

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
August 28, 2018

A meeting was held beginning at 9:02 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

The Trustees asked that a discussion about a possible merger between Divisions I and II be added to the Agenda.

MINUTES

The Trustees reviewed the minutes of the meeting of May 21, 2018. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of May 21, 2018.

INVESTMENT MONITOR REPORT

Tim Nash appeared before the Board. He discussed the market environment as of June 30, 2018. He stated that the Fund has done well and continues to do well. He stated that the US dollar has continued to rise. Interest rates were negative for the quarter. Emerging markets took the biggest hit that the market has seen in the last year and a half. Small cap did better than large cap. The Fed had two interest rates hikes this year with two more expected this year and three targeted in 2019. Mid-cap and large cap growth outperformed mid-cap and large cap value. Small cap value outperformed large cap value.

Mr. Nash reviewed the performance as of June 30, 2018. The total market value as of June 30, 2018 was \$44,627,104. The asset allocation was comprised of 58.8% in domestic equities; 8.6% in international equities; 17.9% in fixed income; 9.4% in real estate; 4.3% in alternative investments; and .9% in cash. He stated that the Fund was within the targets. The Fund was up 2.45% net of fees for the quarter while the benchmark was up 1.91%. Total equities were up 3.42% while the benchmark was up 2.63%. Domestic equities were up 4.40% while the benchmark was up 3.89%. International was down 2.82% while the benchmark was down 2.39%. Fixed income was up .55% while the benchmark was down .16%.

Mr. Nash reviewed the individual managers. Cambiar was up 4.42% while the Russell 2500 Value was up 5.80%. Macquaire Large Cap Value (formally known as Delaware) was up 2.31% while the Russell 1000 Value was up 1.18%. Alger was up 6.93% while

the Russell 1000 Growth was up 5.76%. Vanguard Total Stock Market was up 3.91% while the benchmark was up 3.91%. EuroPacific R6 was down 2.82% while the benchmark was down 2.39%. With respect to fixed income, Garcia Hamilton was up .55% while the benchmark was down .16%. Mr. Nash stated that active management has really paid off for them. American Realty was up 2.09% while the NCREIF was up 2.10%. The PIMCO All Asset Fund was down 2.37% while the benchmark was up .61%. Mr. Nash noted that the PIMCO All Asset Fund had a lot in the emerging markets, about 35%, which is what hurt them in the quarter. Mr. Nash reviewed the compliance checklist.

Mr. Nash presented a large cap value equity manager search. He stated that Macquaire Large Cap Value (formally known as Delaware) was removed from the search. He stated that they felt the manager was not forthcoming about some things. He discussed the SEC investigation and the whistleblower lawsuit. He stated that they had sent written and verbal communication and the manager did not mention anything about the investigation or the lawsuit. He stated that the manager did not say anything until it came out in the press release. He recommended that the Board look for a different manager to replace them.

Mr. Nash reviewed the possible manager replacements: Boston Company Asset Management; Brandywine Global Investment Management; DePrince Race & Zollo; Dodge & Cox; JP Morgan Asset Management; and the Vanguard Group. He noted that the Boston Company was no longer an option because they have a \$15 minimum investment. He reviewed the current and historical holdings of each candidate based on style analysis. He reviewed the trailing performance as of June 30, 2018 for the 1 to 10 year time periods. He stated that active management makes sense to own for the longer term. He reviewed the calendar year performance since 2008-2017. He reviewed the risk and reward analysis for the 3, 5, 7 and 10 year time periods as of June 30, 2018. He reviewed the fees for each candidate. There was a lengthy discussion. Mr. Nash stated that the funds could be split between Brandywine or Dodge & Cox and Vanguard. He stated that such a change could be implemented pretty easily. No fee break point would be involved. It would bring further diversification to the Fund. It was noted that the fee currently is 65 basis points. If the change was to Brandywine and Vanguard the fee would be combined at 40 basis points. There was further discussion. It was noted that Brandywine has better performance but the fee is the same. The Board was not sure if lowering the fee by splitting the funds between two managers would be worth it because Vanguard's performance is not better. Mr. Nash stated that Brandywine is a solid choice. They have market upside and protect on the downside. He stated that the Board can add Vanguard at a later time. A motion was made, seconded and carried 3-0 to move the money from Macquaire Large Cap Value to Brandywine Global Investment Management. .

There was further discussion on the possibility of combining Divisions I and II. Mr. Nash stated that the size of Division II will not change this Fund's performance. Both Funds have the same 60/40 target. Division II has one balanced manager. He stated that he thinks there would be a benefit from the diversification of this Fund, like the ability to invest in real estate. He stated that there would be a savings of about \$5,000 in custody fees. He stated that their monitoring fee would go away for Division II. He stated that the manager fees are about the same, one being 49 basis points and the other at 50 basis points. There was discussion on the difficulty in filling the Trustee positions on both Boards. Mr. Levinson stated that a committee could be created so there could still be

people participating that have knowledge of the Plans and their history. Some of the cons of combining the Plans were discussed. An Ordinance change would be necessary and the Board composition would be at issue. He stated that Division II will discuss this further at their next meeting.

ATTORNEY REPORT

Mr. Levinson stated that the premium tax monies for fire decreased this year. He stated that last year the premium tax monies were about \$180,000 and this year they are about \$170,000 for a reduction of about 5%.

Mr. Levinson discussed the State's premium tax database. He stated that Corinne Elliott from the Finance Department was invited to attend this meeting. It was noted that no response was received and there was no one in attendance from the Finance Department. He stated that the last time anything was updated on the database was on September 29, 2015. There was further discussion. The Board stated that they believed there have been new addresses and new construction in the City.

Mr. Levinson provided a Memorandum dated May 8, 2018 regarding Government in the Sunshine Law. He discussed the case which involved the improper polling of city council members. He reminded the Board of the Florida Sunshine Law which applies to decision or pending decisions that may come before the Board.

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 July 31, 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.

Ms. Adcock presented a draft administrative expense budget for fiscal year 2019 that is required by Section 175.061(8)(a)2, Florida Statutes. The Board reviewed the draft budget. There was a lengthy discussion. The Board discussed reducing the Actuary expense to \$35,000 and the Attorney expense to \$40,000. A motion was made, seconded and carried 3-0 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.

OTHER BUSINESS

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

Respectfully submitted,

Rory Kimbrell, Secretary