

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
November 21, 2013

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
Rich Seamon
Mark Lamb

OTHERS

Margie Adcock, Administrator
Adam Levinson & Paul Daragjati, Attorney
Tim Nash, Investment Monitor
Karen Russo & Mark Rhein, Custodian

PUBLIC COMMENTS

There were no public comments.

ADDITIONS AND DELETIONS

Mr. Shook requested to add the Distribution of the DROP of Roger Forrest to the Administrative Report.

MINUTES

The Trustees reviewed the minutes of the meetings of August 14, 2013 and September 19, 2013. A motion was made, seconded, and carried 4-0 to accept the minutes of the meetings of August 14, 2013 and September 19, 2013.

CUSTODIAN REPORT: SALEM TRUST COMPANY

Karen Russo and Mark Rhein appeared before the Board. Ms. Russo provided a brief introduction noting that she was the Relationship Manager and Mr. Rhein was the COO. Mr. Rhein provided a brief background regarding Salem Trust Company. He noted that Salem was founded in 1998 and is dedicated to public clients. They have clients in Florida and Georgia. They have 350 total relationships with about 250 governmental plans. He stated that in 2007 they converted their systems with the expectation that a lot of those systems functionality would be used by their clients. Since that turned out not to be the case, they converted to Sunguard in June. He stated that the last four months have been very difficult due to issues with the system conversion that impacted all of their clients. He discussed the conversion and the issues that were encountered. The biggest problem was that some of the brokers did not use the new delivery instructions, which resulted in numerous failed trades that had to be corrected manually and a significant delay in the issuance of custodial statements. He stated that they brought in a consulting company to assist with the conversion issues.

There was discussion on the delay of the statements. Mr. Rhein stated that the October statements went out last week. He stated that they are fairly caught up at this point and are now focusing on service recovery. He acknowledged that this has been a huge

inconvenience for their clients and noted that their clients have been more than patient. There was a lengthy discussion. The Board questioned whether the Plan experienced any kind of loss. Mr. Rhein stated that everything is in balance here. The impact to this account has been modest, other than the timeliness of the statements. Mr. Nash agreed that there was not much impact on this Plan. He was comfortable that the total market value was identical to what the managers have recorded. Mr. Rhein stated that they have not lost any personnel, but noted that they have reassigned some people to better match up the work with their strengths. He also noted that they have not lost any client as of this point. He stated that there is not likely anything out there now which would impact this Plan. He stated that they have put forth a huge effort to determine any possible issues. He noted that if they do become aware of anything that might impact the Fund, they would let the Board know immediately. Mr. Rhein stated that they have offered a 10% reduction from their fee schedule for the quarter ending June 30, 2013. It is a way to recognize their service delay and compensate the Board for any additional expense it might have incurred. He stated that it is probable that they will offer a similar reduction on the fee for the quarter ending September 30, 2013.

Karen Russo and Mark Rhein departed the meeting.

Mr. Nash stated that the timeliness of the statements was a problem, but seems to have been corrected. He stated that he had no recommendation to move away from Salem Trust if they can get their system issues resolved and keep the same employees that provide excellent service. He did note that the Lake Worth Police and General Employees' Pension Plans were looking at other options and noted that Salem had all three plans bundled for fee purposes.

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, 2013. He stated that it was a great year and the second year in a row with double digit returns. Mr. Nash stated that he understood Mr. Shook talked to Steve Carr about the change in global bonds and he did as well. He stated that the General Employees' Fund has global bonds but the City is not willing to allow global bonds for this Plan yet under the proposed language. The General Employees' Fund has Plan Sponsor restrictions in it. He stated that he will provide more restrictive language in order to be able to give the City comfort.

Mr. Nash reviewed the performance as of September 30, 2013. The total market value as of September 30, 2013 was \$34,761,014. The asset allocation was comprised of 58.9% in domestic equities; 8.9% in international equities; 20.0% in fixed income; 4.9% in real estate; 4.7% in alternative investments; and 2.7% in cash. The Fund was up 6.37% net of fees for the quarter while the benchmark was up 4.58%. Total equities were up 8.66% while the benchmark was up 7.11%. Domestic equities were up 8.59% while the Russell 3000 was up 6.35%. International was up 9.14% while the benchmark was up 10.17%. Fixed income was up 1.38% while the benchmark was up .57%.

