

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
May 24, 2012

The meeting was called to order at 9:05 A.M. in the Conference Room at Station 93, Lake Worth, Florida. Those persons present were:

TRUSTEES

Jimmy Shook
Rich Seamon (9:08 A.M.)
Pat Highland
Mark Lamb

OTHERS

Margie Adcock and Scott Baur, Administrator
Adam Levinson, Attorney
Tim Nash, Investment Monitor
Steve Palmquist and Pete Strong, Actuary

ADDITIONS AND DELETIONS

There were no additions or deletions to the Agenda.

MINUTES

The Trustees reviewed the minutes of the meetings of January 31, 2012. A motion was made, seconded, and carried 3-0 to accept the minutes of the meetings of January 31, 2012.

Rich Seamon entered the meeting.

ACTUARY REPORT

Steve Palmquist and Pete Strong appeared before the Board. They presented the Actuarial Valuation as of October 1, 2011. Mr. Palmquist noted that there were several Participants that went into the DROP this past year. Additionally, the average pay went up quite a bit. He stated that pensionable pay increased by about 20% from last year. Mr. Baur noted that after the merger, pay was not properly classified as pensionable. The County corrected the matter by adding pay and taking retroactive employee contributions over a period of time. He noted that for record keeping purposes, they could not add the employee contributions paid to the prior closed fiscal year. As such, pay was spiked artificially in 2011. Mr. Palmquist noted that there had been a previous discussion on whether to revise the 2010 Valuation to adjust the pay for that issue, but it was decided to move forward and include the additional pay in this year's Valuation. Mr. Baur stated that they recognize for reporting purposes the money when it is received but for calculation purposes it is recognized when it is reported.

Mr. Palmquist reviewed the annual required contribution. He noted that the required employer contribution for the plan year ending September 30, 2013 would be \$2,208,840. This includes the phasing in of the assumptions, which is being done over five years. This Valuation includes 60% of the old assumptions and 40% of the new assumptions. Mr. Palmquist noted that this contribution amount is a huge increase from the required contribution amount last year of \$1,733,046. He stated that two-thirds of the increase is due to investments and one-third is due to everything else such as salary and the interest

rate for the DROP accounts. With respect to the DROP accounts it was noted that the interest earned on the DROP accounts was more than what the Fund actually earned. It was noted that the FRS contribution rate for firefighters was decreasing to 14.9% beginning July 1, 2012. As such, while the City's required contribution amount to the Fund will increase, the amount the City will be getting from the County would be less. Mr. Palmquist stated that he received notice on Monday that the City is seeking a request for proposal for an actuarial firm to review all three of the City's pension plans and make recommendations. He stated that Mr. Carr advised that it would be acceptable to him if Mr. Palmquist responded to the request for proposal. The Board discussed the last time the City did this a couple years ago.

Mr. Palmquist reviewed the unfunded actuarial accrued liability. He noted that the salary increases were 21% versus the assumed rate of 6.5%. Investment returns were 1.5% versus the 8.35% assumed rate. He reviewed the reconciliation of Plan assets. There was a lengthy discussion on the interest rate credited to the DROP accounts. It was noted that the interest rate credited to the fixed option of the DROP accounts was initially set at 7% and it has remained at that rate ever since. It was set to be 1.5% below the assumed rate when it was first established, which investment assumption rate then was 8.5%. There was discussion on possibly changing the DROP fixed interest rate prospectively so that it would always be 1.5% lower than the assumed investment rate. The Board decided to discuss this further at the next meeting. The Board asked Mr. Nash to provide some information with respect to this issue for the next meeting.

Mr. Palmquist reviewed the schedule of funding progress. It was reported that the funded rate is 51.7%. It was noted that the Board has taken steps to phase in the change in assumptions and the unfunded liability is being paid on a declining annual basis. There was discussion on how to get more money into the Plan. Mr. Palmquist stated that it could be done by getting more money from the Fund's investments; getting more money from the City; getting more money from the employees (although it was noted that there are not many remaining employees left); and/or getting more State 175 money from Division II. Mr. Palmquist stated that steps have been taken to help the funding of the Plan, but he is concerned that it is not enough. There was a lengthy discussion. Mr. Nash stated that the Fund is still not invested in the global market because an Ordinance change is necessary to allow that. Mr. Levinson stated that the City has not yet moved on the proposed Ordinance. He stated that it would be worthwhile to talk to the City about that in conjunction with the Valuation. He suggested that a meeting be arranged with the City, Mr. Palmquist, Mr. Nash and himself to continue the conversation. It was also noted that there is the lawsuit that is currently pending that is costing the Fund and the City an enormous amount of time and money. Perhaps all of these things could be discussed in a meeting with the City. It was determined that Mr. Levinson would arrange for a meeting with the appropriate individuals to move forward with these discussions. A motion was made, seconded and carried 4-0 to approve the Actuarial Valuation as of October 1, 2011

