

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES’
PENSION FUND
MINUTES OF MEETING HELD
February 3, 2004**

Virginia Walton called the meeting to order at 6:35 P.M. in the First Floor Conference Room at Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Virginia Walton
Michael Johnson
Bev Smith
Rebecca Morse

OTHERS

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel
J. Scott Baur, Pension Resource Center
Bill Stewart & Brian Coker, Invesco
Ernie Mahler and Troy Wheat, Salomon Smith Barney
Chad Little, Actuary

MINUTES

The Board reviewed the minutes of the meeting held November 4, 2003. A motion was made, seconded and passed 4-0 to approve minutes of the meeting held November 4, 2003.

INVESTMENT MANAGER REPORT: INVESCO

Bill Stewart reported that Invesco continued to invest in higher quality issues, while the market more recently the lower quality issues in the market outperformed. Historically, Invesco NAM shows the strongest performance when the market favors highly rated companies. In spite of the higher quality issues, the portfolio still had returns near the benchmark for the quarter. Ernie Mahler remarked that this performance was particularly strong given the composition of the portfolio.

Bill Stewart then reviewed the performance of the portfolio as of December 31, 2003, on behalf of Invesco. The total fund returned 16.8% for the calendar year, as opposed to 17.2% for the benchmark. The Board also asked questions how the return on the total portfolio could exceed the average of the equity and fixed income components for a balanced portfolio. Mr. Stewart explained that the total return represented a weighted average, since the managers did not maintain an equal allocation between stocks and bonds. Invesco also over weighted the portfolio to cyclical stocks, which helped to boost the performance of the high quality holdings.

Bill Coker reported that Invesco shortened the duration of the fixed income portfolio, expecting interest rates to eventually increase. The lower quality bonds, like the lower quality stocks, had higher returns for recent quarters. Invesco remains very optimistic about the economy and the continued strength of the current market.

Bill Stewart addressed recent problems in the securities industry regarding improper trading practices. He explained the issues first in the context of the broader industry, then at the level of the Invesco mutual fund group, and finally at the Invesco NAM management team. Potentially harmful trading practices in the industry include late

trading by managers and clients and market timing trades. Late trading is clearly illegal in the industry. The market timing trades, while not illegal, can impact performance by increasing costs and generating higher turnover in the portfolio. Invesco has not been accused of late trading, but the investment management company did allow some shareholders to trade short-term. The allegations all occur at the mutual fund level, and none of the concerns impact the operations at Invesco NAM. Ernie Mahler reported that these practices should not impact the institutional performance whatsoever, since the Invesco NAM operation remains largely independent from the rest of the operations of the investment management firm. Bill Steward believes the company will settle the allegations with securities regulators in the next 30 days. So far, Invesco NAM lost only 2 public sector clients out of about 350 total.

Bonni Jensen asked if Invesco has guidelines for ethics and conflicts of interests for employees. She requested a copy of the Invesco internal policies for ethical conduct and reporting of conflicts of interest. Ernie Mahler concluded that these issues should not affect the Pension Fund.

INVESTMENT MONITOR REPORT: SMITH BARNEY

Ernie Mahler reported that the portfolio returned 6.86% for the quarter, exceeding the benchmark return of 6.64%. For the calendar year, the portfolio returned 16.61% versus 17.14% for the benchmark. He believes that the market will favor the management style provided by Invesco, so he expects the portfolio to out perform the benchmark as the market turns to higher quality issues. Ernie reported that Invesco NAM maintained a 4 diamond rating in the Smith Barney manager rating system, although Ms. Jensen noted that Invesco had not updated this rating since October 2003.

ACTUARY REPORT

Chad Little responded to questions regarding the vesting provisions of the plan. The Plan has a graded vesting, but a participant vests immediately at age 62 if employed. The employee becomes partially vested with more than 5 years of service if that employee terminates prior to the age of 62. Bonni Jensen will draft language to clarify the vesting provisions, which Chad Little said would not impact the costs or funding for the plan.

Chad Little then reviewed requests to estimate the cost for an increase in the multiplier and a reduction in the penalty for commencing a benefit prior to normal retirement age. He stated that lowering the reduction for early retirement effectively reduces the retirement age, leaving fewer years of contributions and more years to pay benefits. The Village and the employees may be willing to each contribute 1% of payroll for benefit improvements, so he could determine a reduction amount that fits the available funding. He also suggested that the Board could determine the cost to increase the multiplier.

The Board discussed the possible combinations of benefit improvements. The Trustees noted that a multiplier increase would offset some of the reduction for early retirement, but benefit a wider range of participants in the plan. Chad offered to provide the cost associated with a range of multiplier increases from 2 to 3%. Chad also explained that the plan previously amortized benefit changes over 15 years, but a longer term is more common. The longer financing period would reduce the annual dollar cost to implement a benefit change.

A motion was made and seconded to authorize Chad Little to produce cost estimates for a multiplier change only. Mike Johnson objected, since the employees wanted to see the costs associated with the other suggested benefit improvements (lowering the reduction for early retirement) as well. Chad explained that a multiplier increase from 2% to 3% had the same impact on a participant as lowering the reduction for early retirement from 5% to 2½% for each year. Chad Little also noted that he should have the annual valuation ready in 6 weeks. The Board discussed the timing for any benefit improvements, since the meeting scheduled for May would not meet the budget deadlines for the Village for the next fiscal year. The Trustees concluded that they would need to meet in mid-March to meet the budget deadline for the Village. Bonni Jensen said that she can bring a draft ordinance for changes to a special meeting. The motion to authorize Chad Little to produce cost estimates for a multiplier change only passed 3-1, with Mike Johnson voting against the motion.

The Trustees returned to the report by the investment consultant. Ernie Mahler recommended that the Board diversify the portfolio by considering additional asset classes, but he again stated that he did not have any concerns regarding the portfolio management provided by Invesco NAM. He will prepare an update to the investment guidelines before the special meeting, which the Board set for March 15.

ADMINISTRATIVE REPORT

The Trustees reviewed the benefit approval for Connie Mitchell. The Trustees reported that Ms. Mitchell had breaks in service not reflected in the benefit approval presented to the Board. Virginia Walton will research her personnel record to provide additional information regarding the breaks in service. A motion was made, seconded, and approved 4-0 to approve payment of the benefit for Constance Mitchell subject to review of her service record and certification by the actuary. The Trustees then reviewed applications for refunds of contributions by employees pending termination from the Village. A motion was made, seconded, and approved 4-0 to approve the refunds of contributions. Rebecca Morse will supply additional information regarding to update the amounts to be refunded.

The Board reviewed the enrollment applications. The Trustees noted that Mitchell Branch had already left the employment of the Village. A motion was made, seconded, and approved 4-0 to approve the enrollment applications.

The Board reviewed the pending disbursements, with some questions regarding the final invoice submitted by Gabriel Roeder Smith. A motion was made, seconded, and approved 4-0 to pay all invoices except Gabriel Roeder Smith pending additional review of the items and the amounts. Rebecca Morse requested a copy of the new policy for coverage for Errors & Omissions.

Scott Baur updated the Board regarding new capabilities available through the website maintained by the administrator. The administrator can now provide participants with Internet access to current accurate benefit calculations if the Board chooses, although the Board would have a one-time setup charge of \$500. If the both the General and Hazardous Employees Pension Plans request this access, then the administrator can split the setup charge between the two plans. The Trustees will consider whether they want to

add these additional functions. Michael Johnson noted that he could not obtain the beneficiary form from the website. Scott Baur will check the status of the beneficiary form.

ATTORNEY REPORT

Bonni Jensen had no additional items to report to the Board.

The Trustees briefly discussed the benefit for Karl Umberger, since the administrator recently provided him with a statement of his benefits through the plan. He will ultimately receive separate benefits from both the Hazardous and General Employees Pension Plans, although both plans will combine his service at the Village to determine vesting. The administrator will provide the actuary with a calculation of the benefit due to Mr. Umberger for his 3½ years of service under the Hazardous Employees Pension Plan, since Mr. Umberger continues to accrue additional service under the General Employees Pension Plan.

OTHER BUSINESS

There being no further business and the special meeting having been scheduled for Monday, March 15, 2004 at 3:00 P.M, the meeting was adjourned at 8:55 P.M.

Respectfully submitted,

Michael Johnson, Secretary