

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
October 30, 2012

The meeting was called to order at 9:10 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
Rich Seamon

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Tim Nash, Investment Monitor
Steve Palmquist and Pete Strong, Actuary
Steve Carr, Finance Director
Glen Torcivia, Interim City Attorney

ADDITIONS AND DELETIONS

There were no additions or deletions to the Agenda.

ACTUARY REPORT

Steve Palmquist and Pete Strong appeared before the Board. Mr. Strong reviewed the Supplemental Actuarial Study that was presented at the last meeting to change the method of financing pension benefits. He recommended changing the amortization period to shorten the period so payments are made while there are still active employees and so that payments are paid by current taxpayers and not transferred to future taxpayers. He reviewed the various scenarios again with the Board. He stated that the General Employees Pension Plan has not made a final decision yet. The Police Pension Plan decided to reduce the amortization period by one extra year each year. Mr. Carr discussed the status of the City's General Fund, which is the part of the City's budget that includes pension contributions to the City's pension plans. He suggested the Board opt for the scenario to reduce the amortization period by one extra year each year. There was a lengthy discussion. Mr. Strong stated that the advantage to going with that scenario is that the Plan would be fully funded by the time the last person retires and this would move the Fund in that direction. A motion was made, seconded and passed 5-0 to change the actuarial cost method by reducing the remaining amortization period by two years each year beginning with the October 1, 2012 Actuarial Valuation.

There was then discussion on the issue involving disability participants who are eligible for conversion to normal retirement. It was noted that the Board was asked recently to address the issue of converting a disability retirement to a normal retirement. Mr. Levinson advised the Board that the Plan was clear that a disability retirement converts to a normal retirement upon one reaching their normal retirement date. There was a lengthy discussion. Mr. Levinson explained to the City that the Board has discussed the possibility of removing that provision from the Ordinance. Mr. Strong stated that there would be no adverse actuarial impact to removing that provision from the Ordinance.

The City representatives at the meeting stated that they would be willing to look into this and discuss it further. There was discussion on whether the Board should hold off on sending letters to the two individuals that are currently on a disability retirement that should be converted to a normal retirement pending a possible Ordinance change. It was determined that a letter should be sent to the two individuals to share the calculation that was prepared for a conversion and advise the individuals that if there is no change to the Ordinance, they would need to make an election for a normal retirement benefit. If a conversion were necessary, it would not take effect until after the next meeting.

There was then discussion on the need for global bond investing. Mr. Nash explained to the City representatives why allowing such investments would help the returns of the Fund. He stated that over half of the pension plans they work with allow global bond exposure. He also noted that with respect to domestic bonds the Plan currently requires 90% of such bonds to be A or better and allowing only 10% of such bonds to be investment grade. He stated that this is limiting the manager. The fixed income manager needs to be able to come down the quality spectrum to at least investment grade. He stated that changing the language to address these two items would help the Plan, especially since 40% of the Fund is in bonds. The City representatives stated that they would be willing to look into this issue as well. Mr. Levinson stated that he would forward to the City Attorney a proposed Ordinance regarding investments that has been pending and include sample language for the disability conversion issue.

There was discussion on the differences between the contributions for the Police and Fire Pension Plans. For the Fire Pension Plan, the County pays the City on the FRS rate. He stated that changes have been made to FRS, which has lowered the FRS rate. As such, what the County pays to the City will go down. However, the obligation to the Fund still remains so the City will have to make up that difference. It is an unintended consequence to how that Interlocal Agreement was negotiated.

Steve Palmquist discussed a notice that was sent dated October 15, 2012 advising of his retirement on December 31, 2012. He stated that Mr. Strong would be taking over as the main contact. There would be the same amount of support for each Plan. The second Actuary on this account would be Jeff Amrose who would be the team leader. The Board thanked Mr. Palmquist for his many years of service to the Fund and wished him well in his future endeavors.

Steve Carr, Glen Torcivia, Steve Palmquist and Pete Strong departed 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 September 30, 2012. He reviewed the performance as of September 30, 2012. The total market value as of September 30, 2012 was \$30,686,779. The asset allocation was comprised of 55.2% in domestic equities; 8.8% in international equities; 28.3% in fixed income; 5.2% in real estate; and 2.6% in cash. The Fund was up 5.96% net of fees for the quarter while the benchmark

was up 4.55%. Domestic equities were up 7.65% while the Russell 3000 was up 6.23%. International was up 6.39% while the benchmark was up 7.49%. Fixed income was up 3.41% while the benchmark was up 1.58%.

Mr. Nash provided a review on the individual managers. Cornerstone was up 8.71% while the Russell 1000 Value was up 6.51%. Wells was up 7.46% while the Russell 3000 Growth was up 6.01%. Brown was up 7.77% while the Russell 1000 Growth was up 6.11%. Advisory was up 5.98% while the Russell 2500 Value was up 5.85%. Vanguard Developed was up 6.35% while the benchmark was up 6.98%. The Vanguard Emerging Market was up 6.45% while the benchmark was up 7.89%. With respect to fixed income, Garcia Hamilton was up 3.41% while the benchmark was up 1.58%. American Realty was up 2.58% while the NCREIF was up 2.70%.

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.

ADMINISTRATIVE REPORT

The Board was presented with disbursements, including the investment manager disbursements. A motion was made, seconded and carried 5-0 to pay the listed disbursements.

The Board reviewed the financial statement for the period ending August 31, 2012.

The Board was presented with a list of benefit approvals. A motion was made, seconded and carried 5-0 to approve the benefit approvals.

It was noted that James Shook was re-elected for another term, which term will expire on May 31, 2014.

The Board was presented with a letter from the Custodian dated September 12, 2012 advising that they would honor the existing fee arrangement through September 2013.

ATTORNEY REPORT

Mr. Levinson advised that the Custodian for the Fund sent a letter dated October 1, 2012 to all of their municipal pension plan clients regarding class action processing enhancements. He stated that the Custodian wanted to outsource this function to another company at a cost of 20% of any recovery. Mr. Levinson's firm sent a letter to the Custodian dated October 2, 2012 advising that they could not unilaterally alter any contracts they had with their municipal pension plan clients, which included this Fund. The Custodian advised by letter dated October 11, 2012 that they were not going to implement the proposed enhanced service.

Mr. Levinson provided an agreement letter dated August 9, 2012 with Bernstein Litowitz Berger & Grossman for portfolio monitoring services. He stated that there was no cost to the Fund unless the Board authorizes them to bring a lawsuit. The agreement only allows access to the portfolio information. He stated that there was no harm to allow them access. He advised that there was no downside to allowing access, only upside. A motion was made, seconded and carried 4-1 to authorize the Chair to execute the agreement letter dated August 9, 2012 with Bernstein Litowitz Berger & Grossman for portfolio monitoring services. Pat Highland opposed the motion.

Mr. Levinson reported on the status of the lawsuits. He stated that there is a new City Attorney that is getting up to speed with the lawsuits. Mr. Levinson stated that he has offered to sit down to discuss the case to see if the parties can amicably resolve the matter.

Mr. Levinson advised that his firm prepared a Memorandum dated October 5, 2012 regarding a September 2012 Report issued by the LeRoy Collins Institute. He stated that the Report by the LeRoy Collins Institute is a continuation of their earlier 2011 Report regarding municipal pension plans in Florida. Mr. Levinson stated that he thinks the September 2012 Report has the same problems as the original Report, as well as some new additional problems.

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary