

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
November 8, 2011

The meeting was called to order at 9:02 A.M. in the Conference Room at Station 93, Lake Worth, Florida. Those persons present were:

TRUSTEES

Jimmy Shook
Rich Seamon (9:30 A.M.)
Pat Highland
Mark Lamb

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney (9:12 A.M.)
Tim Nash, Investment Monitor

ADDITIONS AND DELETIONS

Ms. Highland stated that she would like to add the status of the proposed Ordinance on global bond investing under the Attorney Report.

MINUTES

The Trustees reviewed the minutes of the meeting of September 21, 2011. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of September 21, 2011.

INVESTMENT MONITOR REPORT

Tim Nash appeared before the Board. Mr. Nash discussed the market environment and reviewed the major market index performance. He stated that it was an ugly quarter. He stated that there is usually not much difference in returns from pension plans that have a September 30 plan year end versus those that have a December 31 plan year end. However, for the two years ending 2009 and 2010 the returns were dramatically different. The same is true with those plans that have a June 30 plan year end, like FRS. Mr. Nash stated that all of what happened last quarter was all based on fear – irrational fear. It was not rational because the world is in a much better place than it was a couple years ago – corporations have a lot of cash on the balance sheets and individual savings have increased. However, there was a lot of volatility in the quarter. It was noted that growth outperformed value. It was also noted that having Treasuries definitely hurt during the quarter.

Adam Levinson entered the meeting.

Mr. Nash reviewed the performance as of September 30, 2011. The total market value as of September 30, 2011 was \$26,136,712. The asset allocation was comprised of 50.4% in domestic equities; 8.9% in international equities; 33.1% in fixed income; 3.5% in real estate; and 4.1% in cash. The Fund was down 9.87% net of fees for the quarter while the benchmark was down 8.64%. Mr. Nash stated that the underperformance of bonds hurt

during the quarter and international underperformed as well. Domestic equities were down 13.44% while the Russell 3000 was down 15.28%. International was down 21.64% while the benchmark was down 19.78%. Fixed income was down .56% while the benchmark was up 3.82%.

Mr. Nash provided a review on the individual managers. Cornerstone was down 10.02% while the Russell 1000 Value was down 16.20%. Wells was down 14.06% and Brown was down 15.95% while the Russell 1000 Growth was down 13.14%. Advisory was down 17.41% while the Russell 2500 Value was down 21.10%. Vanguard Developed was down 20.11% while the benchmark was down 18.95%. The Vanguard Emerging Market was down 23.97% while the benchmark was down 22.46%. With respect to fixed income, Garcia Hamilton was down .56% while the benchmark was up 3.82%. Mr. Nash noted that the benchmark has 45% in US Treasuries while Garcia Hamilton has less than 10%. In a quarter marked by fear, this clearly hurt performance. American Realty was up 3.19% while the NCREIF was up 3.58%. Mr. Nash noted that American Realty has been a manager for a full quarter now and they really helped performance in the quarter. Mr. Nash reviewed the compliance checklist. Mr. Nash stated that he had no recommendation for change.

Rich Seamon entered the meeting.

It was noted that Cornerstone provided a Consent Form they were asking the Board to sign. Mr. Nash stated that Cornerstone is still 100% employee owned. They are expanding their ownership from 6 to 13 members. As that may be considered a change of control, they are requesting consent. Mr. Nash stated that he has not fully reviewed the letter or Consent Form from Cornerstone. He stated that he would review the matter with his team to make sure there are no issues. A motion was made, seconded and carried 4-0 to authorize the Chairman to execute the Cornerstone Consent Form contingent upon confirmation by Mr. Nash.

ADMINISTRATIVE REPORT

The Board was presented with correspondence from the Actuary dated September 22, 2011 regarding an additional cost for reporting information in the Valuation pursuant to SB 1128. It was noted that SB 1128 created a new actuarial disclosure requirement, which will require more work on the part of the Actuary. The Actuary has advised that the additional cost to include this information in the Valuation will be \$750. Mr. Levinson stated that the Fund is statutorily required to perform the study. He stated that he thought the Actuary's request was reasonable and the Board should authorize it. A motion was made, seconded and carried 4-0 to authorize the Actuary to include the actuarial disclosure requirement of SB 1128 in the Valuation at a cost not to exceed \$750.

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 September 30, 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.

It was noted that an election was held and Mark Lamb was re-elected to the Board for another term.

ATTORNEY REPORT

Mr. Levinson discussed the status of the lawsuits. He noted that the lawsuit brought by the City against the Fund has been expanded to individual members. He reminded the Board that Alan Eichenbaum represented the individual members. He stated that Mr. Eichenbaum is working on a Consent Order with the City regarding those hired before 1979, as it is unnecessary to include pre-1979 hire members. They should never have been served in the first place or continue to be served. That was a waste of money and time. Mr. Shook stated that the City was also serving some employees that went to FRS and took a refund. Mr. Levinson stated that the lawsuit is still in the preliminary stages. Technically the City does not need to have every member served, but it weakens their case if they do not.

It was noted that the Board received a letter dated October 4, 2011 from Participant James Longenecker. It was noted that it might be worthwhile to work with Alan Eichenbaum and follow up on Mr. Longenecker's suggestions. It might be a good idea to have an informational meeting with the Participants involved in the lawsuit once everyone gets served and things start to move along. Ms. Highland stated that there were numerous things in Mr. Longenecker's letter that really offended her. She stated that she has been on the Board for 6 years. All of the Board meetings are announced and open. The letter was complaining that he did not think people were doing their job. She noted that it is not a requirement of the Board or the service providers to attend City Commission meetings. Mr. Longenecker apologized if his letter offended anyone. He stated that once the merger took place, the information highway was not as open as it once was in that employees are spread out among various stations in the County and he was receiving a lot of calls from members. It was noted that the Board could not negotiate regarding the fire assessment fee that Mr. Longenecker referenced in his letter. However, the Union can negotiate on behalf of the members. The assessment is not a pension issue. Mr. Highland reminded Mr. Longenecker and the others present that they need to be able to separate the Board from the Union activities. Mr. Shook stated that the letter said that Mr. Longenecker made numerous requests made to the Board with no avail. Mr. Shook stated that Mr. Longenecker never contacted him, either by phone or at the station where he works. Mr. Shook stated that the Board would leave it up to the Attorneys as to the information to be provided to the Participants and the timing of that information. Mr. Levinson stated that protracted litigation is stressful for the Participants and the taxpayers. However, he noted that the City brought this lawsuit, not the Board. He stated that the only parties that win in something like this are the attorneys. He stated that it was not his goal to stretch out attorney's fees in this case.

Ms. Highland inquired about the status of the proposed Ordinance regarding global bond investing. Mr. Levinson stated that he has not had any substantive conversations with the City. He stated that the City has had the proposed Ordinance for 6 months. He stated that he would contact the City and attempt to engage in further conversation.

Mr. Levinson discussed the status of the Merrill Lynch class action. He stated that the lawsuit is pending in Federal Court. It is in the discovery stage. He stated that Merrill Lynch took the deposition of Mr. Seamon. He stated that they would be taking depositions of Merrill Lynch representatives in New York in December. He stated that a mediation meeting is scheduled for December 8.

Mark Lamb departed the meeting.

Mr. Levinson provided a proposed Order Granting the Disability Application for April Hanyecz. A motion was made, seconded and carried 3-0 to authorize the Chairman to sign the Order Granting the Disability Application for April Hanyecz.

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary