

***LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND***  
**MINUTES OF MEETING HELD**  
**February 17, 2011**

The meeting was called to order at 9:15 A.M. in the Conference Room at Station 93, 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 Gordon, Auditor

**ADDITIONS AND DELETIONS**

There were no additions or deletions to the Agenda.

**MINUTES**

The Trustees reviewed the minutes of the meeting of November 10, 2010. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of November 10, 2010.

**AUDITOR REPORT**

Steve Gordon appeared before the Board. He presented the Annual Audit as of September 30, 2010. He stated that he was issuing a clean opinion. He reviewed Management's Discussion and Analysis. He reviewed the Statement of Plan Net Assets. The total assets were \$27,619,789 with most of the money in investments. Total liabilities were \$186,539. Total net assets were \$27,433,250. Mr. Gordon reviewed the Statement of Changes in Plan Net Assets. He stated that there was an increase in Plan net assets of \$1,910,646. He reviewed the administrative expenses. He reviewed the notes to the financial statements. He noted that he included a footnote regarding the litigation that the Fund is involved in. There was discussion on the notes regarding the Ordinance on page 9. He stated that he found no significant internal control issues. A motion was made, seconded, and carried 3-0 to approve the Audit as of September 30, 2010 subject to correction in the notes to the financial statements regarding the Ordinance on page 9.

**INVESTMENT MONITOR REPORT**

Tim Nash appeared before the Board. Mr. Nash discussed the market environment and reviewed the major market index performance. He then reviewed the performance as of December 31, 2010. The total market value as of December 31, 2010 was \$28,572,493. The asset allocation was comprised of 53.9% in domestic equities; 10.0% in international equities; 30.6% in fixed income; and 5.6% in cash. The Fund was up 6.58% net of fees for the quarter while the benchmark was up 5.72%. Domestic equities were up 11.49%

while the Russell 3000 was up 11.59%. International was up 7.05% while the benchmark was up 7.25%. Fixed income was down .38% while the benchmark was down 1.30%.

Mr. Nash provided a review on the individual managers. Cornerstone was up 8.51% while the Russell 1000 Value was up 10.54%. Mr. Nash noted that their overweight to healthcare and underweight in energy and industrials hurt their performance for the quarter. Aletheia was up 14.01% and the Vanguard EFT was up 12.09% while the Russell 1000 Growth was up 11.83%. Advisory was up 14.66% while the Russell 2500 Value was up 13.84%. Vanguard Developed was up 6.74% while the EAFE was up 6.65%. The Vanguard Emerging Market was up 7.49% while the benchmark was up 7.36%. With respect to fixed income, Garcia Hamilton was down .38% while the benchmark was down 1.30%.

Ms. Highland inquired why the contract with Brown Advisory was taking so long. Mr. Levinson stated that Brown provided a proposed contract that contained arbitration language as well as having Maryland as the governing law. He noted that Brown is willing to work on those issues. Mr. Levinson stated that his firm has not had Brown as a manager with any other client so it took longer for him to work out a contract. Additionally, Brown has an option for a mutual fund or a separately managed account. The separate account has a maximum limitation on foreign stocks of 20%. Mr. Levinson stated that the Board could give Brown the ability to hold a maximum of 20% in foreign stocks or go into the mutual fund product. Mr. Nash stated that historically Brown has not owned foreign stocks. The issue has to do with the definition of foreign stocks. According to Florida law, the definition of a foreign stock is where the company is legally domiciled. As such, it can be a foreign stock even if it is in a US index. Currently Brown has about 15% that would be considered foreign under Florida law, which amounts to 5 stocks out of the 38 stock portfolio. Mr. Nash stated that he would continue to monitor the foreign stock exposure so that it does not go beyond the 20% limitation. There was a lengthy discussion. A motion was made, seconded and carried 3-0 to allow Brown to hold foreign stocks not to exceed 20% of the manager's portfolio. Mr. Nash provided an Addendum to the Statement of Investment Policy that would allow Brown to hold foreign securities not to exceed 20% of the manager's portfolio.

### **INVESTMENT MANAGER SEARCH FOR LARGE CAP GROWTH**

Mr. Nash discussed Aletheia, the large cap growth manager for the Fund. Although last quarter they did well, the last three years they did not do very well. He stated that Aletheia has been involved in several different lawsuits involving the founders and principals of the firm as well as a long on-going SEC investigation. Mr. Nash stated that what has troubled him the most is that the founding partner, Roger Peiken, was let go and filed a lawsuit. They have had very high turnover, having had 13 people leave in the last three years. Mr. Nash stated that there are so many organizational issues in that firm that he is no longer comfortable with them running any of his clients' money. He recommended them moving to another option. There are better firms without all the baggage Aletheia now has.

Mr. Nash presented a manager search to replace Aletheia. The candidates included: Alger Capital; DSM Capital; Vanguard Growth Index; Wells Capital; and Winslow Capital. He

reviewed the trailing performance as of December 31, 2010 for the quarter, 1, 2, 3, 5, 7 8 and 10 year periods. He reviewed calendar year performance from 2001 to 2010. He reviewed the rank versus universe for the rolling three-year period. He reviewed the risk and return analysis. He reviewed the correlation charts for the candidates to the current large cap value manager Cornerstone. There was a lengthy discussion. The Board found that Wells stood out and the fees were reasonable. There was discussion on transition management and recapture services. Mr. Nash stated that he has used BNY but they now have a cap of \$10 million that the Fund will not meet. He stated that CAPIS is willing to do such services for under \$10 million. A motion was made, seconded and carried 3-0 to terminate Aletheia using CAPIS and purchase the Wells Capital Heritage All Cap Growth Equity Mutual Fund.

### **GLOBAL BONDS AND REAL ESTATE**

Mr. Nash provided information on global bonds and real estate. He recommended investing 5% of the Fund from domestic bonds into the Templeton Global Bond Fund. He stated that if the Fund was able to invest in real estate, he would recommend taking 10% of the total Fund into a real estate pooled fund, which funding would come from domestic bonds. Mr. Levinson discussed amending the Ordinance to provide for an expanded investment authority as permitted by law. He recommended getting specific language in the Ordinance and wait on global bond investing until the Ordinance is amended. Mr. Nash reviewed his presentation on global bond and real estate investing. He discussed the real estate environment. He discussed the real estate manager options. He stated that out of 7 candidates, only 3 were really options for this Fund to consider due to the minimum amount required for the other 4. The 3 options were: ING Clarion; American Realty Advisors; and Cornerstone Real Estate Advisors. He discussed the structure of the funds; number of properties; property types and geographic diversification; leverage; and returns. Mr. Nash stated that if the Board wants to pursue real estate, it might make sense to interview managers since this would be a new asset class. There was a lengthy discussion. The Board found that American Realty was their top choice. They all knew the company from the FPPTA. Mr. Nash noted that it was the only firm that was employee owned. He advised the Board that if they want to interview, it would delay the Fund from getting invested since American Realty has a quarterly queue. It was noted that the Board could start off investing 5% and have American Realty attend the next Board meeting. The goal would be to work up to a 10% allocation in real estate, either with the same manager or with another manager to compliment American Realty. A motion was made, seconded and carried 3-0 to proceed with negotiating a contract with American Realty for a 5% allocation. Mr. Nash stated that he would amend the Investment Policy Statement to add real estate.

### **ADMINISTRATIVE REPORT**

The Board was presented with investment manager disbursements. A motion was made, seconded and carried 3-0 to pay the listed disbursements.

The Board reviewed the financial statement for the period ending December 31, 2010.

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

### **ATTORNEY REPORT**

Mr. Levinson provided a Memorandum dated January 21, 2011 regarding HB 303. He advised that the HB has since been withdrawn. He reviewed the proposed amendments that were in HB 303. He provided a press release dated February 9, 2011 regarding public employee pension transparency. He reported that two days ago HB 1328 and HB 1330 were filed, both which affected FRS.

Mr. Levinson discussed the status of the lawsuits. He stated that on July 29, 2010 the City filed a lawsuit against the Fund. The Fund subsequently filed a Motion to Dismiss. Nothing has happened since. A hearing is scheduled for February 22, but will need to be rescheduled. They are waiting for a new hearing date to be set.

Mr. Levinson discussed the status of the ML lawsuit. He stated that Merrill Lynch filed a Motion to Dismiss in Federal Court. A hearing has been set for March.

There was a discussion on the attorney's fees being billed for these lawsuits. Mr. Levinson stated that with respect to the Merrill Lynch lawsuit, the Fund is not being billed, as the case is a pure contingency case. There was discussion on the public records requests by Merrill Lynch.

### **OTHER BUSINESS**

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

Respectfully submitted,

Mark Lamb, Secretary