

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES’
PENSION FUND
MINUTES OF MEETING HELD
November 12, 2002**

Virginia Walton called the meeting to order at 6:30 P.M. at the Water Treatment Plant in Palm Springs, Florida. Those persons present were:

TRUSTEES

Virginia Walton
Michael Johnson
Bev Smith
Clarence Cooper
Rebecca Morse

OTHERS

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel
Margie Adcock, Pension Resource Center
Brian Coker, Invesco
Ernie Mahler, Salomon Smith Barney

MINUTES

The Board reviewed the minutes of the meeting held August 6, 2002. A motion was made, seconded and carried 5-0 to approve minutes of the meeting held August 6, 2002.

INVESTMENT MANAGER REPORT: INVESCO

Brian Coker appeared before the Board to discuss the investment performance for the Fund for the quarter ending September 30, 2002. Mr. Coker discussed the equity market summary and noted that all major stock market indices were down. It was one of the worst bear markets in history. He stated that the equity markets have been negative for the last 5 years with real estate being the only index with positive numbers. Mr. Coker noted that the market has been showing some strength since the end of the quarter. He stated that bear markets do not last forever and that following the initial decline in markets in the past, the returns have been positive in the 5 and 10 years following the decline. The bright spot has been the bond market with it outperforming stocks in the last 5 years. Interest rates are now at a 40 year low. There is not much more room for interest rates to fall at this point. Mr. Coker noted that higher quality bonds have done very well and the Fund’s portfolio is focused on high quality bonds.

Mr. Coker reported that the total market value of the portfolio was \$4,511,859 for the quarter ending September 30, 2002. The asset allocation of the Fund at the end of the quarter was 47.7% in equities; 48.9% in fixed income; and 3.4% in cash. The total Fund was down 7.8% for the quarter ending September 30, 2002, while the benchmark was down 7.6%. Equities were down 19.3% for the quarter while the S&P 500 was down 17.3%. Fixed income for the quarter was up 6.3% while the benchmark was up 5.7%. Mr. Coker noted that this has been a very difficult market with no fund meeting their actuarial assumption. Mr. Coker then discussed the equity characteristics and noted that the Fund has a well-balanced core portfolio. He stated that the Fund was overweighted in financials, industrials and materials.

Mr. Coker stated that Invesco has a consistent record of adding value and has outperformed the market in 11 out of the last 14 calendar years. He then discussed the fixed income characteristics and noted that there was value added on the bond side and the high quality focus of the bonds in the portfolio was the reason for that.

Ernie Mahler then noted that the allocation for the equity portion of the portfolio is currently at 47.7%. He stated that the Investment Guidelines provide for a maximum in equities of 60% at cost. Mr. Mahler recommended that the Board revise the Investment Guidelines to provide for a maximum in equities of 60% at market. If not, then the managers are limited in getting equities back up to the benchmark. Mr. Mahler stated that Invesco had made the request for this change and it was just done for the Hazardous Duty Pension Fund. There was then a lengthy discussion concerning this issue. Mr. Mahler further discussed the change recommended. A motion was made, seconded and carried 5-0 to change the Investment Guidelines to provide for a maximum in equities of 60% at market instead of at cost. Mr. Mahler advised that he would make the change to the Investment Guidelines and work with Bonni Jensen to have it forwarded to the appropriate individuals.

INVESTMENT MONITOR REPORT: SMITH BARNEY

Ernie Mahler appeared before the Board to discuss the investment performance of the Fund. He discussed the benchmark for the Fund and the changes that have been made to it. He noted that from October 1991 to September 1996 the benchmark was 60/40 which changed in October 1996 to 55/40/5. Mr. Mahler reviewed the top ten holdings in the portfolio and noted that the Investment Guidelines require there not to be more than 5% in any one issue. He noted that the Fund is within those requirements.

Mr. Mahler reported that the Fund was down 7.84% for the quarter ending September 30, 2002 while the benchmark was down 7.99%. Equities were down 19.25% while the S&P 500 was down 17.28%. Fixed income was up 6.21% and the benchmark was up 5.69%. The market value as of September 30, 2002 for the equity portfolio was \$2,152,000 and for the fixed income portfolio was \$2,203,000.

Mr. Mahler advised that the Fund is up about 6% for the current quarter. He noted that the Fund has been underperforming some. Mr. Mahler stated that he did not think the Board should do anything at this point, but would like to see things go the other way. He said that he thought it would be reasonable to look at the numbers more in depth. He stated that he would bring information to the next meeting showing the 5 year numbers and comparing Invesco to the other managers in their universe.

Mr. Coker then discussed the letter sent to the Board dated August 30, 2002. He noted that Invesco is restructuring the office. They have had some cutbacks and Bruce is now the only one in the Florida office. Mr. Coker did note that, for this Fund, the equity portion of the portfolio is managed in Kentucky. The change in Invesco may mean something from a client servicing standpoint in Florida, but not in terms of the management of the equity portfolio. Ernie Mahler advised that he was not concerned about the change as Bruce Bridges is the service representative for this Fund and he is comfortable with that.

Brian Coker and Ernie Mahler departed the meeting.

ADMINISTRATIVE REPORT

Margie Adcock reported that they had received three Beneficiary/Enrollment Forms from the Village. A motion was made, seconded and carried 5-0 to approve the list of Enrollment Applications.

Ms. Adcock reported that they received the Application from the surviving spouse of Robert Stewart. Ms. Adcock provided the Board with an Agenda Addendum that set forth the information concerning the pension benefit for Ms. Stewart. A motion was made, seconded and approved 5-0 to approve the pension benefit to Ms. Stewart.

Ms. Adcock presented the disbursements. Ms. Adcock noted that the disbursements included the renewal for fiduciary liability insurance, the 2003 membership dues for the FPPTA, and a refund of contributions for Vilma Rodriguez-Lezama. A motion was made, seconded and approved 5-0 to pay all listed disbursements.

Ms. Adcock reported that an election for the Trustee positions of Virginia Walton and Mike Johnson was conducted. She advised that there were only two names submitted for nominations for the two General Employee Members of the Board: Virginia Walton and Mike Johnson. As such, both Virginia Walton and Mike Johnson were reappointed to the Board. It was determined that at the next Board meeting it would be decided which one will hold the two year term and which one will hold the three year term.

Ms. Adcock advised that the term for the 5th Trustee Clarence "Butch" Cooper was up for reappointment. A motion was made, seconded and approved 4-0 to reappoint Clarence "Butch" Cooper for another two year term to expire on October 1, 2004. (Clarence Cooper did not vote on the motion.)

Ms. Adcock provided the Board with a list of the upcoming conferences.

ATTORNEY REPORT

Bonni Jensen provided the Board with a proposed Ordinance which would include Elected Officials. Becky Morse stated that the Village had an issue over the opportunity of putting Elected Officials in FRS. As the Finance Director, she calculated the cost and impact of putting the Elected Officials in FRS and found that it was very costly to do so. She then did the calculations of putting them into this Plan and found that it would be more economical to do that. Mr. Morse stated that she called Bonni Jensen regarding this as she thought it would be included under the retainer. She did apologize to the Board if she requested services that not all the other Board members were aware of. There was then a lengthy discussion on including Elected Officials under the Plan. A motion was made, seconded and approved 4-0 to approve the Actuary doing a calculation based on the Village Council's request to include Elected Officials in the Plan and giving them past service credit. (Bev Smith did not vote on the motion.) It was determined that the Board would review the proposed Ordinance after the Actuary calculates the cost. It was then noted that there may be an issue if such an Ordinance is passed for part-time and casual employees. There was a discussion on the requirement of having at least 1000

hours in order to get a year or credited service. Ms. Jensen discussed the current requirement to have 1000 hours and suggested that this requirement be modified. A motion was made, seconded and carried 5-0 to remove the 1000 hour requirement and base credited service on years and fractions of years of service from a Participant's date of hire.

OTHER BUSINESS

Bonni Jensen reported that the Board received an agreement from Salem Trust Company for online access to the Fund's account. Ms. Jensen advised that this agreement was acceptable after certain language was removed. Ms. Jensen provided the revised agreement with certain language that had been stricken. A motion was made, seconded and carried 5-0 to approve the signing of the agreement for online access to the Fund's account.

There being no further business and the next meeting being scheduled for Tuesday, February 11, 2003 at 6:30 P.M. at the Water Plant, the meeting was adjourned at 808 P.M.

Respectfully submitted,

Michael Johnson, Secretary