

**VILLAGE OF PALM SPRINGS HAZARDOUS DUTY  
EMPLOYEES' PENSION FUND  
MINUTES OF MEETING HELD  
May 5, 2009**

Tim Conboy called the meeting to order at 4:35 P.M. in the Conference Room on the First Floor at Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Tim Conboy  
James Gregory  
Randy Hoffer  
Mark Hall

**OTHERS**

Bonni Jensen, Attorney  
Margie Adcock, Pension Resource Center  
Dan Johnson, Bogdahn Consulting  
Kevin Quinn (via teleconference) and Carli Hutton, ICC  
Larry Wilson, Actuary  
Chris Long & Greg Woodard, Manning & Napier

**MINUTES**

The Board reviewed the minutes of the meeting held February 3, 2009. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held February 3, 2008.

**INVESTMENT MANAGER: MANNING & NAPIER**

Chris Long and Greg Woodard appeared before the Board. Mr. Long stated that April was a strong month, up over 10%. He stated that international markets have come along very nicely. He reviewed the performance and outlook as of December 31, 2008. He noted that they tend to outperform in a market cycle. Mr. Long stated that \$4 trillion went into money markets in the past six months. He noted that \$8 billion has come out now and they are starting to see it go to work. There is still a lot of money sitting in money market accounts though. Mr. Long reviewed the performance as of March 31, 2009. The Core Non US Equity Composite was down 10.11% versus the EAFE, which was down 13.94%. Since inception of October 1, 1996, the Core Non US Equity Composite was up 6.60% versus the EAFE, which was up 1.17%. They are heavily weighted in healthcare. They are making strategic bets in healthcare. They are also heavily weighted in information technology. They have an overweight in consumer staples as well. They think they are positioned correctly going forward.

Mr. Woodard discussed the positioning of the portfolio. He noted that the portfolio has high quality names. The slow down is starting to slow down. The housing market is starting to get its footing and the financial market is starting to function again. They think it is going to be slower growth than in 2006-2008. That is why they are positioned to higher quality names and somewhat tilted toward growth as they can buy growth and value at about the same price. He stated that they would start to move out of some of those defensive names and increase some risk as they start to see some more capital come back in to the market.

Mr. Long discussed their perspective on inflation. They expect inflation to be almost 2 to 2½% in the next two to five years. They do not see near term inflation. They do not think the Fed will increase the short-term interest rate for the rest of the year.

It was noted that at the last meeting there was a discussion on the attendance of the managers. It was determined that Manning & Napier would attend on a semi annual basis in May and November as they have 10% of the portfolio. It was noted that the Board would be receiving quarterly summaries of the performance of Manning & Napier and perhaps annual attendance would be sufficient. The Board agreed that annual attendance by Manning & Napier would be fine, unless other issues arose during the year, which would require their attendance more often.

Chris Long and Greg Woodard departed the meeting.

### **INVESTMENT MANAGER REPORT: ICC**

Carly Hunten appeared before the Board. Kevin Quinn appeared by teleconference. Mr. Quinn reported on the performance of the portfolio as of March 31, 2009. The total market value as of March 31, 2009 was \$7,224,732. The asset allocation was 59.3% in equities; 35.3% in fixed income and 5.4% in cash. The portfolio was down 7.46% for the quarter while the benchmark was down 7.01%. Equities were down 11.73% while the benchmark was down 10.93%. Fixed income was down .34% while the benchmark was down .05%. Mr. Quinn reviewed the investment performance by sectors. They have a very concentrated portfolio with 25 to 30 names. Ms. Hunten discussed fixed income. She discussed the market and outlook. She discussed the programs the Fed has introduced in an attempt to kick-start the market.

Kevin Quinn departed the meeting.

### **INVESTMENT MONITOR REPORT**

Dan Johnson appeared before the Board. He reviewed the market environment for the period ending March 31, 2009. He reviewed the quarterly performance for major market indices. He noted that it was a negative quarter for all domestic equities. He reviewed the Russell style index performance noting that value has become out of favor. The growth sector has started to emerge as a leader. He reviewed sector performance noting that technology shows up as the leader for the quarter.

