

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
November 17, 2015

The meeting was called to order at 9:14 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

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Tim Nash, Investment Monitor
Pete Strong, Actuary

PUBLIC COMMENTS

There were no public comments.

ADDITIONS AND DELETIONS

There were no additions or deletions.

MINUTES

The Trustees reviewed the minutes of the meeting of September 24, 2015. A motion was made, seconded, and carried 4-0 to accept the minutes of the meeting of September 24, 2015.

ACTUARY REPORT

Pete Strong appeared before the Board. He provided a Survey of DROP Interest Crediting Rates for GRS Fire and Police Retirement Plans. He stated that he put together the survey of all off the police and firefighter plans in Florida that he was able to obtain information from. He reviewed the survey with the Board. He stated that the percentage of plans that have a fixed return is only twenty percent. The percentage of plans that give a choice of investing with the fund or going self-directed is fifty-eight percent. The percentage of plans that give a choice of a fixed percent or the fund return is twenty-two percent. Mr. Strong stated that seventy-eight of the plans require the members to take their money when they leave the DROP. Only twenty-two plans allow the members to leave their money in the DROP after they separate from service. He noted that of those plans that allow the members to leave their money in the DROP after they separate from service, Lake Worth is the most leveraged. The average fixed return crediting rate is 3.9% and the average fixed return if there is a choice of a fixed rate or a fund rate is 5.8%.

Mr. Levinson provided sample language from plans that allow a floor and a ceiling for DROP interest crediting. He stated that West Palm Beach Fire and Miramar Fire have a floor of 0% and a ceiling of 8%. If this Fund is targeting bringing the rate down to 7%, the DROP interest crediting rate would be 5.5% because of the 1.5% difference. There

was a lengthy discussion. It was questioned whether members could be allowed to change their investment rate option each year. Mr. Levinson stated that while allowing members to change their investment rate option each year could be possible, the preference would be to keep things simple. He noted that there would already be an additional complexity by allowing three investment options. It was noted that the goal is to reduce the liability on the Fund but to allow various options to the members. Mr. Strong stated that this change being discussed should reduce the overall risk exposure of the Plan.

Scott Baur appeared by teleconference.

Mr. Baur discussed the various options for crediting an annual interest rate on a quarterly basis. He stated that there were several variations that could be used, including using a rolling twelve month basis or a smoothed quarterly rate. Mr. Strong stated that it would be a little bit of an adverse selection if members are allowed to choose annually based on a twelve month trailing return because they would already know nine months of returns.

Scott Baur departed the meeting.

There was discussion on the effective date for the change. It was noted that it would be October 1, 2016. It was determined that any change would need to be postmarked no later than September 30, 2016. If a member does not submit a change, then their option would stay the same. There was further discussion. A motion was made, seconded and carried 4-0 to provide three DROP interest rate crediting options effective October 1, 2016: Fund return; 0%-8% annual (with quarterly statements with no earnings until the end of the year); and a fixed 3.5%, with the ability to change options annually each October 1 provided the change is postmarked by September 30th. The Board decided that if a member takes their money out before September 30th of any year, it will delay interest crediting for the 0%-8% annual option.

There was discussion on the ability to change the interest rate crediting options for those members currently in the DROP. It was noted that the DROP is set by Administrative Rule. Mr. Levinson stated that the Administrative Rule makes it clear that the Board has the ability to make changes prospectively. He stated that the changes can apply to existing and future DROP members. It was noted that at the last meeting the Board discussed inviting members of the Plan to attend a meeting to get their feedback and answer any questions they might have regarding the DROP interest crediting change. It was noted that members are allowed to attend any meeting that they would like to. The Board stated that an invite was not necessary at this point since the Board has already made the change. Mr. Levinson will draft a revised Administrative Rule for the next meeting.

Mr. Strong discussed the new legislation requiring Florida public pension plans to use the FRS mortality tables. He stated that he was looking at the impact and it appears that the liability might go down slightly. He recommended implementing this change early if the cost is neutral or there is a decrease in liability. A motion was made, seconded and carried 4-0 to early implement the required change in mortality tables provided the cost is neutral or there is a decrease in liability.

