

***LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND***  
**MINUTES OF MEETING HELD**  
**September 24, 2015**

The meeting was called to order at 9:15 A.M. in the Conference Room at Station 93, Lake Worth, Florida. Those persons present were:

**TRUSTEES**

Mark Lamb  
Rory Kimbrell  
Valerie Hurley  
Rich Seamon (10:00 A.M.)

**OTHERS**

Margie Adcock, Administrator  
Adam Levinson, Attorney  
Tim Nash, Investment Monitor  
Pete Strong, Actuary  
Nerahoo Hemraj, Finance Director

**PUBLIC COMMENTS**

There were no public comments.

**RESIGNATION OF PATRICIA HIGHLAND**

It was noted that Patricia Highland resigned from her position as Trustee. The City does not currently have any candidates for that position.

**ADDITIONS AND DELETIONS**

There were no additions or deletions.

**MINUTES**

The Trustees reviewed the minutes of the meeting of May 18, 2015. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of May 18, 2015.

**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, 2015. He noted that there was a market correction. He reviewed the performance as of June 30, 2015. The total market value as of June 30, 2015 was \$38,817,078. The asset allocation was comprised of 55.2% in domestic equities; 8.4% in international equities; 18.7% in fixed income; 10.1% in real estate; 4.3% in alternative investments; and 3.3% in cash. The Fund was up .09% net of fees for the quarter while the benchmark was down .18%. Total equities were up .12% while the benchmark was up .28%. Domestic equities were down .04% while the benchmark was up .14%. International was up 1.24% while the benchmark was up .72%. Fixed income was down .85% while the benchmark was down 1.68%.

Mr. Nash provided a review on the individual managers. Cornerstone was down .57% while the Russell 1000 Value was up .11%. Wells was up .60% while the Russell 3000 Growth was up .27%. Brown was up 1.03% while the Russell 1000 Growth was up .12%.

Advisory was down 2.13% while the Russell 2500 Value was down 1.27%. Mr. Nash noted that the Board previously approved terminating Advisory and moving the money to Cambiar. Mr. Levinson has been working on an agreement and the contract is now signed. Mr. Nash recommended waiting until after the fiscal year end to make the transition. Vanguard Tax-Managed International was up 1.02% while the benchmark was up .84%. The Vanguard Emerging Market was up 1.66% while the benchmark was up .82%. With respect to fixed income, Garcia Hamilton was down .85% while the benchmark was down 1.68%. American Realty was up 3.75% while the NCREIF was up 3.92%. The PIMCO All Asset Fund was down .24% while the benchmark was down .15%. Mr. Nash reviewed the compliance checklist.

## **ACTUARY REPORT**

Pete Strong appeared before the Board. He stated that the new legislation requiring Florida public pension plans to use the FRS mortality tables will not have much of an impact. He stated that FRS has a 90% blue collar adjustment for males. The table the Fund is using now has no blue collar adjustment for males.

Mr. Strong presented a Memorandum dated August 26, 2015 regarding DROP interest crediting alternatives. He stated that the Plan has risk factor. The total value of the Fund as of October 1, 2014 was \$38 million, but \$13 million was in the DROP accounts. That is a pretty sizeable percentage in the DROP accounts. He stated that because of the risk and the fact that the funded ratio is about 50%, a swing down would really hurt the Plan on a net basis. He recommended that the Board try to reduce the risk. He discussed the possible options such as making the DROP interest rate a variable rate, putting a cap and a floor on the rate, using the FRS rate of 1.3%, or using the rate of the other Lake Worth Pension Plans of LIBOR which is 1% to 2% right now. He noted that it is currently hard to find an interest rate over 3% in the fixed income general market. There was a lengthy discussion. It was noted that DROP Participants are locked into the interest election they make when they enter the DROP. Mr. Strong stated that 90% of the DROP plans he works with do not allow the members to keep the money in their DROP account once they separate service. This Plan offers a lucrative benefit that allows members to keep the DROP money in the Plan which is why the DROP is a larger portion of the Plan than most.

Mr. Levinson stated that he is aware of plans that do allow retirees to keep money in their DROP account after separation from service. The Board has some ability to change the DROP provisions because it is done by Administrative Rule, not by Ordinance. However, changes cannot be made retroactively. If any changes are made prospectively, the Board should allow the retirees a one-time opportunity to change their interest rate election. Mr. Nash stated that the Fund could allow one-third of the DROP money to come out now and not have a problem with any manager. However, going forward, there could be some limitations in investing.

