

***LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND***  
**MINUTES OF MEETING HELD**  
**February 12, 2013**

The meeting was called to order at 9:09 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 (9:17 A.M.)

**OTHERS**

Margie Adcock, Administrator  
Adam Levinson, Attorney  
Tim Nash, Investment Monitor  
Steve Gordon, Auditor  
Steve Carr, Finance Director

**ADDITIONS AND DELETIONS**

There were no additions or deletions to the Agenda.

**AUDITOR REPORT**

Steve Gordon appeared before the Board. He presented the Annual Audit as of September 30, 2012. He stated that he was issuing a clean opinion. He reviewed Management's Discussion and Analysis. He reviewed the Statement of Plan Net Assets. The total assets were \$31,200,684 with most of the money in investments. Total liabilities were \$120,253. Total net assets were \$31,080,431. Mr. Gordon reviewed the Statement of Changes in Plan Net Assets. He stated that there was an increase in Plan net assets of \$4,524,818.

Rich Seamon entered the meeting.

Mr. Gordon reviewed the schedule of administrative expenses. He reviewed the notes to the financial statements. He stated that he found no significant internal control issues. He stated that he had no disclosures he needed to point out. A motion was made, seconded and carried 5-0 to accept the Annual Audit as of September 30, 2012.

Steve Gordon departed the meeting.

**MINUTES**

The Trustees reviewed the minutes of the meetings of August 28, 2012 and October 30, 2012. A motion was made, seconded, and carried 5-0 to accept the minutes of the meetings of August 28, 2012 and October 30, 2012.

**INVESTMENT MONITOR REPORT**

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

2012 was \$30,838,626. The asset allocation was comprised of 54.7% in domestic equities; 9.4% in international equities; 28.3% in fixed income; 5.2% in real estate; and 2.4% in cash. The Fund was up .50% net of fees for the quarter while the benchmark was up 1.08%. Domestic equities were down .82% while the Russell 3000 was up .25%. International was up 7.26% while the benchmark was up 5.89%. Fixed income was up 1.08% while the benchmark was up .21%.

Mr. Nash provided a review on the individual managers. Cornerstone was down .25% while the Russell 1000 Value was up 1.52%. Wells was down 2.34% while the Russell 3000 Growth was down 1.19%. Brown was down .62% while the Russell 1000 Growth was down 1.32%. Advisory was up .38% while the Russell 2500 Value was up 4.14%. Vanguard Developed was up 7.56% while the benchmark was up 6.60%. The Vanguard Emerging Market was up 6.80% while the benchmark was up 5.61%. With respect to fixed income, Garcia Hamilton was up 1.08% while the benchmark was up .21%. American Realty was up 2.50% while the NCREIF was up 2.35%.

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 passage of the proposed Ordinance that would allow for global bond investing.

There was then a discussion on investing in Master Limited Partnerships (MLPs). Mr. Nash stated that such an investment is not expressly allowed in the Ordinance. He asked the Attorney for his opinion on whether MLPs would be allowed under the current Ordinance or whether an Ordinance change would be necessary. There was also discussion on private real estate versus REITs. It was noted that private real estate has a queue to go in and out whereas REITs would be part of equities and would have daily liquidity. Mr. Levinson stated that his proposed Ordinance would give the Board authority to make all of the discussed investments. He stated that he would like to move forward with trying to get the Ordinance passed.

Mr. Nash provided an asset allocation review. He stated that Garcia Hamilton has most of the portfolio right now with 35% in fixed income. He stated that going forward that is not an area that he believes will provide strong returns. He discussed the other possible options for fixed income. First, he would like to increase real estate. He recommended taking 5% away from Garcia Hamilton and diversifying into real estate. He discussed the private real estate manager ASB Real Estate. It is the most conservative of the real estate options. Second, he would like to see global bonds in the Fund. He stated that this would take an Ordinance change. He would recommend taking 5% away from Garcia Hamilton to fund this investment.

Finally, he would like to change the asset allocation of the Fund. He stated that he thought this could be done today subject to the Attorney's approval. He stated that he was recommending the PIMCO All Asset Fund. It has a risk pattern similar to TIPS. He reviewed the pool of funds that they can pick from. He reviewed the guidelines of that fund. Currently there is no leverage and there is a maximum exposure of 50% to any single fund. It is daily valued. It is a mutual fund so the Fund could get in and out very easily. The target return is CPI plus 5%. Mr. Nash stated that such an investment is a way to diversify away from US fixed income. The fee is 90 basis points. He stated that this is more than what is charged by a traditional bond manager at about 35 basis points, but he thinks there is a chance for better returns. It is a hybrid fund of equity and fixed

income so he would recommend taking some cash from the equity and fixed income portfolios to fund the investment. He stated that they have about six clients in this strategy right now.

There was a lengthy discussion on the various options and the status of the proposed Ordinance changes that were previously sent to the City. Mr. Carr stated that he did not follow up with the City Attorney on the proposed Ordinance changes. He stated that he would follow up with the City Attorney to see if they can come to a final decision on this.

Mr. Nash stated that he liked the idea of adding real estate at a 3% to 5% investment. He stated that he would bring information on real estate options that have daily value as well as information on private real estate through ASB Real Estate to the next meeting. He noted that global bonds would have to wait until the proposed Ordinance is acted upon. Mr. Shook stated that he did talk to the Union regarding the proposed Ordinance and advised that the Union stated that it had no objection to the non-monetary investment changes.

Steve Carr departed the meeting.

There was further discussion on diversified asset investments. Mr. Nash further reviewed the PIMCO All Asset Fund. He stated that it was an US mutual fund but could from time to time own foreign bonds. It is a mutual fund of an American company, which is permissible. Mr. Levinson stated that there was no exact language in the Ordinance allowing such an investment. He stated that the Board would be interpreting the Ordinance broadly to allow such an investment. He stated that ideally the Board should clean up the language, but it was up to the Board to interpret the current Ordinance. Mr. Nash further reviewed the PIMCO All Asset Fund. He reviewed the performance. He stated that it would be benchmarked to the CPI plus 5% or a blend of the Russell 3000 Index and the bond benchmark. Mr. Levinson stated that he had no problem with the investment, as it is a permissible investment. The Board would be interpreting the Ordinance broadly to allow it. The Fund has used mutual funds before, although this mutual fund is very diverse. Mr. Nash stated that he did not think using this investment would increase the risk of the overall Fund. Rather, he believed it would reduce the risk of the overall Fund.

Mr. Nash provided a revised Investment Policy Statement. He noted that the current Investment Policy Statement permits this investment but the table showing the benchmark should be changed. Mr. Levinson agreed and noted that only the benchmark would need to be changed. He suggested waiting 30 days after the Investment Policy Statement is revised before making the investment. The Investment Policy Statement authorizes such an investment but it does not provide what the benchmark should be. Waiting would also give Garcia Hamilton a little more time to raise the necessary cash. A motion was made, seconded and carried 5-0 to amend the Investment Policy Statement to include a category of real assets and an appropriate benchmark. A motion was made, seconded and carried 5-0 to purchase 5% of the PIMCO All Asset Fund 30 days after the revised Investment Policy Statement is filed with the funding to be taken from Garcia Hamilton.

## **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 December 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.

## **ATTORNEY REPORT**

Mr. Levinson discussed the status of the proposed Ordinance. He stated that he sent the proposed Ordinance changes to the City Attorney after the last meeting. He stated that he tried to follow up with the City Attorney by leaving messages, but did not hear back from the City before the meeting today. He hoped the City had a willingness to sit down and talk with the Board so that the Ordinance can get passed.

Mr. Levinson reported on the status of the lawsuits. He stated that there is nothing happening right now on the lawsuit that was filed by the City. With regard to the Merrill Lynch lawsuit, the Court finally approved the settlement and he understood that the settlement checks were being sent out within the next couple of weeks.

Mr. Levinson reported on the Legislative updates and a recent FRS case.

## **OTHER BUSINESS**

There was discussion on the issue involving disability participants who are eligible for conversation to normal retirement. Ms. Adcock advised that she sent a letter to the two individuals currently affected to share the calculation that was prepared for a conversion and advise the individuals that if there was no change to the Ordinance, they would need to make an election for a normal retirement benefit. She advised that one of the individuals wanted to convert and the other did not. The Board decided to hold off on making any change to the individual that did not want to convert until they had a chance to get input from the City. A motion was made, seconded and carried 5-0 to authorize a conversion from a disability retirement to a normal retirement for Dale Rodberg pursuant to the current Ordinance and postpone any final decision related to Harold Cline.

The Board authorized the release of the draft Actuarial Valuation as of October 1, 2012 to the City so as to assist the City with their budget.

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

Respectfully submitted,

Mark Lamb, Secretary