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, 2015. He stated that it was an ugly quarter. He stated that there were not great results relative to the benchmark or peers. Value managers were the biggest detractors. All domestic and international markets were down for the quarter. Growth did better than value in the quarter.

He reviewed the performance as of September 30, 2015. The total market value as of September 30, 2015 was \$36,998,024. The asset allocation was comprised of 53.4% in domestic equities; 7.7% in international equities; 20.8% in fixed income; 10.7% in real estate; 4.2% in alternative investments; and 3.2% in cash. The Fund was down 5.71% net of fees for the quarter while the benchmark was down 4.32%. Total equities were down 8.94 while the benchmark was down 8.23%. Domestic equities were down 8.37% while the benchmark was down 7.25%. International was down 12.81% while the benchmark was down 12.10%. Fixed income was up 1.60% while the benchmark was up 1.23%.

Mr. Nash provided a review on the individual managers. Cornerstone was down 10.66% while the Russell 1000 Value was down 8.40%. Mr. Nash stated that Cornerstone had 20% of the portfolio in technology while the Index only had 11%. He stated that the overweight in technology hurt their performance. Additionally, they had no exposure in utilities while the Index had 6%. He stated that not having any utilities hurt the portfolio as well. Wells was down 8.36% while the Russell 3000 Growth was down 5.93%. Brown was down 4.91% while the Russell 1000 Growth was down 5.29%. Advisory was down 9.46% while the Russell 2500 Value was down 9.58%. Vanguard Tax-Managed International was down 9.96% while the benchmark was down 10.19%. The Vanguard Emerging Market was down 18.24% while the benchmark was down 17.78%. With respect to fixed income, Garcia Hamilton was up 1.60% while the benchmark was up 1.23%. American Realty was up 3.33% while the NCREIF was up 3.63%. The PIMCO All Asset Fund was down 8.57% while the benchmark was down .86%. There was a lengthy discussion about the international portfolio. Mr. Nash stated that he thinks the Fund should stay the course. He stated that the Fund is on the lower end of the range so if there is a rally, the Fund will benefit from that. He also noted that the international investments are in Index funds so the fees are lower. Mr. Nash reviewed the compliance checklist. He reviewed the fee summary for the fiscal year. He stated that the Fund paid a total of 69.6 basis points, or \$257,122, for the fiscal year for all investment management fees, which is on the lower end of the range. He stated that the total investment fee, including custody fees, was 80 basis points, or \$295,691 for the fiscal year.

Rich Seamon departed the meeting.

ADMINISTRATIVE REPORT

The Board was presented with disbursements, including the investment manager disbursements. A motion was made, seconded and carried 3-0 to pay the listed disbursements.

The Board reviewed the financial statements for the period ending September 30, 2015.

The Board was presented with a list of benefit approvals. A motion was made, seconded and carried 3-0 to approve the benefit approvals.

There was discussion on recognizing previous Trustees James Shook and Patricia Highland for their many years of dedication and service to the Board. The Board decided to look possible plaque options for discussion at the next meeting. Once finalized, the Board would invite previous Trustees James Shook and Patricia Highland to a future meeting to present them with the plaques.

ATTORNEY REPORT

Mr. Levinson provided the NCPERS Code of Conduct for Public Pension Service Providers. He reviewed the Code with the Board. Schedule A to the Code identifies organizations that actively work against public pension plans. He stated that the Board could adopt the Code if they so desired. Mr. Nash stated that they do not screen managers based on any social list like this. All managers that can bring the best return for the least risk are included in their searches. He stated that they could screen based on this social list as a secondary requirement though. Mr. Levinson stated that this was entirely in the Board's discretion. Mr. Nash stated that out of 2,000 managers, only one had made a contribution to a group on the list. That manager has changed their behavior and said that they would not make a contribution like that again. The Board decided to take no action at this time.

Mr. Levinson discussed the two proposed Ordinances that are currently pending. He stated that there has not been any progress made regarding these Ordinances. He stated that Bonni Jensen from his office has a better relationship with the City so he has asked her to follow up with the City regarding these two proposed Ordinances.

OTHER BUSINESS

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

Respectfully submitted,

Rory Kimbrell, Secretary