

***LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND***  
**MINUTES OF MEETING HELD**  
**May 21, 2018**

A meeting was held beginning at 9:08 A.M. in the Conference Room at Station 91, Lake Worth, Florida. Those persons present were:

**TRUSTEES**

Rich Seamon  
Barry Ruf  
Rory Kimbrell

**OTHERS**

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

**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 February 26, 2018. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of February 26, 2018.

**INVESTMENT MONITOR REPORT**

Tim Nash appeared before the Board. He discussed the market environment as of March 31, 2018. He stated that the Fund has had very good results. He stated that as of May 18<sup>th</sup>, the Fund was up close to 7% which is remarkable given the volatility in the market. It was noted that for the quarter ending March 31, 2018 everything was negative except for emerging markets. Value was negative across the board. It was the fifth consecutive quarter where growth stocks have outperformed.

Mr. Nash reviewed the performance as of March 31, 2018. The total market value as of March 31, 2018 was \$43,854,860. The asset allocation was comprised of 57.6% in domestic equities; 9.0% in international equities; 17.5% in fixed income; 9.5% in real estate; 4.5% in alternative investments; and 1.8% in cash. He stated that the Fund was a little over the target in domestic equities but there was no need to rebalance. The Fund was up .34% net of fees for the quarter while the benchmark was down .60%. Total equities were up .40% while the benchmark was down .73%. Domestic equities were up .30% while the benchmark was down .64%. International was up 1.0% while the benchmark was down 1.08%. Fixed income was down .63% while the benchmark was down 1.46%.

Mr. Nash reviewed the individual managers. He noted that all managers outperformed their benchmark for the quarter. Cambiar was up .62% while the Russell 2500 Value was down 2.65%. Macquaire Large Cap Value (formally known as Delaware) was down .88% while the Russell 1000 Value was down 2.83%. Alger was up 2.73% while the Russell 1000 Growth was up 1.42%. Vanguard Total Stock Market was down .60% while the benchmark was down .60%. EuroPacific R6 was up 1.03% while the benchmark was down 1.08%. With respect to fixed income, Garcia Hamilton was down .63% while the benchmark was down 1.46%. American Realty was up 2.23% while the NCREIF was up 2.15%. The PIMCO All Asset Fund was up .27% while the benchmark was down .40%. Mr. Nash reviewed the compliance checklist. He stated that the Fund is meeting all requirements for the one year time period.

Mr. Nash discussed Macquaire Large Cap Value (formally known as Delaware). He stated that allegedly the team was not following their investment policy practice in managing the portfolio. Apparently one of the co-portfolio managers was going to report this and was let go from employment. There is now a federal whistleblowing lawsuit that is occurring. Mr. Nash stated that there is no current issue with performance. He does not see a problem with performance because the long term portfolio manager is running the portfolio. While they feel there is no issue with the investment management, there is an issue with disclosure. Mr. Nash stated that they talk to the managers on a continual basis and send them documents as well. He noted that this information with Macquaire became public in November 2017. However, Mr. Nash was not apprised in any way of the potential lawsuit prior to that. Once the lawsuit became public, they were advised of the matter. However, it was never addressed in the September 30, 2017 or December 31, 2017 documentation from Macquaire. Mr. Nash stated that he feels they should have disclosed the information earlier. They found out verbally in November 2017 but there was no documentation in December 2017. There is not a SEC investigation, but there is a SEC inquiry. He also noted that the lawsuit could be distracting from an organizational standpoint. Mr. Nash stated that there is a mismatch of expectations regarding the disclosure. He stated that he has a lack of confidence due to the lack of disclosure. He stated that he is recommending that the Board seek other alternatives in the value space. There was a lengthy discussion. He stated that there is no rush to make a change. There is no concern about their return or process. They are concerned about their long term organizational structure. He stated that he would bring other options to the next meeting for the Board to consider.

### **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 April 30, 2018.

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

The Board was presented with the engagement letter for the audit for the fiscal year ending September 30, 2018. A motion was made, seconded and carried 3-0 to approve the engagement letter for the audit for the fiscal year ending September 30, 2018

### **ATTORNEY REPORT**

Mr. Levinson discussed the State's premium tax database. He stated that the last time anything was updated on the database was on September 29, 2015, with two addresses being updated. He stated that he would like to see the Finance Director invited to the next meeting to discuss the updating of the database.

There was discussion on the ability to deduct health insurance premiums from pension payments that was raised at the last meeting. It was there is a \$3,000 deduction allowed for public safety personnel. Ms. Adcock advised that a notice is sent with the annual 1099 Form advising retirees how to obtain the deduction when they file their taxes. There was then discussion on the ability to have health insurance premiums deducted pre-tax from retirees' pension checks. It was noted that this is not an option as such deductions are only allowed for active employees through a Section 125 Plan.

Mr. Levinson stated that there was a recent case regarding the improper polling of city council members in violation of the Florida Sunshine Law. He reminded the Board of Sunshine Law issues. He stated that he would provide a Memorandum regarding Government in the Sunshine Law for the next meeting.

### **OTHER BUSINESS**

There was discussion on the possibility of combining Divisions I and II that was raised at the last meeting. It was noted that Division II was doing a cost analysis to see what savings, if any, would result from such a merger. Mr. Nash discussed some pros and cons of combining the Plans.

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

Respectfully submitted,

Rory Kimbrell, Secretary