

**VILLAGE OF PALM SPRINGS HAZARDOUS DUTY  
EMPLOYEES' PENSION FUND  
MINUTES OF MEETING HELD**

**May 6, 2003**

Tim Conboy called the meeting to order at 5:05 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Tim Conboy  
Ed Lewis  
Ed West  
Jorge Cabrera

**OTHERS**

Paul Nicoletti, Fund Counsel  
Margie Adcock, Pension Resource Center  
Brian Coker and Bill Stewart, Invesco  
Ernie Mahler, Salomon Smith Barney

**MINUTES**

The Board reviewed the minutes of the meetings held April 7, 2003. A motion was made, seconded and carried 4-0 to approve minutes of the meetings held April 7, 2003.

**INVESTMENT MANAGER REPORT: INVESCO**

Brian Coker and Bill Stewart appeared before the Board to discuss the investment performance for the Fund for the quarter ending March 31, 2003. Mr. Stewart discussed the equity market summary and noted that the first quarter started off strong in the equity markets. But then the realities of war happened and the market unraveled at the end of the first quarter. Real estate was the only positive asset class. There were only two positive sectors in the equity market for the quarter which were energy and healthcare. Mr. Stewart discussed the outlook going forward and noted that they are underweight in telecom and utilities. He then discussed the fixed income market summary. He noted that the fixed income has been exceptionally strong over the last 3 years and they have a high quality portfolio.

Mr. Coker advised that the total market value for the portfolio for the quarter ending March 31, 2003 was \$3,504,372. The asset allocation as of March 31, 2003 was 56.8% in equities, 42.4% in fixed income and the remainder in cash. Mr. Coker reported that the total Fund was down 1.8% for the quarter ending March 31, 2003 while the benchmark was down 1.1%. With respect to equities for the quarter, the Fund was down 3.9% while the benchmark was down 3.2%. With respect to fixed income for the quarter, the Fund was up 1.2% while the benchmark was up 1.5%. Mr. Coker provided updated information on the portfolio of the period ending April 30, 2003. The total Fund was up 5.2%. The equity portion of the portfolio was up 8.7%. He stated that the second quarter was off to a nice start and they were optimistic that it will continue. Mr. Coker noted that the equity portfolio was well diversified. He stated that growth has done well lately and some technology stocks have come back. They are a little overweight in the areas that they think will do well when the market improves. They are still overweight in growth versus value and are seeing a come back in growth stocks.

Mr. Stewart discussed the fixed income portfolio characteristics. They have reduced the duration to 3.2 due to the risk of the interest rates going down. This is below the duration of the benchmark which is 3.6.

### **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 down 1.89% for the quarter ending March 31, 2003 while the benchmark was down 1.13%. He stated that the Fund underperformed because the portfolio is tilted more toward growth and they were early with that move. The market was still pretty defensive because of what was going on in the world. The returns since the end of the quarter are good. He advised that he feels growth has crossed the line and the position on the equity side is good for going forward. Mr. Mahler stated that he would come to the next meeting with some presentation on small/mid cap exposure. He thinks the Fund needs that kind of exposure going forward. It makes sense to diversify the Fund a little more. He noted that shortening up the duration on the fixed income side is the best thing to do right now. Mr. Mahler noted that it has been awhile since there have been net flows of contributions into the Plan. Margie Adcock stated that Becky Morse would be coming a little later in the meeting to discuss with the Board the other accounts in the Plan. Ms. Adcock distributed to the Board a trail balance that was provided by Ms. Morse.

### **ACTUARY REPORT**

Larry Wilson appeared before the Board to present the Actuarial Valuation for the period September 30, 2002. Mr. Wilson discussed the funding objective. He noted that the assets have not performed, but stated that all plans are in the same position. Mr. Wilson discussed the normal cost and the unfunded liability. He stated that for the fiscal year beginning October 1, 2003, the Village contribution is \$417,489 minus \$23,596 from the State. He noted that the contribution for fiscal year beginning October 1, 2003 is 25.68% of payroll of which 1% is from the members, 1.5% is from the State, and 23.18 is from the Village. The substantial reason is the recognized rate of return was a negative 6.9% which is less than the 8% assumed rate. The net effect of the experience factors was an experience loss of \$725,376. Mr. Wilson reported that the total normal cost was 14.97% with a total unfunded liability of 9.9% and administrative and investment expenses of 1.62%. Mr. Wilson noted that the Village has used the flat payroll contribution method, which is a flat number of \$417,489. Mr. Wilson stated that the premium tax receipts during fiscal year ending September 30, 2002 were \$19,620 due to Chapter 175 and \$26,859 due to Chapter 185.