Rich Seamon participated via teleconference.

There was discussion of possibly allowing a variable rate with a floor of 0 and a cap of 8%. It was noted that currently the fixed interest rate credited to the DROP account is 1.5% lower than the assumed rate of return. As such, the fixed interest rate credited to the

DROP will be 6.1% effective October 1, 2015. If the Board used a cap of 8%, a member could receive more than the 6.1%. There was a lengthy discussion. There were three options that were further discussed. The first option was to earn or lose with the market. The second option was a variable rate with a floor of 0 and a cap of 8%. The third option was a lower fixed rate option. Mr. Strong stated that he could support a fixed rate option of 3% to 4% because it is a reasonable fixed return. It was noted that such a change would be easier to do at the beginning of a fiscal year, i.e. October 1, 2016. He stated that this is a long term risk reduction strategy. Mr. Nash stated that that 30 year Treasury is 3.2% and the Barclays Aggregate 5 year is 3.35%. The Board stated that they would like to send out a notice to the members and invite them to attend a Board meeting to discuss the options. Mr. Levinson stated that he would need to do research to see if such changes could be implemented for those already retired. He noted that the Administrative Rule provides that the Board reserves the right to adjust the fixed rate. Mr. Hemraj stated that this is a complex issue and he would recommend the Board spend some more time to think about this. The Board decided to put this on the Agenda for the next meeting. There was a discussion on self-directed account. It was noted that it would raise the cost dramatically, members have not expressed a desire for it, and the Fund already has high quality managers with lower costs.

Rich Seamon entered the meeting.

A motion was made, seconded and carried 4-0 to move forward to look at three possible choices: earn or lose with the market; variable with a floor of 0 and a ceiling of 8%; fixed 3.5%. It was determined that Mr. Levinson would do research to see if changes can be made for the current retirees. Additionally, Mr. Levinson and Mr. Strong would look at information on other Florida public pension plans.

### **ATTORNEY REPORT**

Mr. Levinson provided a Memorandum dated July 8, 2015 regarding reminders of pending deadlines due to the recent legislative changes. He reviewed the new reporting requirements. It was noted that the Fund has met all of the deadlines for posting that are required by the new legislation.

Mr. Levinson provided a compliance checklist dated September 8, 2015. He reviewed the checklist in detail with the Board.

Mr. Levinson discussed the two proposed Ordinances that are currently pending. He stated that he has not reached out to the City Attorney recently. Mr. Hemraj recommended Mr. Levinson reach out to the City Attorney regarding these two proposed Ordinances.

Nerahoo Hemraj departed the meeting.

### **ADMINISTRATIVE REPORT**

Ms. Adcock provided an update on the status of new compliance reporting requirements. She stated that new laws required certain information to be posted on the Fund's website, as well as the City's website. It was reported that the information had to be posted by

June 29, 2015. Ms. Adcock advised that all of the required information was posted timely on their website for the Fund. Additionally, the City was asked to establish a link on the City's website to the Fund's website.

Ms. Adcock presented a draft administrative expense budget for fiscal year 2016 that is required by Section 175.061(8)(a)2, Florida Statutes. The Board reviewed the draft budget. There was a lengthy discussion. The Actuary thought that budget for actuarial services was significantly overstated and suggested that \$35,000 would be ample to cover actuarial costs for the next fiscal year. A motion was made, seconded and carried 4-0 to adopt the administrative expense budget as amended and provide the budget to the City in compliance with Section 175.061(8)(a)2, Florida Statutes.

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 statements for the period ending August 30, 2015.

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 the engagement letter for the audit for the fiscal year ending September 30, 2015. It was noted that Steve Gordon is now with the firm of Kabat, Schertzer, De La Torre, Taraboulos & Coit. A motion was made, seconded and carried 4-0 to approve the engagement letter for the audit for the fiscal year ending September 30, 2015.

Garcia Hamilton inquired as to whether the Board wanted to continue to receive quarterly reports in hard copy or start receiving them electronically. The Board decided that electronic quarterly reports would be fine but requested a hard copy of the fiscal year end annual reports.

### **OTHER BUSINESS**

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

Respectfully submitted,

Rory Kimbrell, Secretary