

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
November 13, 2014

The meeting was called to order at 9:06 A.M. in the Conference Room at Station 93, Lake Worth, Florida. Those persons present were:

TRUSTEES

Mark Lamb
Pat Highland
Valerie Hurley
Rich Seamon
Rory Kimbrell

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Tim Nash, Investment Monitor

WELCOME TRUSTEE RORY KIMBRELL

The Board welcomed new Trustee Rory Kimbrell. It was noted that he was elected to fill the vacancy that occurred when James Shook left the Board.

ELECTION OF CHAIR

It was noted that the Board needed to elect a new Chair. There was a lengthy discussion. A motion was made, seconded, and carried unanimously to elect Mark Lamb as the Chair.

As Mark Lamb had been the Secretary, it was now necessary to for the Board to elect a new Secretary. There was a lengthy discussion. A motion was made, seconded, and carried unanimously to elect Rory Kimbrell as the Secretary.

PUBLIC COMMENTS

There were no public comments.

ADDITIONS AND DELETIONS

Adam Levinson stated that he wanted to add the matter of Rayonier Inc. Securities Litigation under his Attorney Report.

MINUTES

The Trustees reviewed the minutes of the meeting of August 13, 2014. A motion was made, seconded, and carried 5-0 to accept the minutes of the meeting of August 13, 2014.

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, 2014. He stated that international markets were negative for the quarter. Small and mid-cap were negative for the quarter as well. He noted that all markets were up for the year.

Mr. Nash reviewed the performance as of September 30, 2014. The total market value as of September 30, 2014 was \$37,270,074. The asset allocation was comprised of 55.7% in domestic equities; 8.6% in international equities; 19.4% in fixed income; 5.6% in real estate; 4.6% in alternative investments; and 6.0% in cash. The Fund was down .93% net of fees for the quarter while the benchmark was down .407%. Total equities were down 1.27% while the benchmark was down 1.04%. Domestic equities were down .74% while the benchmark was up .01%. International was down 4.82% while the benchmark was down 5.19%. Fixed income was up .14% while the benchmark was up .17%.

Mr. Nash provided a review on the individual managers. Cornerstone was up .59% while the Russell 1000 Value was down .19%. It was noted that Cornerstone was the only equity manager that was positive for the quarter. Wells was down .40% while the Russell 3000 Growth was up .88%. Brown was down .07% while the Russell 1000 Growth was up 1.49%. It was noted that the long term track record of Brown is very good. They have underperformed recently being behind the benchmark four quarters in a row. He stated that he does expect them to improve in the near future. Advisory was down 7.23% while the Russell 2500 Value was down 6.40%. Vanguard Developed was down 6.06% while the benchmark was down 5.83%. The Vanguard Emerging Market was down 2.44% while the benchmark was down 3.36%. With respect to fixed income, Garcia Hamilton was up .14% while the benchmark was up .17%. American Realty was up 3.36% while the NCREIF was up 3.46%. The PIMCO All Asset Fund was down 2.88% while the benchmark was down 1.99%. Mr. Nash noted that both Brown and Wells have underperformed, but stated that he has delved into both portfolios and recommends the Board stay the course with both Wells and Brown. Mr. Nash reviewed the compliance checklist. He reviewed the annual fee analysis.

Mr. Nash discussed the resignation of Bill Gross from PIMCO. He noted that Mr. Gross resigned on September 26, 2014. It was noted that the PIMCO portfolio this Fund is invested in was not managed by Bill Gross. However, the portfolio Bill Gross did manage can be a position of less than 4% of the PIMCO All Asset Fund, which this Fund is invested in. Mr. Nash stated that they have the PIMCO All Asset Fund on watch which means that they are not recommending that any new clients invest in this portfolio. He stated that he does not see an impact of Bill Gross' departure on the PIMCO All Asset Fund in the near term. He stated that he will bring other options to the next meeting. He does not think the Fund needs to move out of the PIMCO All Asset Fund, but would like to make the Board aware of other options.

The Board reviewed a letter from Salem Trust Company dated September 25, 2014. It was noted that the contract with Salem Trust provided a fee of 5 basis points. However, the contract also provided that if all three of the Lake Worth Pension Plans (Fire, Police and General Employees) used Salem then the fee would be reduced to 3 basis points. It was noted that the Police and General Employees Pension Plans moved from Salem Trust to Regions Bank so the fee for this Fund would increase from 3 to 5 basis points effective for the quarter ending September 30, 2014. Mr. Nash stated that the fee of 3% was \$10,549. The new fee of 5% would be \$17,581. It was also noted that the Fund pays \$10 a trade for all trades in excess of 800 a year. Mr. Nash stated that Regions Bank is a very qualified custodian. They have a lot of clients with them and offer a good administrative fee. He stated that they offered the other two Lake Worth Pension Plans a fee of 2.75 basis points. When the fee was negotiated with the other two Lake Worth Pension Plans, Regions Bank stated that they would honor that same fee for this Fund. It would be an all-inclusive fee with no security charges. It was determined that the Board should see if

Salem Trust Company would match the fee Regions Bank would charge. If not, he recommended the Board move to Regions Bank. A motion was made, seconded and carried 5-0 to have the Investment Monitor contact Salem Trust Company to see if they will reduce their fee to 2.75 basis points, and if Salem Trust Company is unable or unwilling to do so, the Board authorized the hiring of Regions Bank to replace Salem Trust Company as the Fund's Custodian as soon as administratively feasible.

