

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
May 19, 2011

The meeting was called to order at 9:05 A.M. in the Conference Room at City Hall, 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
Steve Palmquist, Actuary
Richelle Hayes, Investment Manager
Steve Carr, Finance Director

ADDITIONS AND DELETIONS

There were no additions or deletions to the Agenda.

MINUTES

The Trustees reviewed the minutes of the meeting of February 17, 2011. A motion was made, seconded, and carried 4-0 to accept the minutes of the meeting of February 17, 2011.

INVESTMENT MANAGER REPORT: AMERICAN REALTY

Richelle Hayes appeared before the Board. She stated that the Board hired them at the last meeting. They are still working on the contracts, which are being sent to the Chair today for signature. She noted that they would call the money as needed. She provided a firm overview. They are a conservative real estate money manager. They have \$3.4 billion in assets. Their main office is in Los Angeles with offices in six other locations. She is located in the Orlando office. They have over 53 employees. They take risk management very seriously. There have been no recent changes in the structure of the firm. They have no litigation concerning any of their services. Ms. Hayes reviewed their investment process. They focus on high quality multi-tenant properties. They are hands-on management. They have a very careful use of leverage, which is at about 18% right now. She discussed the market overview. There are signs of stabilization for the economy and the real estate market. Real estate has a high current income return, which currently exceeds 6%. She discussed why now is a favorable time to invest in core real estate. Ms. Hayes discussed the American Core Realty Fund. It has 199 clients. It has \$1.7 billion in 54 properties as of March 31, 2011. It is an open-end core commingled fund. It focuses on office, industrial, multi-family and retail assets. She reviewed the property type, property size and geographic region. She reviewed diversification by tenant industry type. She noted that a broadly diversified tenant mix reduces economic risks. She discussed the valuation of the fund. An independent appraiser appraises each

property at least once every 12 months. Internal valuations are completed every quarter. She reviewed performance of the fund as of March 31, 2011.

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 largely due to the technology stocks. He then reviewed the performance as of March 31, 2011. The total market value as of March 31, 2011 was \$29,497,074. The asset allocation was comprised of 55.0% in domestic equities; 10.0% in international equities; 29.8% in fixed income; and 5.3% in cash. The Fund was up 3.38% net of fees for the quarter while the benchmark was up 3.54%. Domestic equities were up 5.21% while the Russell 3000 was up 6.38%. International was up 2.54% while the benchmark was up 3.49%. Fixed income was up 1.0% while the benchmark was up .42%.

Mr. Nash provided a review on the individual managers. Cornerstone was up 4.98% while the Russell 1000 Value was up 6.46%. Aletheia was up 4.52% while the Russell 1000 Growth was up 6.03%. Advisory was up 8.87% while the Russell 2500 Value was up 7.68%. Vanguard Developed was up 3.08% while the benchmark was up 3.45%. The Vanguard Emerging Market was up 1.78% while the benchmark was up 2.10%. With respect to fixed income, Garcia Hamilton was up 1.0% while the benchmark was up .42%.

Mr. Nash provided performance return information for Brown and Cornerstone compared to Russell 1000 Growth and the Russell 1000 Value, respectively, through March 31, 2011. He provided an update as of April 30, 2011. He noted that the total market value as of April 30, 2011 was \$30,359,203.

Mr. Nash provided a revised Investment Policy Statement for the real estate investment. He reviewed the changes. It was also noted that he needed to change the actuarial assumption to provide for a .15% reduction each year for five years until the assumption reaches 7.75%. A motion was made, seconded and carried 4-0 to approve the revised Investment Policy Statement as corrected.

Mr. Nash noted that at the last meeting the Board voted to terminate Aletheia and hire Wells Capital. He stated that Wells has a different share class available. He stated that he wanted to get the Fund into the lowest share class and was able to do that. He drafted a letter to terminate Aletheia and a letter to Salem to work with CAPIS so the Fund could purchase Wells. A motion was made, seconded and carried 4-0 to authorize the Chair to sign the direction letters.

Mr. Nash presented a fee increase. He stated that they had a guaranteed the fee for a three year period, which period expired in February. He noted that their costs have dramatically increased. He stated that they proposed to increase the fee with another three-year guarantee. There was a lengthy discussion. The Board felt the increase was reasonable and appropriate. A motion was made, seconded and carried 4-0 to approve the fee increase effective October 1, 2011.

Steve Carr entered the meeting.

ACTUARY REPORT

Steve Palmquist appeared before the Board. He presented the Actuarial Valuation as of October 1, 2010. He noted that this was a closed plan. He noted that the assumed investment return has been reduced from 8.5% to 7.75% per year and the mortality assumption has been changed to the RP2000 Generational Mortality Table. The changes are being phased in at a rate of 20% per year. Mr. Palmquist noted that the required employer contribution for the plan year ending September 30, 2012 would be \$1,920,128 with \$112,242 from Division II and \$1,807,886 required by the City. There was discussion on the retained sick and vacation time and the caps used. It was noted that the Valuation would need to adjust for the FRS contribution for special risk at the request of Mr. Carr. Additionally, the Valuation would need to adjust to show that there is no more retained sick time. Mr. Palmquist reviewed the calculation of the actuarial value of assets, which shows the five-year smoothing. He reviewed the investment rate of return since 1972. Mr. Palmquist stated that he would revise the Valuation. It was noted that the current draft does give the City the maximum exposure it would have, as the contribution number will not be higher. The Board approved providing the City the revised draft Valuation once it is available for budget purposes. A motion was made, seconded and carried 4-0 to authorize the release of the revised Valuation to the City for budget purposes with the Actuary to attend the next meeting to report on the revisions and final approval of the Valuation. There was a discussion on some of the changes to the recent legislation that would effect the required reporting by the Actuary.

Steve Palmquist and Steve Carr departed the meeting.

ADMINISTRATIVE REPORT

The Board was presented with disbursements, including the 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 March 31, 2011.

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

ATTORNEY REPORT

Mr. Levinson provided and reviewed a Memorandum dated May 18, 2011 regarding the impact amendments to Chapter 175/185 – SB 1128.

Mr. Levinson discussed the status of the lawsuits. He noted that the Merrill Lynch class action is not being billed to the Fund. He noted that subpoenas were served on the Trustees within the past week. He provided a background of the case. He provided a copy of the Motion to Dismiss filed by Merrill Lynch and the Fund's Response to the Motion to Dismiss. He stated that they are now waiting for the Order from the Judge. He

stated that Merrill Lynch has issued 43 subpoenas to current and former Board members. He stated that those members would be receiving a letter advising that they will be provided representation to respond to the subpoena. He reviewed the items requested on the subpoena. Ms. Highland stated that she found this whole matter to be very offensive. She stated that she did not recall the Board giving approval to move forward with this. She stated that she did not remember the Board ever asking to be brought into this situation. She inquired about who was going to pay for her time and cost of making the copies of the items that were stated on the subpoena. Mr. Levinson stated that there was not much that could be done about paying her for her time involved but he would look into the issue about making copies.

Mr. Levinson stated that the other lawsuit was one brought by the City against the Fund. He stated that the City has filed a Second Amended Complaint to list interested parties. However, it does not specify actual names. He noted that the City has stated that they intend to serve all of the firefighters with the Complaint.

Mr. Levinson provided a proposed Ordinance to expand the investment authority of the Board. The proposed Ordinance would take out the quality restrictions and also provide that investments shall not exceed 70% at market versus cost. Mr. Levinson stated that he would provide the final version to the City.

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary