LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
February 26, 2018

A meeting was held beginning at 9:19 A.M. in the Conference Room at Station 91, Lake Worth, Florida. Those persons present were:

TRUSTEES	**OTHERS**
Rich Seamon	Margie Adcock, Administrator
Barry Ruf (9:55 A.M.)	Adam Levinson, Attorney
Rory Kimbrell	Tim Nash, Investment Monitor
Valerie Hurley	Pete Strong & Nick Lahaye, Actuary
	Eric Leventhal, Auditor

PUBLIC COMMENTS

There were no public comments.

ADDITIONS AND DELETIONS

Mr. Seamon stated that he would like to add a discussion on the possibility of having pre-tax health care premiums for retirees under the Attorney Report. Mr. Kimbrell stated that he would like to add a discussion on combining Division I and Division II under Other Business. A motion was made, seconded, and carried 3-0 to approve the Agenda as amended.

MINUTES

The Trustees reviewed the minutes of the meeting of November 13, 2017. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of November 13, 2017.

AUDITOR REPORT

Eric Leventhal appeared before the Board. He presented the Annual Audit as of September 30, 2017. He stated that they were issuing a clean unmodified opinion. He reviewed Management's Discussion and Analysis. He reviewed the Statement of Net Fiduciary Position as of September 30, 2017. The total assets were $44,277,766 with most of the money in investments. Total liabilities were $14,073. Total net position restricted for pensions was $44,263,693, with $26,689,851 restricted for defined benefits and $17,573,842 restricted for DROP benefits. Mr. Strong noted that the number used for DROP benefits was the preliminary number and did not include the investment earnings. The amount restricted for DROP benefits should be $18,458,547.90. Mr. Leventhal reviewed the Statement of Changes in Net Fiduciary Position. He stated that there were total additions of $8,755,163 and total deductions of $4,283,873 leaving an increase in the Plan net position of $4,471,290. Mr. Leventhal reviewed the schedule of administrative expenses. He reviewed the notes to the financial statements. He stated that there were no substantive changes to any of the disclosures. Mr. Leventhal stated that he found no significant internal control issues. He received full cooperation from management and the service providers. There were no material weaknesses. A motion was made, seconded and carried 3-0 to accept the Annual Audit as of September 30, 2017 subject to the change in amounts for the net position restricted for defined benefits and DROP benefits. Mr. Leventhal stated that he would be sending the Management Representation Letter. A motion was made, seconded and carried 3-0 to authorize the Chair to execute the Management Representation Letter once received, subject to review by the Attorney.

Barry Ruf entered the meeting.

The Board asked Mr. Leventhal if he had any comments on the possibility of combining Divisions I and II. Mr. Leventhal stated that there was nothing accounting-wise or in GASB that would prohibit a combination of the Plans. He stated that it is more common to have both the defined benefit and share accounts in one plan these days. He stated that there probably would not be an additional cost related to auditing fees to combine the Plans. There might be some potential savings in combing the Plans on the investment side as there would not be the need for two consulting fees and investment fees would probably go down.

Eric Leventhal departed the meeting.

ACTUARY REPORT

Pete Strong and Nick Lahaye appeared before the Board. Mr. Strong stated that Mr. Lahaye is the newest Actuary with their firm and has been there about 1.5 years. Mr. Strong presented the Actuarial Valuation as of October 1, 2017. He reviewed the annual required contribution. He noted that the total required contribution increased from last year. He stated that he does expect it to trend up over time because of the phasing in of a lower assumed rate and the reduction of the amortization period. He stated that the assumed rate is decreasing from 7.45% to 7.30%. Also there is an additional one year reduction in the amortization period. The total required contribution for the plan year ending September 30, 2019 would be $2,872,622. He stated that with contributions from Division II of $78,163, the City’s contribution would be $2,794,459. There was a net actuarial gain of $454,113 for the year, which means that the actuarial experience was more favorable than expected. The gain was primarily due to the higher than expected return on the actuarial value of assets (8.6% versus 7.45% expected) and the lower than expected salary increase (4.8% actual versus 6.5% expected). The actuarial experience resulted in a decrease of $53,889 in the required contribution. Mr. Strong stated that there would be no 13th check because the Plan experienced a cumulative actuarial loss. The funded ratio was 55.2% versus 53.1% last year. Mr. Strong reviewed the actuarial value of benefits and assets. He reviewed the calculation of the actuarial value of assets. He reviewed the investment rate of return. He stated that the average compounded rate of return since 1972 was 7.8%. A motion was made, seconded and carried 4-0 to approve the Actuarial Valuation as of October 1, 2017.