INVESTMENT MONITOR REPORT

Tim Nash appeared before the Board. He discussed the market environment and reviewed the major market index performance as of March 31, 2012. He reviewed the performance as of March 31, 2012. The total market value as of March 31, 2012 was

\$30,466,674. The asset allocation was comprised of 55.6% in domestic equities; 9.9% in international equities; 28.0% in fixed income; 5.1% in real estate; and 2.3% in cash. The Fund was up 10.4% net of fees for the quarter while the benchmark was up 7.52%. Domestic equities were up 15.26% while the Russell 3000 was up 12.87%. International was up 12.49% while the benchmark was up 11.34%. Fixed income was up 3.13% while the benchmark was up .30%.

Mr. Nash provided a review on the individual managers. Cornerstone was up 11.63% while the Russell 1000 Value was up 11.12%. Wells was up 19.5% while the Russell 3000 Growth was up 14.58%. Brown was up 17.76% while the Russell 1000 Growth was up 14.69%. Advisory was up 12.77% while the Russell 2500 Value was up 11.52%. Vanguard Developed was up 11.54% while the benchmark was up 10.98%. The Vanguard Emerging Market was up 13.94% while the benchmark was up 14.14%. With respect to fixed income, Garcia Hamilton was up 3.13% while the benchmark was up .30%. American Realty was up 3.02% while the NCREIF was up 2.82%.

Mr. Nash reviewed the compliance checklist. He provided an update through April 30, 2012. He stated that he had no recommendation for change with the exception of continuing to try to get the proposed Ordinance that would allow for global bond investing. He stated that he continues to recommend global bonds and would recommend the Templeton Global Bond Fund.

Tim Nash, Steve Palmquist and Pete Strong departed the meeting.

ADMINISTRATIVE REPORT

The Board was presented with disbursements, including the investment manager disbursements. Mr. Levinson advised that the invoices from his firm were so high due to the lawsuit by the City. A motion was made, seconded and carried 4-0 to pay the listed disbursements.

The Board reviewed the financial statement for the period ending April 30, 2012.

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 the Annual Report was ready for execution.

The Board was presented with the final revised Audit as of September 30, 2011. A motion was made, seconded and carried 4-0 to approve the final revised Audit as of September 30, 2011.

Mr. Baur provided a request for a fee increase by letter dated May 18, 2012. He noted that they have been working for the Plan for twelve years and have never requested an increase. The fees were changed in 2005 but that was to reflect additional services that were added to what they do for the Fund. He requested an increase of the monthly retainer to \$1,975 effective June 1 with a cost of living increase each January 1. There was discussion. The Board stated that they felt the increase was justified and appreciated all the hard work that is done by the Administrator for the Fund. A motion was made,

seconded and carried 4-0 to approve the fee increase requested by the Administrator by letter dated May 18, 2012.

ATTORNEY REPORT

Mr. Levinson reminded the Board that they had to file the Form 1 Financial Disclosure Form with the Supervisor of Elections in the County where they reside by July 1.

Mr. Levinson reported on the status of the lawsuits. He discussed the status of the Merrill Lynch class action. He stated that the lawsuit has been settled and there is a settlement fairness hearing in July. There are 78 class members. He stated that the Fund would probably receive about \$50,000 from the settlement. He stated that the Board received a Claim Form and Release that needs to be completed. The Board directed the Administrator to complete and submit the Form. A motion was made, seconded and carried 4-0 to authorize the Administrator to complete the Claim Form and Release and submit the Form accordingly.

Mr. Levinson discussed the status of the lawsuit brought by the City against the Fund. He stated that the City has filed a Request for Production and a Set of Interrogatories, which he is working to respond to. He noted that he would soon be filing discovery on the City with a Request for Production and a Set of Interrogatories.

Mr. Levinson discussed the requirement to report income for disability recipients. He stated that some pension plans require a disability participant to report income they are earning from outside employment. This Plan does not require that. Rather, this Plan has a workers' compensation offset. If a workers' compensation lump sum is paid, then it needs to be determined how much was paid for medical versus lost earnings. The Plan cannot offset for future medical, but can offset for future wages. There was a discussion on whether there was any workers' compensation settlement received in the last disability case before the Board. There was further discussion on whether it was necessary to follow up with disability applicants on this issue. The Board decided it was not worth spending any more attorneys' fees on this matter.

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary