

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

Virginia Walton called the meeting to order at 5:03 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

TRUSTEES

Virginia Walton
Butch Cooper
Bev Smith

OTHERS

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel
Margie Adcock, Pension Resource Center
Bill Stewart, Invesco
Ernie Mahler, Salomon Smith Barney
Chad Little, Actuary

MINUTES

The Board reviewed the minutes of the meeting held March 15, 2004. It was noted that there was a typographical error on the second page. A motion was made, seconded and carried 3-0 to approve minutes of the meeting held March 15, 2004 as corrected.

ATTORNEY REPORT

Bonni Jensen provided the Board with a copy of the revised final Ordinance which incorporates all of the changes. She reviewed the changes for the Board. She noted that the multiplier was increased to 2.25% and the employee contribution was increased to 2% of pay. There was also the elimination of the 1000 hour requirement for determination of credited service. She noted that an Attorney General Opinion was issued earlier this year which clarified the provisions on dual office holding. She has included language in Section 8 to comply with the AGO by specifically providing that it is an ex-officio duty. She stated that she provided a copy of the draft Ordinance to the Village for budgeting purposes, but will provide them with a final copy. There was a question regarding the 1000 hours found in Section 16b. Ms. Jensen stated that it is applicable only for past service prior to November 1, 1976. The language of that section has been changed to include “fractional parts of years of credited service” so that credit will be given from the date of hire. Ms. Jensen stated that she would submit the revised final Ordinance to the Village Attorney for presentation to Council. A motion was made, seconded and carried 3-0 to accept the proposed Ordinance as revised.

Bonni Jensen departed the meeting.

INVESTMENT MANAGER REPORT: INVESCO

Bill Stewart appeared before the Board to discuss the investment performance for the Fund for the quarter ending March 31, 2004. He provided the Board with an organizational update noting that two senior members within the portfolio group have announced their retirement effective June 30, 2004. He stated that the portfolio group will be going from 14 people to 12 and there are no plans to replace the two individuals

retiring. They will continue to manage the money on a team basis. Ernie Mahler stated that Smith Barney has not downgraded Invesco. It is under review but they have not considered the departure of these two members to be significant at this time. It was reported that on May 12, Smith Barney sent an analyst to Invesco for an onsite due diligence visit.

Mr. Stewart then reviewed the performance for the Fund for the quarter ending March 31, 2004. He reported that the total Fund was up 1.0% for the quarter while the benchmark was up 2.1%. With respect to equities for the quarter, the Fund was down .1% while the benchmark was up 1.7%. With respect to fixed income for the quarter, the Fund was up 2.6% while the benchmark was up 2.8%. Mr. Stewart reported that the asset allocation was 56% in equities; 43% in fixed income; and 1% in cash. The total market value for the Fund as of March 31, 2004 was \$5,489,839.

Mr. Stewart discussed the equity characteristics. He stated that they increased the growth attribute during the quarter. The overall position in the portfolio is in economically sensitive names. They are underweight in utilities, energy and telecomm. Mr. Stewart then discussed the equity market outlook noting that they believe that price will follow earning in the long run. Mr. Stewart then discussed the fixed income characteristics. He noted that the portfolio is a high quality portfolio and duration remains slightly below that of the benchmark. There was a discussion on the fact that Invesco does not have any exposure to energy which seems to be doing rather well right now. Mr. Stewart stated that most of the rise in energy was in Exxon which they did hold for most of the first quarter.

INVESTMENT MONITOR REPORT: SMITH BARNEY

Ernie Mahler appeared before the Board to discuss the investment performance of the Fund. He followed up on his prior report to add diversification to the portfolio. He stated that Invesco had a couple of small cap products but they were not technically acceptable for a public sector Florida pension plan. Mr. Stewart stated that he has talked to the management at his firm and he thinks they have a solution which came into being within the last week. He stated that they are going to establish some new portfolio agreements for public plans which Mr. Stewart will provide to Mr. Mahler after the meeting. Mr. Mahler stated that he would bring the information to the next meeting. Mr. Mahler reiterated that he would like to have the Board add some diversification to the portfolio. He noted that he would rather have small cap more on the value side versus growth or international. He also noted that fees are very important here.

Mr. Mahler then reviewed did a capital markets overview. He reported on performance for the quarter ending March 31, 2004. He reported that the Fund was up .87% for the quarter ending March 31, 2004 while the benchmark was up 1.94%. He noted that the total market value of the Fund as of March 31, 2004 was \$5,489,000. The asset allocation as of March 31, 2004 was 56% in equities, 43% in fixed income, and 1% in cash. It was reported that Becky Morse stated that the auditors found over asset allocation on the equity side as of September 30, 2003. Mr. Mahler responded that the Investment Guidelines allow for that and there is a reallocation process. He stated that the Fund was only slightly over the asset allocation. Mr. Stewart stated that they were aware of this and are working on it. They tried to balance it with keeping good exposure in equities.

Mr. Mahler then provided the Board with a revised Investment Policy. He reviewed the additional changes to be made. He stated that he would clean up the Policy and e-mail it to Mr. Stewart for execution. Mr. Stewart would then forward it to the Chair for execution. Once it was completely executed, it would be sent to the Administrator for distribution to the appropriate parties. A motion was made, seconded and carried 3-0 to adopt the Investment Policy as amended.

ACTUARY REPORT

Chad Little provided the Board with the revised Actuarial Valuation. He noted that the only change was the method of how the contribution was calculated. In the prior draft Valuation the contribution was 14.4% and now it will be 13.4%. He noted that he also labeled the GASB exhibits as Ms. Morse requested. A motion was made, seconded and carried 3-0 to accept the Actuarial Valuation as presented.

Mr. Little questioned about the impact statement for the Ordinance that Ms. Jensen provided at this meeting. It was noted that the Ordinance has not yet been presented to the Council. He asked if he should be doing anything with respect to the Ordinance or the required impact statement. It was noted that the Council will want to see the impact statement. Mr. Little stated that he would put a formal impact statement together as soon as possible.

Mr. Little stated that at a prior meeting there was discussion on how to increase benefits. He discussed additional service credits for educational purposes for the Board. He noted that there are no military buy back provisions in the Plan. He also noted that there is nothing in the State law that says that one cannot buy an additional year of multiplier. There is a cost associated with it, but it can be devised so that the Participant pays the cost and it is cost neutral to the Fund. He noted that it only applies to a benefit multiplier. It does not encourage anyone to retire earlier and it would be given as a one time option. He noted that not a lot of plans have this option available. There was then a lengthy discussion on the matter. Mr. Little advised that he has no general employee plans that have this option at this point. It was noted that it was an interesting concept but that the whole Board should be present for any action. Mr. Little will discuss this with Ms. Jensen and see if any other general employee plans have something like this.

ADMINISTRATIVE REPORT

Margie Adcock presented the Beneficiary/Enrollment Forms received from the Village. A motion was made, seconded and carried 3-0 to approve the list of Enrollment Applications.

Ms. Adcock noted that the Board needed to approve the benefit calculation done by the Actuary for Tim Van Fossen. She noted that the Board approved the calculation that Mr. Little brought to the November 4, 2003 meeting. Mr. Van Fossen has since made his benefit election and the Board needs to approve the final benefit election. A motion was made, seconded and carried 3-0 to approve the benefit election for Tim Van Fossen.

Ms. Adcock presented the Board with a benefit calculation and election approval for Constance Mitchell. A motion was made, seconded and carried 3-0 to approve the benefit election for Constance Mitchell.

Ms. Adcock presented the disbursements. She noted that the Board had held the bill for the Actuary from the last quarterly meeting. It was noted that Ms. Morse had a question on the invoice about two items. A motion was made, seconded and approved 3-0 to pay the first three listed disbursements and the invoice from GRS pending approval of the Finance Director or other amount she deems is correct.

OTHER BUSINESS

Virginia Walton asked if it would be possible to have Butch Cooper at the meetings during tax time. Mr. Cooper responded that he would make every effort to attend all of the meetings.

There being no further business and the next meeting being scheduled for Tuesday, August 3, 2004 at 6:30 P.M., the meeting was adjourned at 6:42 P.M.

Respectfully submitted,

Michael Johnson, Secretary