

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES’  
PENSION FUND  
MINUTES OF MEETING HELD  
November 4, 2003**

Virginia Walton called the meeting to order at 6:32 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Virginia Walton  
Michael Johnson  
Bev Smith  
Rebecca Morse  
Butch Cooper

**OTHERS**

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel  
Margie Adcock, Pension Resource Center  
Bill Stewart, Invesco  
Ernie Mahler and Troy Wheat, Salomon Smith Barney  
Chad Little, Actuary (7:05 P.M.)

**MINUTES**

The Board reviewed the minutes of the meeting held August 5, 2003. A motion was made, seconded and carried 5-0 to approve minutes of the meeting held August 5, 2003.

**INVESTMENT MANAGER REPORT: INVESCO**

Bill Stewart appeared before the Board to discuss the investment performance for the Fund for the quarter ending September 30, 2003. Mr. Stewart reported that the total Fund was up 2.5% for the quarter while the benchmark was up 1.3%. With respect to equities for the quarter, the Fund was up 5.0% while the benchmark was up 2.6%. With respect to fixed income for the quarter, the Fund was down 1.1% while the benchmark was down .5%.

Ernie Mahler recommended that the Board shorten the fixed income from the Lehman Brothers Government Credit Index to the Lehman Brothers Intermediate Index to protect against rising interest rates. He reviewed the fixed income characteristics and stated that making the change could protect the portfolio from what appears to be predictable rising interest rates. He recommended that the Board make the change. He noted that Mr. Stewart thought the change makes sense too. Mr. Mahler discussed the matter further. He noted it would minimize exposure on the fixed income side. Mr. Stewart stated that the duration is 5.5 for the LB Government Credit Index while it is 3.8 for the LB Intermediate Index. Mr. Mahler stated that he felt there was a lot of risk staying where the Board is currently at. He noted that the Manager can not capture that much more for the risk they are taking. He stated that it would improve the total return going forward. Mr. Mahler stated that he highly encouraged the Board to make the change in the normal course of business. Mr. Stewart stated that they could do it within one week as there is an overlap in the portfolio anyway. There was then a lengthy discussion. A motion was made, seconded and carried 5-0 to change the benchmark for the fixed income to the Lehman Brothers Intermediate Index and revise the Investment Policy Statement accordingly.

Mr. Stewart then discussed the equity characteristics. He stated that there was a bias toward the cyclical stocks. He said the portfolio had no exposure to utilities or telecomm and the portfolio has benefited from that as they have been the worst performing areas of the market. Mr. Stewart then discussed the equity market outlook noting that the equity market has been quite strong. It is up over 26% from the 2003 low reached on March 12, 2003.

### **INVESTMENT MONITOR REPORT: SMITH BARNEY**

Ernie Mahler appeared before the Board to discuss the investment performance of the Fund. He reported that the Fund was up 2.45% for the quarter ending September 30, 2003 while the benchmark was up 1.49%. He noted that the total market value of the Fund as of September 30, 2003 was \$5,092,000. The asset allocation as of September 30, 2003 was 61% in equities, 35% in fixed income, and 4% in cash. He stated that the Manager was doing a nice job of getting into equities and allocation as key in the outperformance.

Troy Wheat provided the Board with an asset allocation study as of September 30, 2003. He reviewed the different asset classes and the stock and bond blends. He provided a value versus growth style comparison, a small versus large cap comparison, a domestic versus international comparison. He also discussed the risk and return relationships and the benefits of diversification.

Chad Little entered the meeting.

Mr. Mahler stated that he would like to add one or two asset classes to lower the risk and increase the return. He noted that Ms. Jensen was just provided with some contractual documents from Invesco to review. If the Board is interested, he will bring specific choices and allocations to the next meeting. He stated that the Board should give Invesco good consideration because they would keep the cost structure the same. They would be a good fit with all the different products that they have for adding into different asset classes. There was then a discussion on the other asset classes. Mr. Mahler referred to small cap, international and maybe even real estate. There was then discussion on asset allocation. Mr. Mahler recommended an increase in equities to 65% or 70%. If the asset allocation is increased going forward, he thinks it will benefit the Plan in the long run. Ms. Jensen stated that the Board would just need to change the Investment Guidelines and that the Ordinance would not need to be changed. Mr. Little stated that this would be fine from an actuarial perspective as long as the City is comfortable with absorbing some fluctuations in the contribution rates. Mr. Mahler stated that he was not strongly recommending a change, but where he sees the rates in the market going forward, he thinks it might be fine to make such a change. There was a lengthy discussion among the Board. The Board decided to wait to see how the market does for at least another quarter as there is so much volatility in the international world. Mr. Mahler stated that he did not prepare a manager comparison as promised from the last meeting. He stated that he was not going to recommend a change yet but would provide that information to the Board as promised.

## **ACTUARY REPORT**

Chad Little provided the Board with a benefit calculation for Tim Van Fossen. He discussed the issues he ran across in doing the calculation. He discussed credited service and noted that they are given credit for completed months of service from their date of hire. He recommended cleaning up the language. He then stated that he received the conversion factors last week from the prior Actuary. He also stated that he was not sure if it included the COLA or not and will take to the prior Actuary to try to get more information. For now, he stated that he used the set of factors adopted by the Board. He stated that the Board should have a discussion on vesting percentages and thinks it has had these discussion on the 5 to 10 year vesting schedule. He stated that he does not believe the document is clear on how vesting is to apply. For valuing the benefit for cost purposes, a person is 100% vested once they reach normal retirement age only if they retire from active service. He noted that he received information from the prior Actuary at the end of October, but still does not have the old Valuations. He has requested them from the prior Actuary but did not get them. Ms. Jensen stated that the Board needed to decide what it wanted to do about the vesting of the Plan. Mr. Little stated that he would review the prior Valuations to see what has been done and let the Board know the impact.

## **ADMINISTRATIVE REPORT**

Margie Adcock noted that the Board needed to approve the benefit calculation done by the Actuary for Tim Van Fossen. A motion was made, seconded and carried 5-0 to approve the benefit calculation for Tim Van Fossen.

Margie Adcock reported that they had received several Beneficiary/Enrollment Forms from the Village. A motion was made, seconded and carried 5-0 to approve the list of Enrollment Applications.

Ms. Adcock presented the disbursements. She noted that the renewal of the Fiduciary Liability Insurance was included in the disbursements. A motion was made, seconded and approved 5-0 to pay all listed disbursements.

Ms. Adcock then provided the Board with Employee Benefit Statements as of October 1, 2003 to be provided to the Participants in the Fund.

## **OTHER BUSINESS**

Virginia Walton discussed the petition on certain benefit changes that the Participants were still looking for. Mr. Little stated that he will do the impact statement for these benefit changes at the same time as he does the Valuation to keep the cost down.

There being no further business and the next meeting being scheduled for Tuesday, February 3, 2004 at 6:30 P.M. at the Water Plant, the meeting was adjourned at 8:15 P.M.

Respectfully submitted,

Michael Johnson, Secretary