Mr. Wilson then discussed the smoothing technique. He stated that there was an investment income loss which is recognized over 4 years. He noted that they can only recognize assets that are within the 20% corridor which requires that the funding value needs to stay within 80% or 120% of the market value. Mr. Wilson reported that the funding progress is 73.9%. Mr. Wilson then noted that total revenues totaled \$61,868; total expenses totaled \$203,165 and the net income was a negative \$141,297. He noted that there are 35 active members with only one employee with more than 20 years of service. Mr. Wilson then discussed the salary and investment assumptions. He noted

that the assumed salary increase is 5% and the investment assumption is 8%. A motion was made, seconded and carried 4-0 to accept the Actuarial Valuation.

### **ADMINISTRATIVE REPORT**

Margie Adcock presented the disbursements. A motion was made, seconded and approved 4-0 to pay all listed disbursements.

Ms. Adcock noted that she received two requests for a refund of contributions, one from Nathaniel Juratovac and one from Joe Gomez. A motion was made, seconded and approved 4-0 to approve the refund of contributions for Mr. Juratovac and Mr. Gomez. There was then discussion on the process for a refund of contributions and whether a refund could be made upon receipt of a proper application or whether it would need Board approval prior to payment. A motion was made, seconded and approved 4-0 to authorize the Administrator to refund contributions for Participants who leave employment with less than 5 years of service upon receipt of a proper application.

### **ATTORNEY REPORT**

Paul Nicoletti discussed the process for obtaining information on insurance companies in order to make sure that the Fund is receiving the proper premium tax revenues. Mr. Nicoletti stated that it was not quite as simple to determine what insurance companies cover certain property in Palm Springs. There was discussion on sending a letter to every agent in the Village and also to every state registered insurance company. It was noted that the problem is the Village keeps annexing new areas so it is ever changing. There was discussion on sending a letter to every agent who writes casualty insurance. A motion was made, seconded and approved 4-0 to authorize the Chairman to send letters to the insurance companies that fall within the Village boundaries and authorize payment of postage not to exceed \$250. It was noted that the Attorney and the Chairman would work on this matter.

### **OTHER BUSINESS**

There was then a lengthy discussion on the responses received from the request for proposal for legal services. It was noted that the Board has never experienced a conflict of interest using Paul Nicoletti. The Board then asked Mr. Nicoletti about his response. Mr. Nicoletti stated that his response was made to achieve some parity with the General Employees' Board. He stated that his fee for the Village is \$150 an hour. If there was a conflict, it would conflict him out of both representations. The Board could find substitute council and some conflicts can be waived by the parties. A motion was made, seconded and approved 4-0 to retain Paul Nicoletti as the Board Attorney at the rate of \$150 an hour.

Ed Lewis stated that in discussion with the members and the attorney for the PBA, he thinks that the Board needs to send out a ballot to get a feeling for what the members would like in terms of improved benefits. Mr. Nicoletti stated that if the Board wanted to determine what the members would like, it can send out ballots. He noted that the Board

can determine what the ballot should look like. It was determined that Mr. Nicoletti would work on the ballot with Ed Lewis.

Becky Morse appeared before the Board to discuss the accounting of the Fund from her office. She reviewed the trial balance for the Board. There was then a discussion on the fact that there is \$402,774.96 in cash in the "checking account". Ms. Morse stated that she could easily send \$300,000 to \$350,000 to Salem Trust because contributions are still coming in every month to help cover expenses and pension payments. A motion was made, seconded and approved 4-0 to have the Finance Director keep no less than \$75,000 in the "checking account" and transfer no less than \$100,000 increments to Salem on a quarterly basis.

There being no further business and the next meeting being scheduled for Monday, August 5, 2003 at 4:30 P.M., the meeting was adjourned at 6:55 p.m.

Respectfully submitted,

Ed West, Secretary