

MINUTES OF THE SPECIAL MEETING OF THE CITY OF COTTONWOOD ALTERNATE PENSION AND BENEFIT PLAN BOARD HELD OCTOBER 27, 2008 AT 9:00 A.M. AT THE COTTONWOOD PUBLIC SAFETY BUILDING FIRE DEPARTMENT CONFERENCE ROOM, 191 SOUTH 6TH ST., COTTONWOOD, ARIZONA

Chief Casson started the meeting at 9:11 a.m. Roll call was taken as follows:

Board Members Present

Mike Casson, Fire Chief
Rudy Rodriguez, Board Secretary/Treasurer
Dave Vogel, Firefighter
Pete Bailey, Firefighter
Brady Casson, Firefighter

Board Members Absent

Diane Joens, Mayor
Ian James, Firefighter

Visitors

Cheryl Miskiel, Fire Dept. Admin Coordinator
Larry Innes, Innes Associates (Telephonic)

Approval of the minutes was moved to the bottom of the agenda to accommodate the telephonic conference call from Larry Innes.

Old Business

None

New Business

STATUS OF THE TRUST'S INVESTMENTS AND DEALING WITH WITHDRAWAL REQUESTS OF LARGE SUMS FROM THE TRUST – Larry Innes started up the discussion by explaining that the trust was a defined contribution plan and not a defined benefit plan. That basically means that there are no guarantees as to a defined amount of benefit being provided by the trust. Instead it all depends on contributions, forfeitures, premium insurance contribution, and investment income. All members share the wealth as well as the losses in this long term investment program.

Briefly, the DOW was anticipated to drop approximately 20%, instead it has dropped approximately 40%. The trust fortunately has only lost 25% of its value. One of the things that the trust is currently doing is holding larger amounts of cash than usually. The benchmark for cash being withheld rather than invested is 20%. Due to the volatility of the current market, the trust is holding as much as 45% in cash. This is protecting the trust from losing any more in the stock market.

What is being seen in the market is that there is plenty of money, but it is on the sidelines sitting idle. Money is currently being pulled from the market and everyone is waiting for it to hit bottom. The market is primed to go up according to Larry Innes, all it needs is for the players to get back into the game. He is anticipating that the market will start coming back in mid 2009, and when it does, the trust will go back to its 20% cash position and begin investing again.

With the current losses in valuation, it is important to keep as much of the cash available and ready when the market again starts to heat up. This leads us into the second half of the discussion; dealing with large withdrawal requests.

Larry reminded the Trustees that section 6.1 and 6.2 address this issue specifically

ARTICLE VI - PAYMENT OF BENEFITS

6.1 DISTRIBUTION TO PARTICIPANTS AND THEIR BENEFICIARIES. Subject to the provision of Section 6.2, the balance credited to the account of a Participant shall be, or shall commence to be, distributed not later than 60 days after the close of the Plan year in which individual retires, dies, or terminates his/her service with the Sponsor. If a Participant continues his/her service beyond his/her normal Retirement Age but dies before actual retirement, individual shall, unless individual has otherwise elected in writing, have a survivor annuity payable on his/her death to his/her spouse in such amount as can be purchased with his/her account balance.

6.2 OPTIONAL DEFERRAL OF DISTRIBUTIONS. Notwithstanding Section 6.1, the Board of Trustees may allow a Participant to defer the commencement of payment of his/her benefits. By written statement filed with the Sponsor, a Participant may elect that distribution be made, or commence, in a year after the year designated by Section 6.1, but no later than the tax year in which individual attains age 70 1/2. Any election shall be subject to rules of uniform application prescribed by the Sponsor.

On request of the Participant, the Board of Trustees shall furnish the Participant an appropriate form for making the election. The Participant shall make the election by filing the election form with the Board of Trustees at any time before the Board of Trustees otherwise would begin paying a Participant's Account Balance under the requirements of Section 6.1.

As a courtesy, the trust has always allowed a departing member to withdraw 75% to 100% of their funds based on the prior year asset appraisal, once the member provides the proper documentation. An adjustment is done at the end of the plan year to ensure that the departing member receives any appreciation and contributions due to them.

With the current situation, Innes is recommending that though we do not have to give out any funds until 60 days after the close of a plan year, we may entertain a 50% disbursement and make any necessary adjustments with the remaining 50% of the member's funds to account for appreciation or depreciation of the value of a member's asset.

The premise behind this recommendation is the protection of the fund and its members. Inclusive, the trustees may change this policy later when the economy rebounds. One thing that Innes suggested was that the policy had to be applied consistently amongst all members.

There was some minor discussion between the members and Larry Innes. Shortly afterwards, Larry concluded and got off the line.

REVIEW AND DISCUSSION OF POSSIBLE CHANGES TO THE PLAN IN ORDER TO DEAL WITH THE CURRENT TRUST FUNDS SITUATION – The Trustees decided not to make any changes to the Plan, instead opting to make a Board directive. This directive will allow the distribution of 50% of member's assets at the time of request, with the remaining 50% to be retained in Trust till the end of the plan year and re-evaluated. Any appreciation or depreciation will be calculated at that time and the adjustment will be made. This change is effective immediately. Chief Casson made the motion, Brady Casson seconded and it was approved unanimously.

Further direction was given to Cheryl, Administrative Coordinator to send out a letter notifying all the membership of the determination and to schedule a meeting of the membership to discuss this issue.

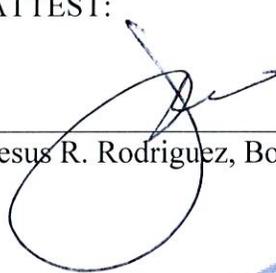
Approval of the Board Minutes of December 18, 2007

Secretary Rodriguez motioned to approve the minutes as presented. Chief Casson seconded the motion and it was approved unanimously.

Adjournment

With no other business at hand, Secretary Rodriguez moved that the meeting be adjourned. This was seconded by Board member Bailey and a unanimous vote ensued.

ATTEST:



Jesus R. Rodriguez, Board Secretary/ Treasurer