Mr. Nash provided a review on the individual managers. Cornerstone was up 5.40% while the Russell 1000 Value was up 3.94%. Wells was up 13.52% while the Russell 3000 Growth was up 8.48%. Brown was up 8.17% while the Russell 1000 Growth was

up 8.11%. Advisory was up 9.38% while the Russell 2500 Value was up 6.43%. Vanguard Developed was up 11.61% while the benchmark was up 11.61%. The Vanguard Emerging Market was up 4.76% while the benchmark was up 5.90%. With respect to fixed income, Garcia Hamilton was up 1.38% while the benchmark was up .57%. American Realty was up 3.40% while the NCREIF was up 3.56%. The PIMCO All Asset Fund was up 2.93% while the benchmark was up .92%. 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 discussion on Advisory Research. He stated that they have been a little problematic. They did very well for the quarter, but for the year were behind the benchmark. He stated that they have a high quality bias with no exposure in utilities, REITS or anything with interest rate sensitivity. He stated that Ms. Highland has concern with Advisory's performance. He provided information on the long term performance for the 3, 5, 7 and 10 year as of September 30, 2013. He noted that their performance was in the top 10th percentile for the 3 year period; top 37th percentile for the 5 year period; and in the 1st percentile for the 10 year period. Mr. Nash stated that they have also done well compared to their peers. He also provided information on the calendar year performance. He stated that they were mostly near the top of the pack. He stated that they have struggled, but it is reasonable as to why they have struggled. In general, he still likes them and does not think any change should be made at this time.

Mr. Nash provided information on the fee analysis as of September 30, 2013. He stated that total investment management fees were .68% or \$236,158 a year. Including the custodian and consulting, total fees were .79% or \$276,086 a year. He stated that the Fund has had a great return and the fees are low.

Mr. Nash stated that he had recommended increasing the real estate allocation from 5% to 10%. He noted that the additional allocation could be funded directly with American Realty. He noted that Ms. Highland liked other options, perhaps something more open-ended. He stated that his recommendation would be to add more to American Realty. He stated he would take the additional 5% needed from Garcia Hamilton to fund the allocation. He believes this change would enhance returns. He stated that the Board would need to get in the queue for American Realty and the next capital call would most likely not be until April 1, 2014. A motion was made, seconded and carried 4-0 to increase the real estate allocation by 5%.

ADMINISTRATIVE REPORT

The Board was presented with a list of benefit approvals. A motion was made, seconded and carried 4-0 to approve the benefit approvals.

The Board was presented with disbursements, including the investment manager disbursements. Mr. Levinson stated that their fees have gone up substantially in September and October, continuing into November, due to the litigation with the City. A motion was made, seconded and carried 4-0 to pay the listed disbursements.

The Board was provided with a GASB No. 67 Implementation Package from the Actuary dated October 9, 2013. Mr. Levinson stated that there is a lot of new work the Actuary will need to do as a result of new reporting requirements. He stated that the proposed fee was in line with other public pension plans. He stated that the Fund has to implement the changes. A motion was made, seconded and carried 4-0 to authorize the Actuary to prepare the necessary reporting requirements as set forth in their Implementation Package dated October 9, 2013.

It was noted that Roger Forrest passed away earlier in November. He still had money in his DROP Account and his beneficiary would like to keep that Account with the Fund. Mr. Levinson stated that under the current Administrative Rule governing the DROP Account, there is no direct, explicit language allowing her to keep the money in the DROP Account. Rather, the Administrative Rule for the DROP requires that once the retiree passes away, the entire DROP Account must be distributed. There was a lengthy discussion. The Board agreed to allow Mrs. Forrest 60 days from today to take the money in the DROP Account. Additionally the Board agreed to allow her the option of taking a partial cash distribution now if needed.

ATTORNEY REPORT

Mr. Levinson provided an article on the state of city pension plans for 2013. He discussed the article. He noted that the 175 monies went down with respect to the City this past year. He stated that because the money went down, there is an ability to request a report showing more detail. However, the City has to request the report and he has not heard whether the City will do that or not. He stated that he would follow up with the City Attorney's Office regarding this matter.

Mr. Levinson reported on the status of the lawsuit with the City. He stated that there was a calendar call last week. He stated that the City moved for Summary Judgment and noted that he would be filing a Cross Motion for Summary Judgment. The hearing is set for January 3 at 8:00 a.m. He stated that he would be working on obtaining Affidavits in support of his Cross Motion. He also noted that the City requested mediation. There was a lengthy discussion.

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary