could do that would help. First, the Board could increase the international exposure closer to 15%. He noted that currently the Fund has 60% in domestic equities and 9.96% in international. Second, the Board could take 10% from fixed income and put it in global bonds. He noted that the Fund currently has 43% in fixed income. He stated that those two things would be good to do to position the portfolio going forward. He stated that he thought those things could be done under the current Ordinance and IPS. Mr. Levinson stated that the Ordinance is silent on the matter. Mr. Levinson stated that if the Board wanted to go into these asset classes, he would recommend amending the Ordinance to make it very clear. Mr. Nash stated that he thinks it makes sense to add global bonds and real estate. In the meantime, he stated that it makes sense to increase the international exposure. Mr. Levinson stated that his preference would be to amend the Ordinance to try to get language specifically in the Ordinance, but noted that it is the Board's job to interpret the Ordinance. A motion was made, seconded, and carried 4-0 to authorize the Attorney and Investment Monitor to work on an Ordinance change for broader

investment authority. Mr. Levinson stated that he also thought there was some language needed due to the merger so thought all of the changes could be made at one time. Mr. Nash stated that he would bring information on the other asset classes to the next meeting. A motion was made, seconded, and carried 4-0 to move international exposure to 15% with emphasis on emerging markets.

Mr. Nash reviewed the performance as of September 30, 2010. He stated that there was a good fiscal year end. The Fund beat their assumption. It has been a rocky road though and a tough year for investments. The total market value as of September 30, 2010 was \$26,874,697. The asset allocation was comprised of 51.5% in domestic equities; 10.0% in international equities; 33.3% in fixed income; and 5.3% in cash. The Fund was up 8.65% net of fees for the quarter while the benchmark was up 8.75%. Domestic equities were up 11.49% while the Russell 3000 was up 11.53%. International was up 18.06% while the benchmark was up 16.66%. Fixed income was up 3.22% while the benchmark was up 2.48%.

Mr. Nash provided a review on the individual managers. Cornerstone was up 10.44% while the Russell 1000 Value was up 10.13%. Aletheia was up 12.21% while the Russell 1000 Growth was up 13.00%. Advisory was up 9.11% while the Russell 2500 Value was up 11.39%. Vanguard Developed was up 17.60% while the EAFE was up 16.53%. The Vanguard Emerging Market was up 18.74% while the benchmark was up 18.16%. With respect to fixed income, Garcia Hamilton was up 3.22% while the benchmark was up 2.48%.

Mr. Nash provided the Board with material Advisory had provided to him at a recent meeting he had with their firm. He reviewed the material on their small/mid cap value composite. He stated that their research group is not recommending terminating Advisory at this time. They believe there is justification for their strategy and performance.

Mr. Nash provided a Small/Mid Value Evaluation. The candidates he provided in the search included JP Morgan; Moody Aldrich Partners; and Perkins. There was discussion on the possibility of including mutual funds. Mr. Nash reviewed the information. There was a lengthy discussion. It was noted that Advisory has done well over the last 8 years but the Fund has only had them for three years and their performance has not been stellar. He stated that he would bring an expanded list to the next meeting.

Tim Nash departed the meeting.

### **ADMINISTRATIVE REPORT**

The Board was presented with investment manager disbursements. A motion was made, seconded and carried 4-0 to pay the listed disbursements.

The Board reviewed the financial statement for the period ending September 30, 2010.

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

Pursuant to discussions at a prior meeting, the Board was presented with a fee proposal from Steve Palmquist dated August 30, 2010. The Board did not feel it was worth doing the study at this time.

Steve Palmquist appeared by teleconference.

Mr. Palmquist discussed the changes that were made to the Police and General Employees Pension Plans in terms of the assumed rate of return and the mortality table. He noted that the assumed rate of return changed from 8.5% to 7.75% and the mortality table changed to the RP2000 table. He noted that both changes are being phased in over a five year time period. There was a lengthy discussion. A motion was made, seconded, and carried 4-0 to authorize the Actuary, based on his recommendation, to reduce the investment return to 7.75% and change the mortality table to the RP2000 table with a five year phase in, similar to what the Police and General Employee Pension Plans are doing, with the implementation of such changes starting in the 2010 Actuarial Valuation.

Steve Palmquist departed the meeting.

### **ATTORNEY REPORT**

Adam Levinson provided the Board with a copy of a Motion to Dismiss Amended Complaint and/or Motion for More Definite Statement that his firm filed in the lawsuit by the City. He discussed the basis of the Motion. There was a lengthy discussion on the process.

Mr. Levinson discussed the status of the ML lawsuit. He noted that it was moved to Federal Court. He discussed the basis for the Motion to Dismiss filed by Merrill Lynch.

Mr. Levinson discussed a letter from the Division of Retirement dated November 4. There was a discussion on tier plans. It was noted that Mr. Levinson's firm has never represented a municipality against a pension plan in a lawsuit. He noted that they would do objective consulting for municipalities or unions. There was discussion on possible conflicts.

### **OTHER BUSINESS**

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

Respectfully submitted,

Mark Lamb, Secretary