

**VILLAGE OF
PALM SPRINGS POLICE OFFICERS' PENSION FUND
MINUTES OF MEETING HELD
February 7, 2012**

The meeting was called to order at 10:00 A.M. in the Conference Room on the First Floor at Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Tim Conboy
Mark Hall
James Gregory (12:00 P.M.)
Ed Whitehead

OTHERS

Bonni Jensen, Attorney
Margie Adcock, The Resource Centers
Dan Johnson, Bogdahn Consulting
Larry Wilson, Actuary

WELCOME NEW VILLAGE TRUSTEE

The Board welcomed Ed Whitehead to the Board. Mr. Whitehead was appointed by the Village to replace the vacancy that occurred by the resignation of Randy Hoffer.

MINUTES

The Board reviewed the minutes of the meeting held November 10, 2011. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held November 10, 2011.

ACTUARY REPORT

Larry Wilson appeared before the Board to present the Actuarial Valuation as of October 1, 2011. He stated that the numbers were going to be higher this year because the experience of the Plan was unfavorable versus the assumptions, with the main issue being the investment returns. The total minimum required contribution for fiscal year beginning October 1, 2011 is \$1,465,502, with \$1,307,197 for the Police and \$158,305 for the Fire. Mr. Wilson stated that since the Plan is closed, he recommended that Board determine future contributions on a dollar amount basis versus a percentage of pay basis. It was noted that the State has apparently recommended using the percentage of pay basis, but he stated that it does not make sense for a closed plan. It was noted that there were no changes in Plan provisions, methods or assumptions this year. Payroll increased by about 7%. The total normal cost increased, as did the unfunded actuarial accrued liability. As such, the net Village minimum funding requirement increased. Mr. Wilson reviewed the Plan experience. The net Fund experience resulted in a net actuarial loss of \$893,330. It was noted that \$604,000 was due to investment performance and \$290,000 was due to liabilities. Mr. Wilson stated that the actual salary increased during fiscal year 2011 for police officers with the average salary increase being 6.7% compared to the assumed rate of 5.5%. Investment return was a source of actuarial loss during the previous year with an actuarial investment return of 3.0% versus the assumed rate of 8%. Mr. Wilson reviewed the summary of assets at market value. He noted that the funded ratio was

66.5%. He reviewed the amortization of unfunded actuarial accrued liability, noting that the loss is amortized over 15 years. He reviewed the accounting and State disclosure requirements. Mr. Wilson discussed the State's Financial Rating System. Ms. Jensen provided the Board with a Memorandum dated January 23, 2012 regarding proposed HB 1499. It was noted that it is unclear how this would affect Share type plans for municipalities. There was a lengthy discussion. A motion was made, seconded and carried 3-0 to accept the Actuarial Valuation as of October 1, 2011. 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. It was noted that there are two retirees that have not yet taken the required distribution from their Share Account. The Board directed the Administrator to send a notice to the two retirees advising them that they have 30 days to submit the required information for the distribution or the Board would make the required distribution.

ATTORNEY REPORT

Ms. Jensen provided a Memorandum dated January 23, 2011 regarding Task Force on Public Employee Disability Presumptions. She reviewed the findings and recommendations of the Task Force.

Ms. Jensen provided a proposed Amendment to the Agreement with ICC Capital to amend the Agreement to account for the name change of the Plan. A motion was made, seconded and carried 3-0 to accept the Amendment to the Agreement with ICC Capital to account for the name change of the Plan.

ADMINISTRATIVE REPORT

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

INVESTMENT MONITOR REPORT

Dan Johnson appeared before the Board. Mr. Johnson reviewed the market environment as of December 31, 2011. He reported on the performance of the Fund for the quarter ending December 31, 2011. The total market value of the Fund as of December 31, 2011 was \$13,004,203. The asset allocation was 53.7% in domestic equities; 8.1% in international; 30.5% in domestic fixed income; and 7.6% in cash. The asset allocation by manager was 42.2% with ICC Multicap; 36.3% with ICC Fixed Income; 13.4% with ICC Core Value; and 8.1% with Manning & Napier.

FIXED INCOME MANAGER PRESENTATIONS

Mr. Johnson stated that the Board was going to be hearing presentations from two dedicated fixed income managers. He stated that he thought the Fund could improve performance and reduce fees by making a change to the current fixed income portfolio.

AGINCOURT CAPITAL MANAGEMENT

Patrick Kelly appeared before the Board. He provided a firm overview. The firm is located in Richmond, Virginia and is 100% employee owned. It is a bond only firm that has a consistent value based philosophy focused on yield. They have over \$4 billion in assets under management. Mr. Kelly provided a representative client list. He noted that they have never lost a client. He reviewed the investment team. He discussed their investment philosophy and objectives. They believe that yield is the primary component of return in a bond portfolio. He reviewed the investment process. They have over 100 different corporate names in the portfolio and they believe in broad diversification. He reviewed their macro factor analysis that includes inflation, credit cycle and federal policy. Mr. Kelly stated that he thinks it is hard in this economy to generate growth. He reviewed the sector management and corporate allocations. He provided their investment strategy overview. He reviewed their client services and noted that they focus on a limited number of clients and have frequent communication. He discussed fees stating that they would charge 25 basis points on the first \$25 million. He reviewed a sample portfolio. He reviewed performance and stated that they have below market volatility.

Patrick Kelly departed the meeting.

GARCIA HAMILTON & ASSOCIATES

Janna Hamilton and Jeffrey Detwiler appeared before the Board. Ms. Hamilton provided a brief introduction. She stated that she was the client service representative and Mr. Detwiler was the portfolio manager. They are a Houston based firm that was founded in 1988. They are 100 employee owned with \$2.7 billion in assets under management. She reviewed their representative client list. Mr. Detwiler discussed their goal and philosophy. Their goal is to outperform the benchmark, net of fees, over a full market cycle using a high quality strategy with less risk and low turnover. Their investment philosophy is to preserve principal, maintain liquidity and provide high current income. They own high quality securities. They have no derivatives or leverage. They are flexible and can quickly adjust to changing market conditions. Mr. Detwiler discussed risk controls. They add value by using limited interest rate anticipation, sector rotation, and yield curve management. He reviewed their investment process. They have five factors they utilize in the process: sentiment; monetary; economic; valuation; and inflation. He reviewed the portfolio characteristics.

James Gregory entered the meeting.

Ms. Hamilton reviewed performance through December 31, 2011 for the quarter to date, 1, 3, 5, 7, 10 and since inception time periods. She stated that they have a high quality focus; proven investment process over time; and a strong focus on client service. She discussed fees stating that they would charge 25 basis points on the first \$10 million.

Janna Hamilton and Jeffrey Detwiler departed the meeting.

DISCUSSION ON FIXED INCOME MANAGER PRESENTATIONS

The Board discussed the fixed income manager presentations. Mr. Johnson stated that he thinks either of these two bond managers would fill the void in the fixed income portfolio. He compared the performance of both managers. He noted that Garcia Hamilton had less economic sensitivity in down markets and would not take as much risk in corporate areas. They seem to have more consistent returns. He stated that Agincourt might have corporate bonds that will perform well in a short time period, but thinks it might be a bumpy ride. Mr. Johnson stated that either one of these managers would provide a nice alternative to ICC. He recommended that the Board go forward with making a change. He noted that ICC stated that they would continue to charge the same fee even if the Board made a change to another manager for fixed income, so there would be no change in fees to the equity portfolio. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to replace ICC fixed income with Garcia Hamilton and authorize the Attorney to negotiate an agreement with Garcia Hamilton.

Tim Conboy departed the meeting.

INVESTMENT MONITOR REPORT (CONTINUED)

Mr. Johnson continued with reporting on the performance of the portfolio for the quarter ending December 31, 2011. The total portfolio was up 4.96% net of fees for the quarter ending December 31, 2011 while the benchmark was up 7.47%. The total equity portfolio was up 7.14% while the benchmark was up 10.85%. The total domestic equity portfolio was up 7.77% for the quarter while the benchmark was up 12.12%. The total fixed income portfolio was up 1.35% for the quarter while the benchmark was up .91%. The total international portfolio was up 3.02% for the quarter while the benchmark was up 3.77%.

Mr. Johnson reviewed the performance of the individual manager portfolios. The ICC Core portfolio was up 12.66% for the quarter while the S&P 500 was up 11.82%. The ICC Multicap portfolio was up 6.31% for the quarter while the Russell 3000 was up 12.12%. The ICC Fixed Income portfolio was up 1.35% for the quarter while the benchmark was up .91%. The Manning & Napier portfolio was up 3.02% for the quarter while the benchmark was up 3.77%.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Tim Conboy, Chairman