INVESTMENT MONITOR REPORT

Tim Nash appeared before the Board. He discussed the market environment as of December 31, 2017. He stated that the market had a 10% correction recently. He noted that volatility is common but it is not necessarily a bad thing. He reviewed the S&P 500 total return index history for the last 10 years where there have been 17 corrections greater than 5%. He noted that unemployment is at all-time lows. They are starting to see wage pressure. Real estate is up and the economy is growing. All of this is leading toward inflationary pressures.

Mr. Nash reviewed the performance as of December 31, 2017. The total market value as of December 31, 2017 was $44,297,249. The asset allocation was comprised of 58.5% in domestic equities; 8.8% in international equities; 18.2% in fixed income; 9.4% in real estate; 4.5% in alternative investments; and .6% in cash. The Fund was up 4.24% net of fees for the quarter while the benchmark was up 4.01%. Total equities were up 5.71% while the benchmark was up 6.09%. Domestic equities were up 5.94% while the benchmark was up 6.34%. International was up 4.23% while the benchmark was up 5.06%. Fixed income was up .92% while the benchmark was up .39%.

Mr. Nash reviewed the individual managers. Cambiar was up 4.06% while the Russell 2500 Value was up 4.25%. Macquaire Large Cap Value (formally known as Delaware) was up 5.42% while the Russell 1000 Value was up 5.33%. Alger was up 6.58% while the Russell 1000 Growth was up 7.86%. Vanguard Total Stock Market was up 6.34% while the benchmark was up 6.34%. EuroPacific R6 was up 4.23% while the benchmark was up 5.06%. With respect to fixed income, Garcia Hamilton was up .92% while the benchmark was up .39%. Mr. Nash stated that he was comfortable with the positioning for the long term portfolio. GHA has outperformed the index for the 3 and 5 year periods and since inception. American Realty was up 1.73% while the NCREIF was up 2.12%. Mr. Nash stated that there are only 23 private real estate funds that are part of the index so he does not thing the rankings are really relevant. They all do not do the same thing. For example, some build while others do not, and leverage is a factor. He stated that American Realty is a good fund and it is a very prudent investment. The PIMCO All Asset Fund was up 3.13% while the benchmark was up .53%. Mr. Nash reviewed the compliance checklist. He stated that he is looking to see positive improvement with the changes in the managers.

It was noted that the Board needed to determine the expected rate of return for the Division of Retirement. A motion was made, seconded and carried 4-0 that the expected rate of return over the short term, midterm and long term was 7.30%.

OTHER BUSINESS

There was discussion on the possibility of combining Divisions I and II. It was noted that the total market value of Division II is about $2 million. The target is a 60% - 40% mix. There are no investments in international, real estate or global markets. It was noted that the total investment monitoring fee for both Plans would decrease, as might the legal, administrative and custodian fees. Mr. Levinson stated that the only way it would happen is if Division II comes under the control of Division I. Then Division I would do whatever it wanted to do in terms of providers. The Board could issue a RFP for all providers or keep the status quo. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to advise Division II that Division I was willing to explore combining the Plans.

ADMINISTRATIVE REPORT

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 January 31, 2018.

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 provided with an Addendum to Administrative Services Agreement which includes the increase in the fee to include a monthly financial statement fee of $750 effective October 1, 2017 that was approved at the last meeting. A motion was made, seconded and carried 4-0 to authorize the Chair to sign the Addendum.

The City requested the Board authorize the Actuary to use the data of the Plan for their OPEB reporting requirement. A motion was made, seconded and carried 4-0 to authorize the Actuary to provide the necessary information to the City.

ATTORNEY REPORT

There was discussion on the ability to deduct health insurance premiums from pension payments. The Attorney stated that he would discuss this further at the next meeting.

Mr. Levinson provided an update on the Rayonier Class Action. He stated that the case was settled for $49.85 million. The Fund’s loss was $8,147 and the Fund’s portion of the settlement was $1,140.

Mr. Levinson discussed the issue of accumulated leave that was brought up at the last meeting. He stated that because of the settlement there has been a change in the calculation of the use of accumulated leave.

Mr. Levinson discussed the State's premium tax database. He stated that the database does designate a contact person. He stated that he would look to see when the database was last updated.

Mr. Levinson reviewed recent legislation. He stated that there were no current proposals that had anything to do with pensions. He discussed Senate Bill 980 which was really an actuarial reporting bill. There was also a cancer presumption bill and a PSTD bill removing the impact rule for workers' compensation.

OTHER BUSINESS (CONTINUED)

It was reported that the term for the 5th Trustee expired on September 30, 2017. A motion was made, seconded and carried 3-0 to reappoint Mr. Seamon as the 5th Trustee for another term.

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

Respectfully submitted,

Rory Kimbrell, Secretary