

**VILLAGE OF  
PALM SPRINGS POLICE OFFICERS' PENSION FUND  
MINUTES OF MEETING HELD  
February 1, 2011**

The meeting was called to order at 8:10 A.M. in the Conference Room on the First Floor at Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Darrell Diez  
James Gregory  
Mark Hall

**OTHERS**

Bonni Jensen, Attorney  
Margie Adcock, The Resource Centers  
Dan Johnson, Bogdahn Consulting  
Kevin Quinn and Nick Burwell, ICC  
Larry Wilson, Actuary

**MINUTES**

The Board reviewed the minutes of the meeting held November 2, 2010. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held November 2, 2010.

**INVESTMENT MANAGER REPORT – ICC**

Kevin Quinn and Nick Burwell appeared before the Board. It was noted that Mr. Burwell was the assistant portfolio manager. Mr. Quinn reported on the performance of the portfolio. He stated that the total market value as of December 31, 2010 was \$12,151,870. He stated that they have been fully invested throughout the entire time. They have never used cash as a strategy. Mr. Quinn stated that the asset allocation was 48.7% in multicap equities; 14.5% in value equities; 32.1% in fixed income and 4.7% in cash. The portfolio was up 7.19% for the quarter while the benchmark was up 6.16%. Value equities were up 11.45% while the benchmark was up 10.54%. Multicap equities were up 12.80% while the benchmark was up 10.76%. Fixed income was down 1.44% while the benchmark was down .75%. Since inception of May 31, 2005 through December 31, 2010 the portfolio was up 66.9% while the benchmark was up 23.58%. Multicap equities were up 89.47% while the benchmark was up 18.62%. Mr. Quinn stated that multicap was the main driver of performance since inception. He noted that the value component only existed for about the last year. He reviewed the top ten holdings and portfolio sector diversification

Mr. Burwell reviewed the fixed income portfolio. He noted that they have underperformed the benchmark. Since inception of May 31, 2005 through December 31, 2010 the fixed income portfolio was up 26.72% while the benchmark was up 33.37%. He discussed their conservative approach. He noted that there are three risks in fixed income: interest rate risk; credit risk; and liquidity risk. He further discussed the interest rate risk and reviewed the 10-year Treasury yield movement. He stated that they transitioned the portfolio at the end of the year. They are worried about rates in the future. They cut exposure to interest rate risk by getting more defensive. He stated that they would continue to take a conservative approach. He discussed the market outlook.

## **INVESTMENT MONITOR REPORT**

Dan Johnson appeared before the Board. Mr. Johnson reviewed the market environment as of December 31, 2010. He reviewed the major market index performance. He noted that bonds were negative for the quarter while equities were positive for the quarter. Mr. Johnson reported on the performance of the Fund for the quarter ending December 31, 2010. The total market value of the Fund as of December 31, 2010 was \$13,439,486. The asset allocation was 57.3% in domestic equities; 9.3% in international; 27.2% in domestic fixed income; and 6.2% in cash. The total portfolio was up 7.33% net of fees for the quarter while the benchmark was up 6.78%. The total equity portfolio was up 12.10% for the quarter while the benchmark was up 10.94%. The total domestic equity portfolio was up 12.99% for the quarter while the benchmark was up 11.59%. The total fixed income portfolio was down 1.48% for the quarter while the benchmark was down .75%. The total international portfolio was up 6.79% for the quarter while the benchmark was up 7.25%. The ICC Core portfolio was up 11.48% for the quarter while the S&P 500 was up 10.76%. The ICC Multicap portfolio was up 13.46% for the quarter while the Russell 3000 was up 11.59%. The ICC Fixed Income portfolio was down 1.48% for the quarter while the benchmark was down .75%. The Manning & Napier portfolio was up 6.79% for the quarter while the benchmark was up 7.25%.

There was a discussion on the ICC fixed income portfolio. Mr. Johnson stated that their research team was not recommending the ICC fixed income product anymore as a stand-alone strategy. However, he noted that the Fund is only paying 40 basis points for ICC to manage both the equities and fixed income strategies. If the ICC fixed income strategy were removed, it would increase fees on domestic equities to 60 basis points.

Kevin Quinn departed the meeting.

Mr. Johnson reviewed comparative performance fiscal year returns as of December 31, 2010. He stated that in looking at the ICC fixed income portfolio he does think there are other managers that could perform better, but there would be an increase in fees for the overall portfolio. There was a discussion on the increased fee versus the extra return. It was noted that for equities, the Fund pays 40 basis points now but would pay 60 basis points if fixed income were taken away. For fixed income, the Fund pays 40 basis points, but could pay only 30 basis points if fixed income was given to another manager. There was a lengthy discussion. It was noted that ICC believes interest rates will continue to rise and they have positioned the portfolio for that. If interest rates do not rise, ICC fixed income will underperform. ICC will not take more risk for the portfolio. Mr. Johnson stated that no immediate action is needed right now. He will continue to monitor the performance. He stated that he felt the necessity to advise the Board that his firm was not recommending the ICC fixed income as a stand-alone strategy anymore.

Mr. Johnson discussed the Investment Policy Statement. He stated that he received questions from Rebecca Morse in the Finance Department at the Village and the Village Auditor. He stated that the Village Auditor has asked for two changes to the Fund's Investment Policy Statement under fixed income. He reviewed the requested changes. Ms. Jensen discussed the issues raised by the Auditor. There was a lengthy discussion. A

motion was made, seconded and carried 3-0 to approve the reviewed Investment Policy Statement as amended.

There was a brief discussion on TIPS. Mr. Johnson stated that he would give an educational discussion on TIPS at the next meeting.

### **ACTUARY REPORT**

Larry Wilson appeared before the Board to present the Actuarial Valuation as of October 1, 2010. The total minimum required contribution for fiscal year beginning October 1, 2010 is \$1,308,738. Mr. Wilson stated that with member contributions for the Police at \$114,448, the Village required contribution is \$1,194,290. He stated that from the information obtained from the Village, this year the Village paid on a percentage of payroll basis. He stated that he would like to convert the Village back to a dollar amount contribution versus a percentage of payroll contribution. He stated that with a closed plan the percentage of payroll contribution does not make sense in the long term. Mr. Wilson noted that the total number of active participants decreased by approximately 33%, while covered payroll decreased by 23%. He reviewed the Plan experience. The net Fund experience resulted in a net actuarial loss of \$194,829. Mr. Wilson stated that the actual salary increased during fiscal year 2010 for police officers with the average salary increase being 4.5% compared to the assumed rate of 5.5%. As such, the police officers salary experience was generally an offsetting source of actuarial gain. He stated that turnover was generally a contributing source of actuarial loss due to one termination compared to the expected of three terminations. Investment return was a source of actuarial loss during the previous year with an actuarial investment return of 6.7% versus the assumed rate of 8%. Mr. Wilson reviewed the summary of assets at market value. He stated that the net Plan assets as of September 30, 2010 was \$12,116,486. He noted that the funded ratio was 67.4%. He reviewed the unfunded actuarial accrued liability. A motion was made, seconded and carried 3-0 to accept the Actuarial Valuation as of October 1, 2010. Mr. Wilson provided the Share Account allocations. A motion was made, seconded and carried 3-0 to approve the Share Account allocations and approve the distribution of the Share Account Statements to the Participants.

### **ATTORNEY REPORT**

Ms. Jensen provided a Memorandum dated January 2011 regarding the IRS mileage rates for 2011.

Ms. Jensen provided a Memorandum dated January 2011 regarding HB 303 and SB 290. She noted that HB 303 has since been withdrawn. She noted that SB 290 does not impact this Plan. Rather, it impacts elected officers and judges under FRS. She stated that she would continue to monitor the legislative updates.

There was a discussion on the assumed rate of return. Mr. Johnson stated that he was still comfortable with an 8% assumed rate of return. He stated that he would draft the necessary letter for the State. A motion was made, seconded and carried 3-0 to approve the 8% assumed rate of return based on the recommendation of the Investment Monitor.

Ms. Jensen advised that an issue came up recently regarding class action filings. She noted that Salem provided the Fund with a notice of a class action filing the day before it

was due. The notice stated that Salem would file class actions for the time when they held a stock for the Fund with a charge of \$300 per filing. It was noted that Comerica could not file such actions because they do not have any information on such stocks. Ms. Jensen noted that it was a complicated process for anyone else to do. There was a lengthy discussion. The Board asked Ms. Jensen to bring back more information regarding this matter to the next meeting.

There was discussion on a Participant that passed away two years after his normal retirement date, but prior to applying for or receiving any benefit under the Plan. It was noted that the last information provided by the Participant that the Plan has is that there was no spouse or children. It was noted that he did not make any contributions to the Plan.

### **ADMINISTRATIVE REPORT**

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

### **OTHER BUSINESS**

There being no further business, the meeting was adjourned.

Respectfully submitted,

Randy Hoffer, Secretary