

**VILLAGE OF
PALM SPRINGS POLICE OFFICERS' PENSION FUND
MINUTES OF MEETING HELD
May 3, 2011**

The meeting was called to order at 10:07 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
Tim Conboy
Randy Hoffer

OTHERS

Bonni Jensen, Attorney
Margie Adcock, The Resource Centers
Dan Johnson, Bogdahn Consulting
Chris Long & George Nobilski, Manning & Napier

MINUTES

The Board reviewed the minutes of the meeting held February 1, 2011. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held February 1, 2011.

INVESTMENT MANAGER REPORT – MANNING & NAPIER

Chris Long and George Nobilski appeared before the Board. Mr. Long provided a brief background. He introduced Mr. Nobilski from the portfolio strategist group. He discussed the current market environment. He noted that the 1st Quarter was generally characterized by positive returns across most of the global equity markets. Mr. Nobilski reviewed the global markets. They think there is a stable situation globally in terms of economic growth. He stated that they think commodity prices will come down. They think oil will come down as well. They do not think there will be a problem with inflation. They think inflation should resume its 2.5% to 3.75% annual growth and not be problematic. Mr. Long reported that the total market value of the portfolio as of March 31, 2011 was \$1,317,186. The portfolio was up 5.41% as of March 31, 2011 while the benchmark was up 3.41%. Mr. Long reviewed the portfolio characteristics. He noted that consumer staples, information technology and healthcare were areas that really contributed to their outperformance this past year. He reviewed the top ten holdings. He reviewed their country allocation. Mr. Nobilski stated that they were very underweight in financials having a weighting of 8% versus the benchmark weighting of 24%. They think there are too many banks and loan demand is very weak. They are underweight in Japan, having a weighting of 7% versus the benchmark weighting of 14%, which underweight helped. He stated that they thought Japan had a lot of issues prior to the recent earthquake. He stated that demographically Japan is in a different situation. Internal growth is very slow and they are eating into their savings. Mr. Nobilski stated that emerging markets make up 22% of the benchmark. They think that is too much to have in the portfolio, so their portfolio has 9% in emerging markets.

Chris Long and George Nobilski departed the meeting.

INVESTMENT MONITOR REPORT

Dan Johnson appeared before the Board. Mr. Johnson reviewed the market environment as of March 31, 2011. He reviewed the major market index performance. He discussed TIPS. He reviewed sector performance. He noted that energy was up almost 17% for the quarter and 41% for the year. Mr. Johnson reported on the performance of the Fund for the quarter ending March 31, 2011. The total market value of the Fund as of March 31, 2011 was \$14,081,846. The asset allocation was 57.2% in domestic equities; 9.4% in international; 29.7% in domestic fixed income; and 3.8% in cash. The total portfolio was up 4.99% net of fees for the quarter while the benchmark was up 4.09%. The total equity portfolio was up 7.24% for the quarter while the benchmark was up 5.94%. The total domestic equity portfolio was up 7.54% for the quarter while the benchmark was up 6.38%. The total fixed income portfolio was up .51% for the quarter while the benchmark was up .48%. The total international portfolio was up 5.41% for the quarter while the benchmark was up 3.49%. The ICC Core portfolio was up 6.80% for the quarter while the S&P 500 was up 5.92%. The ICC Multicap portfolio was up 7.76% for the quarter while the Russell 3000 was up 6.38%. The ICC Fixed Income portfolio was up .51% for the quarter while the benchmark was up .48%. The Manning & Napier portfolio was up 5.41% for the quarter while the benchmark was up 3.49%.

Mr. Johnson presented a fee increase proposal. He stated that they were hired in 2007 with a 3-year guarantee, which fee guarantee has since expired. He noted that they issued a Memo dated April 1, 2011 with an initial fee increase proposal, which proposal was to increase the fee to \$18,000 a year. However, based on comments with Rebecca Morse, they have now proposed an alternative fee arrangement with a built in increase. The alternative fee proposal would be for an annual fee of \$15,500 with a 5% increase annually. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to accept the alternative fee arrangement of \$15,500 with a 5% increase annually effective July 1, 2011.

Mr. Johnson provided the Board with a proposed revised Investment Policy Statement. He noted that the Village Auditor had some issues with the Investment Policy Statement. He reviewed the changes to the proposed revised Statement. He stated that he did not see any impact on the changes, either positive or negative. He recommended that the Board adopt the revised Statement. A motion was made, seconded and carried 4-0 to adopt, based on the recommendation of the Investment Monitor, the revised Investment Policy Statement.

Mr. Johnson provided an overview of Treasury Inflation Protected Securities (TIPS). The objectives of investments in TIPS include that it is a hedge against inflation; it preserves purchasing power; it increases cash flows; and it provides greater diversification of fixed income assets that reduce the total portfolio volatility. He recommended the Fund make a 5% allocation to TIPS. He thinks inflation is a problem now and will increase in the next

decade. Investing in TIPS would not be just a tactical issue for now, but for the long term of the Plan. It was noted that the Board would discuss this further at the next meeting.

ATTORNEY REPORT

Ms. Jensen provided a Memorandum dated March 8, 2011 regarding pre-retirement death benefits. She stated that she provided the Memorandum as a result of an inquiry at the last meeting. There was a lengthy discussion.

Ms. Jensen provided information regarding class action fees received by the Fund as a result of discussions from the last meeting. It was noted that Salem advised that they would file class actions for the time when they held a stock for the Fund with a charge of \$300 per filing. She stated that the history of the Fund shows that in the last fiscal year the Fund received \$92.99 from class actions. She noted that based on that, it did not look like it would make any sense to pay Salem \$300 to get back such a small amount. The Board agreed.

The Board reviewed the Summary Plan Description prepared by the Actuary. A motion was made, seconded and carried 4-0 to approve the Summary Plan Description. There was discussion on the Legislative changes. Ms. Jensen advised that only changes to Chapter 112, Florida Statutes, would have an effect on the Plan as Chapters 175 and 185, Florida Statutes, no longer apply.

Ms. Jensen reported on the status of the IRS Determination Letter. She stated that the IRS wants the Board to update language in the Plan. She provided a proposed amendment to the Plan to incorporate the changes. She stated that the Board needs to pass the changes on to the Village for approval and then send to the IRS. A motion was made, seconded and carried 4-0 to authorize the Attorney to forward the IRS required language to the Village Council for adoption.

It was noted that a Participant raised an issue regarding changing their joint survivor. The Ordinance that person retired under provided that in such a circumstance the Participant would need to prove the joint survivor was alive and in good health before any change could be made. Since then, Chapters 175 and 185, Florida Statutes, provides that a Participant can change their joint survivor without any limitation that the joint survivor be alive and in good health. Ms. Jensen stated that normally you would look to the Plan that the person retired under for the rules that apply to that person. According to the State, Ms. Shoemaker thinks that plans should make the current provision under Chapters 175 and 185 the rule for everyone. Ms. Jensen noted that the Fund is no longer subject to Chapters 175 or 185, Florida Statutes. Therefore that provision does not need to be in the Plan at all. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to apply the current rule, that a Participant can change their joint survivor without any limitation that the joint survivor be alive and in good health, to all retirees.

Ms. Jensen provided a Memorandum dated March 24, 2011 regarding her joint venture with Klausner and Kaufman, P.A. She stated that they would be looking for new clients

together. She noted that the agreement that currently exists between the Board and her firm still applies.

ADMINISTRATIVE REPORT

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

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Randy Hoffer, Secretary