It was noted that American Realty provided the Board with a Consent Solicitation that would allow them to change from a LLC to a Limited Partnership. Mr. Levinson stated that they have spoken with American Realty about the change and they do not have any issues. There would be no effect on the Plan. Mr. Nash stated that he recommended the Board authorize the consent. He does not see this as a huge problem. There is no change to their strategy, all projects still have to be US based, and the parent company will absorb all the costs of this conversion. A motion was made, seconded and carried 5-0 to authorize the Chair to execute the Consent Solicitation.

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 statements for the period ending September 30, 2014.

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

The Board was presented with the engagement letter from Steve Gordon for the audit for the fiscal year ending September 30, 2014. A motion was made, seconded and carried 5-0 to approve the engagement letter from Steve Gordon for the audit for the fiscal year ending September 30, 2014 and authorize the Chair to execute the letter.

The Board was presented with a Client ACH Authorization Agreement from the Custodian for payment to service providers. It was noted that this was completely voluntary on the part of the service providers. The Authorization would allow the Custodian to contact the various service providers of the Fund to see if they would like to receive their payments via ACH versus by check. It was noted that if Salem does not agree to lower their fee and the Fund moves to Regions, this Authorization would not be necessary. A motion was made, seconded and carried 5-0 to authorize the Chair to execute the Client ACH Authorization Agreement contingent upon the Fund retaining Salem Trust Company as the Custodian.

ATTORNEY REPORT

Mr. Levinson stated that he had nothing new to report regarding the proposed Ordinances. He stated that they have been pending for a while and he has not received any response from the City as of yet. He stated that he would set up a face-to-face meeting with someone from his office, the Chair and the City.

Mr. Levinson discussed a matter regarding Rayonier Inc. Securities Litigation. He provided a memorandum from Bernstein Litowitz Berger & Grossmann dated November

12, 2014. It was reported that Advisory Research purchased stock in Rayonier. He discussed the background. It was noted that the claim is that Rayonier misrepresented inventory levels and overstated income. A lawsuit was filed yesterday but uses a different claims period and the Fund would not be covered because this Fund bought the holding in late January and in February. Mr. Levinson stated that Bernstein would like the Board to pursue an action against Rayonier on a contingency basis. He reviewed the Retainer Agreement. He stated that there would be no out of pocket money to be paid by the Fund. Mr. Levinson stated that he thinks this is an important action for the Board to take and worthwhile for the Board to pursue. He stated that he has no other clients that owned this stock. There was a very lengthy discussion. A motion was made, seconded and carried 5-0 to approve the Certification and Retainer Agreement to pursue an action against Rayonier Inc.

The Board was provided with a letter dated October 21, 2014 from the Actuary regarding Senate Bill 534. Mr. Levinson discussed Senate Bill 534 and the new reporting requirements. He noted that while the law required certain information on a Fact Sheet, it does not prohibit the Board from putting additional information on the Fact Sheet. The Actuary will be including additional information on the Fact Sheet so as to properly educate those that might be reading the Fact Sheet on the status of the Fund. It was noted that the cost for the Actuary to perform the required reporting would be \$2,500 - \$3,000. A motion was made, seconded and carried 5-0 to approve the additional costs for the Actuary associated with complying with Senate Bill 534. A motion was made, seconded and carried 5-0 to authorize the Attorney to include the Fund in their list of clients for whom they are assisting the Actuary in preparing the additional information to be included in the Fact Sheet.

OTHER BUSINESS

There was a discussion on the administrative fee charged by the Board for the fixed rate option on the DROP Accounts. It was noted that DROP participants earn 1.5% less than the assumed rate on their DROP Accounts. It was also noted that the Fund charges an administrative fee to the DROP Participants on their DROP Accounts. When the DROP was originally established there was not a fixed rate option so the City had an administrative fee. This was not addressed when the fixed rate option was added. There was a lengthy discussion. A motion was made, seconded and carried 5-0 to amend the Administrative Rule Governing the DROP effective October 1, 2014 to provide that there will be an administrative fee only for those DROP Participants that elect to earn the commingled rate and to remove the administrative fee for those DROP Participants that elect to earn the fixed rate.

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

Respectfully submitted,

Rory Kimbrell, Secretary