

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
August 28, 2012

The meeting was called to order at 9:00 A.M. in the Conference Room at Station 93, Lake Worth, Florida. Those persons present were:

TRUSTEES

Jimmy Shook
Valerie Hurley
Pat Highland
Mark Lamb

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Tim Nash, Investment Monitor
Pete Strong, Actuary

WELCOME NEW TRUSTEE VALERIE HURLEY TO THE BOARD

The Board welcomed Valerie Hurley as the new City Trustee. The Board made brief introductions and Ms. Hurley gave a brief background of her experience.

Mark Lamb was called out of the meeting on a call.

ADDITIONS AND DELETIONS

There were no additions or deletions to the Agenda.

MINUTES

The Trustees reviewed the minutes of the meeting of June 28, 2012. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of June 28, 2012.

ACTUARY REPORT

Pete Strong appeared before the Board. He presented a Supplemental Actuarial Study. He stated that he did a study in the spring for the General Employees and Police Pension Plans. He stated that the study was done to slowly decrease the amortization period over time from 24 years. He reviewed the options with the Board. The options were to not make a change to the amortization period; to reduce it by one year each year; to reduce it down to 14 years; or to change to the aggregate funding method.

Mark Lamb re-entered the meeting.

Mr. Strong reviewed the Supplemental Actuarial Study dated August 22, 2012. He reviewed the 30-year projection of required City and County contributions for the four scenarios. He reviewed the comparison of projected City contributions. He reported that the City has stated that they are in a dire situation. He stated that the Finance Director Steve Carr has told them that the City contribution to all three pension plans is more than they receive in property taxes each year.

Mr. Nash stated that he recommended reducing the investment rate assumption to 6% over the next couple of years. Mr. Strong stated that the General Employees and Police Pension Plans have not made a decision to reduce the investment rate assumption even though it has been recommended. He stated that the Study used all of the assumptions that were used in the October 1, 2011 Valuation. He stated that he does believe that the investment rate assumption needs to be moved down. He stated that currently it is going down by 15 basis points a year. If the Board wants to reduce the investment rate assumption to 6% or 6.5%, the Board would need to revisit the current schedule.

With respect to the amortization period, Mr. Strong advised that the Police Pension Plan had already passed and approved the second option, which was to reduce the amortization period by one year each year. He advised that the General Employees Pension Plan tabled the matter. Mr. Levinson stated that the Board could postpone any decision until the next meeting. Mr. Strong agreed noting that there is plenty of time before the October 1, 2012 Valuation would be done. The Board directed the Administrator to contact Steve Carr and invite him to the next meeting advising him that the Board is going to make a decision on this matter at that time.

There was then discussion on the issue involving disability participants who are eligible for conversion to normal retirement. Mr. Strong stated that there are two individuals that are currently on a disability retirement that should be converted to a normal retirement. He stated that he would prepare the necessary calculations for those two individuals. There was a lengthy discussion on the requirement to convert from a disability retirement to a normal retirement. Ms. Hurley stated that the Police Pension Plan changed that requirement several years ago. Mr. Levinson stated that there was a new City Attorney so perhaps the Board could address this with the City. If the City made a policy change for the Police Pension Plan he was optimistic that the City would be willing to make a similar Ordinance change for this Plan.

Ms. Highland stated that she also wanted Mr. Nash to be able to address the City on the need for global bond investing. She stated that the City is tying the Board's hands and the Fund needs to get investments up in order to get more money in the Plan. Mr. Nash stated that the Fund needed to put more money in bonds and change the investment assumption. He stated that he believes that US bonds will have difficulty performing well going forward. The Fund needs additional diversification. Just leaving money in US bonds will make it difficult to make better returns. The Board asked Mr. Nash to prepare a letter on global bond investment and have the Actuary prepare a no cost letter to support the Board's recommendation to change the Ordinance to allow for such investments.

ATTORNEY REPORT

Mr. Levinson provided the Board with a Memorandum dated August 17, 2012 regarding the Department of Management Services' interpretation of the extra benefits law passed

in 1999. He stated that this is a change in interpretation at the Division of Retirement, but does not apply to Lake Worth. There was a lengthy discussion.

Mark Lamb was called out of the meeting on a call.

Mr. Levinson presented an Amendment to the DROP Policy regarding the fixed interest rate that was approved at the last meeting. He stated that the Amendment changes the policy to reflect that effective October 1, 2012 the DROP interest rate would be 1.5% below the actuarially assumed rate of return. A motion was made, seconded and passed 3-0 to authorize the Chair to execute the Amendment to the DROP Policy.

Mr. Levinson reported on the status of the lawsuits. He discussed the background and status of the Merrill Lynch class action. He stated that all Claim Forms were due on September 11, 2012. There is no further action required by this Plan.

Mr. Levinson discussed the status of the lawsuit brought by the City against the Fund. He stated that they were still in the midst of procedural matters. He stated that the City recently authorized an extra \$40,000 in fees to outside legal counsel. He stated that the City recently filed a Motion to Compel. He reviewed the email he sent to Amy Shepard of the City's outside counsel yesterday in anticipation of a conference call later today.

Mark Lamb re-entered the meeting.

INVESTMENT MONITOR REPORT

Tim Nash appeared before the Board. He discussed the market environment and reviewed the major market index performance as of June 30, 2012. He stated that it was a tough quarter. He reviewed the performance as of June 30, 2012. The total market value as of June 30, 2012 was \$29,366,729. The asset allocation was comprised of 54.3% in domestic equities; 8.6% in international equities; 29.5% in fixed income; 5.4% in real estate; and 2.2% in cash. The Fund was down 3.61 net of fees for the quarter while the benchmark was down 1.62%. Domestic equities were down 6.00% while the Russell 3000 was down 3.15%. International was down 7.48% while the benchmark was down 7.38%. Fixed income was up 1.59% while the benchmark was up 2.06%.

Mr. Nash provided a review on the individual managers. Cornerstone was down 4.96% while the Russell 1000 Value was down 2.20%. Wells was down 6.6% while the Russell 3000 Growth was down 4.02%. Brown was down 7.56 while the Russell 1000 Growth was down 4.02%. Advisory was down 4.62% while the Russell 2500 Value was down 3.02%. Vanguard Developed was down 6.86% while the benchmark was down 6.85%. The Vanguard Emerging Market was down 8.41% while the benchmark was down 8.77%. With respect to fixed income, Garcia Hamilton was up 1.59% while the benchmark was up 2.06%. American Realty was up 2.72% while the NCREIF was up 2.58%.

Mr. Nash reviewed the compliance checklist. 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.

Mr. Nash stated that the Investment Policy Statement was last updated in 2010. He stated that the Addendums to the Investment Policy Statement needed to be updated. He stated that he would circulate such documents to obtain the appropriate signatures.

Ms. Highland asked for information on the MLP Master Limited Partnerships in lieu of global bond investing.

ADMINISTRATIVE REPORT

The Board was presented with the engagement letter from Steve Gordon for the audit for the fiscal year ending September 30, 2012. A motion was made, seconded and carried 4-0 to approve the engagement letter from Steve Gordon for the audit for the fiscal year ending September 30, 2012 and authorize the Chair to execute the letter.

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 July 31, 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.

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary