



**Nevada Public Agency Insurance Pool  
Public Agency Compensation Trust**  
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**Minutes of Joint Meeting of the Executive Committees of  
Nevada Public Agency Insurance Pool and for Public Agency Compensation Trust**

**Date: October 17, 2005**

**Time: 9:00 A.M.**

**Place: 201 S. Roop St., Suite 102  
Carson City, Nevada 89701**

**1. Roll**

Committee Members Present: Michael Rebaleati, Claudette Springmeyer, Marilou Walling, Dan Newell, Mike Pennacchio, Alan Kalt, Cash Minor, Mike Tourin, Paul Johnson, Toni Inserra, Linda Bingaman

Committee Members Absent: Lisa Jones, Jeff Zander, Roger Mancebo

Others Present: Bruce Brooks, Michael Brown, Wayne Carlson, Doug Smith, Ann Wiswell, Debra Connally, Jas Short, Toby Isler

**2. Action Item: Approval of Minutes of Meetings:  
a. Joint Executive Committee of May 20, 2005**

On motion and second to approve the minutes, the motion carried.

**3. Action Item: Investment Advisors Review of POOL and PACT Investments**

Jas Short of Eagle Asset Management reviewed the PACT investment performance as of September 30, 2005. He commented on the investment performance relative to the selected benchmarks, noting that due to the conservative nature of the PACT investment policies and Eagle's style, performance was under the indices on an actual basis, but exceeded the indices when portfolio style weighting factors were utilized. He reviewed several statistical measures of the portfolio noting that PACT investments captured 90% of the indices returns with 90% of the risk (beta), but yielded a positive performance 20 basis points greater than the indices (alpha). He noted that the conservative posturing over the past is moving the results closer to the indices and likely could outperform the indices in the future.

On motion and second to accept the PACT report, the motioned carried.

Jas Short reviewed the POOL investment performance in a similar manner to PACT with similar overall results except that the alpha was 50 basis points greater than the indices. He commented that the Federal Reserve tightening has mostly run its course, but that foreign interest in US Treasuries kept demand high, thus mitigating the effects of the federal funds increases. Katrina has been working its way through the economy, but both POOL and PACT are appropriately positioned to take advantage of market changes and federal funds changes.

On motion and second to accept the POOL report, the motion carried.

4. **Action Item: Review POOL and PACT Investment Guidelines and Recommend Changes to the Boards for Adoption**

Wayne Carlson advised the committee that the PACT investment guidelines were adopted in 2000 and in light of current market conditions should be reviewed to determine whether any changes were necessary. In response to a question, Jas Short indicated that the current guidelines were sufficient for Eagle without any changes. Paul Johnson and others discussed various sections of the guidelines. On motion and second to make no changes in the PACT investment guidelines, the motion carried.

Wayne Carlson noted that the POOL and PACT investment guidelines paralleled each other and that there were no specific changes recommended. On motion and second to make no changes in the POOL investment guidelines, the motion carried.

5. **Action Item: Determination Regarding Use of Money Managers for POOL and PACT Investments**

- a. **Use of Multiple Money Managers**
- b. **Selection and Retention of Money Managers**
- c. **Use of State of Nevada Pooled Long-Term Local Government Investment Program**

Wayne Carlson introduced this topic noting that while Eagle Asset Management had a biased interest in continuing to provide money management for POOL and PACT, the committee should consider any input from Jas Short since he was present for the discussion.

Wayne indicated that he had been approached by Wells Fargo to meet with Wells Capital Management, their investment management subsidiary. He also said he obtained information from NVEST, the Nevada Local Government Long Term Investment Program established by the State Treasurer's office. Wells Capital Management, Atlanta Capital Management and Trusco Capital Management were money managers for NVEST.

Further, Wayne mentioned that a representative of Oppenheimer had contacted him for an opportunity to serve as investment manager. Wayne stated that County Reinsurance, Ltd., the POOL's liability reinsurer, had multiple money managers primarily because of their non-fixed income investments. He noted that he could obtain little or no specific guidance as to what an appropriate asset basis would be for use of multiple money managers in the fixed income arena. Criteria for selection of money managers would be important to identify since there are numerous comparative statistics that may or may not result in the best outcome. Jas Short commented that one appropriate process would be to hire an investment consultant to screen money managers and to recommend options. He also commented that if a less conservative style of management was desired, then another manager may be appropriate for a portion of the portfolio, but that Eagle's style matched closely to the existing investment guidelines.

Wayne then commented that the city of Las Vegas had recently conducted a Request for Proposal process to select fixed income money managers and that Wells had been selected to manage a share of their portfolio. He said he could obtain some information about their selection criteria should this committee want to consider alternative money managers. He noted that Wells had provided a comparative performance chart for money managers managing over one billion in fixed income portfolios. Wayne noted that Wells performed at the top over 10 years, but that other money managers on the list outperformed Wells in other shorter periods. Jas Short provided a table showing the top 40 investment consultants.

Cash Minor commented about his concerns with NVEST since the policies of the NVEST board would govern investment strategies, not those of PACT or POOL. Others echoed those concerns and expressed that there did not appear to be a clear need for multiple managers. Alan Kalt commented on the importance of focusing on managing our own portfolio tied to POOL and PACT investment guidelines.

No action was taken on this item.

**6. Action Item: Approval of Prospective POOL Members**

**a. Sierra Estates General Improvement District**

Wayne Carlson commented that this small water district in Douglas County had a part time manager. Ann Wiswell met the manager as a result of involvement with the Nevada Rural Water Association and reviewed his existing policies, finding them inadequate. The district has had no losses. On motion and second to approve for membership, the motion carried.

**7. Action Item: Approval of POOL Loss Control Excellence Awards**

Wayne Carlson noted that the Loss Control Committee was meeting later in the day to formally review and recommend approval of several awards. Doug Smith advised the committee of the prospective award recipients. On motion and second to approve the awards, subject to the approval by the Loss Control Committee, the motion carried.

**8. Public Comment**

Wayne Carlson commented that he, Doug Smith and Ann Wiswell met with our London reinsurance brokers, Willis Re, at the League of Cities conference in Las Vegas. They discussed the effects of hurricanes on the property markets. Willis Re indicated that there could be substantial effects on the reinsurers more than primary insurers. Rate increases for reinsurers may be 15% to 25%. Because POOL structured its program as a three year program with various Lloyds syndicates, we should be able to hold the program overall without change. However, it is possible that some syndicates may lose their ability to participate and that others may have to be substituted. Under the property program, however, withdrawal results in a 15% penalty which dollars could be used to offset any higher pricing from replacement syndicates. The overall effect could be neutral. Wayne indicated that plans already were in place to visit with the syndicates in London prior to the hurricane events, but now it was even more important to do so. He also noted that a previous underwriter on the POOL's liability program was with a syndicate that now expressed interest in looking at some of the liability program, so that presents another opportunity during a London trip.

Wayne also noted that they also met with the environmental broker and an underwriter from ACE who had expressed interest in a blanket pollution legal liability program. They discussed offering a reinsured or excess program for all POOL members as part of our current liability program in which POOL would bear a portion of the risk. Currently, the entities participating in the matrix program pay about \$150,000 collectively. Based upon preliminary indications, ACE may be able to offer a lower liability limit that extends to all members for about \$300,000 plus the POOL's needed loss fund estimated at \$120,000. Various options will be developed, including remediation protection for matrix participants in addition to the third party liability. Wayne noted that he would be working on this for review by the Executive Committee as part of the budget and renewal processes.

**9. Action Item: Adjournment**

The meeting adjourned at about 11:20 a.m.