Mr. Johnson reported on the performance of the Fund for the quarter ending March 31, 2009. It was a difficult quarter on a relative and absolute basis. The total market value of the Fund as of March 31, 2009 was \$7,713,962, with ICC holding \$7,225,551 and Manning & Napier holding \$488,411. The asset allocation was 55.6% in domestic equities; 6.3% in international; 32.7% in domestic fixed income; and 5.4% in cash. The total portfolio was down 7.65% gross of fees for the quarter while the benchmark was down 6.88%. The ICC total portfolio was down 7.48% while the benchmark was down 6.18%. The ICC domestic equity portfolio was down 11.01% for the quarter while the S&P 500 was down 11.01%. This was the first time they have underperformed the benchmark since inception with this Plan. What hurt was their overweight in industrials which was the worst performing sector. The ICC fixed income portfolio was down .53% for the quarter while the benchmark was up .91%. It was noted that they were

overweight in corporate bonds, which were down for the quarter. The Manning & Napier portfolio was down 10.04% for the quarter while the EAFE was down 13.85%.

Mr. Johnson provided a draft Addendum to the Investment Policy Statement for ICC. He stated that it was done to help institute controls in light of the Board hiring Manning & Napier. He reviewed the Addendum. A motion was made, seconded and carried 4-0 to approve the Addendum to the Investment Policy Statement for ICC.

Carly Hunten and Randy Hoffer departed the meeting.

### **ACTUARY REPORT**

Larry Wilson appeared before the Board to present the Actuarial Valuation as of September 30, 2008. He noted that the Valuation determines the contributions for the fiscal year beginning October 1, 2009. He stated that the Village contribution requirement for the fiscal year beginning October 1, 2009 is \$1,225,704 less the Chapter 185 frozen amount of \$90,996. He stated that he was recommending a change in the assumed rates of mortality from the 1983 Group Annuity Mortality Table to the RP2000 Mortality Table (Generational) with Blue Collar Adjustments. This change increased the required contribution by \$80,523. The overall net obligations of the Fund increased more than projected by the long term funding assumptions. The principal deviation from the projected assumption was a 5.3% recognized net return on investment versus the 8% expected which was unfavorable and the average pay increase of 7.1% versus the 5.8% expected which was unfavorable. The net effect of the experience factors was an experience loss of \$955,759.

Mr. Wilson reviewed the total adjusted contribution with the current assumptions. He reviewed the historical comparison of the contribution requirement from September 30, 1995 to September 30, 2008. He reviewed the development of the funded value of assets. He noted that the funded ratio as of September 30, 2008 was 59.2%. He reviewed the sources and financing of the unfunded actuarial accrued liability. He noted that there were no Plan changes from the prior year. A motion was made, seconded and carried 3-0 to accept the Actuarial Valuation as of September 30, 2008 including the assumption change in the Mortality Table to the RP2000 Mortality Table (Generational) with Blue Collar Adjustments.

Mr. Wilson provided an updated Summary Plan Description that included the recommended changes of Ms. Jensen. Mr. Wilson reviewed the changes in the Summary Plan Description. There was a lengthy discussion. There was discussion on the survivor benefit. It was noted that the Plan provides a refund of employee contributions if a person is not vested, but there is nothing that talks about a person who dies and is partially vested. It was noted that there would likely be an actuarial cost. The Board decided to review this further at the next meeting.

### **ATTORNEY REPORT**

There was discussion on the potential merger of the Fire Department with the County. Ms. Jensen provided a copy of a letter dated March 12, 2006 from the Division to help answer questions about a merger. There was a lengthy discussion.

Ms. Jensen presented an updated Attorney Engagement Agreement to reflect the new name of her firm. A motion was made, seconded and carried 3-0 to approve and execute the Attorney Engagement Agreement with the Law Offices of Perry & Jensen, LLC.

### **ADMINISTRATIVE REPORT**

Margie Adcock presented the Beneficiary/Enrollment Forms received from the Village. A motion was made, seconded and carried 3-0 to approve the list of Enrollment Applications.

Ms. Adcock presented the disbursements. A motion was made, seconded and carried 3-0 to pay all listed disbursements.

The Board was provided with a memorandum from the Administrator dated April 1, 2009 regarding a fee increase. It was noted that the request was for a fee increase effective June 1, 2009 to \$750 a month with a 3-year rate guarantee subject to a 4% cost of living increase annually. There was a lengthy discussion regarding the fee and the cost of living increase. The Board was concerned about the timing of the increase, as they did not plan for an increase this fiscal year. It was further noted that the Board would like to tie the cost of living increase to the increase received by the retirees annually. A motion was made, seconded and carried 3-0 to approve an increase in the fee for the Administrator to \$750 a month effective October 1, 2009 with an annual cost of living increase tied to the CPI that is used to determine the cost of living increase for the retirees each October 1.

### **OTHER BUSINESS**

There being no further business, the meeting was adjourned.

Respectfully submitted,

Tim Conboy, Chairman