

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES'**  
**PENSION FUND**  
**MINUTES OF MEETING HELD**  
**August 3, 2004**

The meeting was called to order at 6:36 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Mike Johnson  
Butch Cooper  
Bev Smith  
Rebecca Morse

**OTHERS**

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

**MINUTES**

The Board reviewed the minutes of the meeting held June 3, 2004. It was noted that there was a typographical error on the second page. A motion was made, seconded and carried 4-0 to approve minutes of the meeting held June 3, 2004 as corrected.

**INVESTMENT MANAGER REPORT: INVESCO**

Bill Stewart and Ryland Pruett appeared before the Board to discuss the investment performance for the Fund for the quarter ending June 30, 2004. Mr. Stewart introduced Ryland Pruett noting that he is a marketing director for the company and would be discussing some different asset classes for the Board to consider.

Mr. Stewart provided the Board with an organizational update. He reminded the Board that at the last meeting he advised of the retirement of two senior members within the portfolio group. He stated that as a result of those retirements and the need to strengthen the equity team there have been three internal promotions that have been made: Richard Herrmann, Andrew Shipman and Paul Morlen. It was also noted that Mark Lattis resigned rather abruptly to pursue other interests. Mr. Stewart noted that the Monitor was contacted right away on the organizational changes. Ernie Mahler stated that they have placed Invesco on watch and have dropped them from four diamonds to three. Mr. Mahler stated that they are looking into the changes and he will come back to the Board with a recommendation.

Mr. Stewart then reviewed the performance for the Fund for the quarter ending June 30, 2004. He reported that the total Fund was down .3% for the quarter while the benchmark was down .1%. With respect to equities for the quarter, the Fund was up 1.1% while the benchmark was up 1.7%. With respect to fixed income for the quarter, the Fund was down 2.4% while the benchmark was down 2.5%. Mr. Stewart reported that the asset allocation was 59% in equities; 40% in fixed income; and 1% in cash. The total market value for the Fund as of June 30, 2004 was \$5,674,182. Rebecca Morse questioned the asset allocation as she noted that the auditors questioned the fact that the Fund was

slightly over the equity maximum at September 30, 2003. Mr. Mahler stated that the Fund was never out of compliance with the Plan.

Mr. Stewart discussed the equity characteristics. They are overweight in materials, industrials and information technology. They have no exposure in utilities, telecomm or energy. They are underweight in consumer staples which has benefited the Fund's returns. Mr. Stewart then discussed the equity market outlook noting that the market is very undervalued at this point. Mr. Stewart then discussed the fixed income characteristics. He noted that the portfolio is a high quality portfolio. He stated that they continue to maintain duration on a shorter basis. Mr. Stewart discussed the sector weightings. Mr. Mahler stated that Invesco is an active manager which he generally likes. He noted that Invesco having no exposure in energy and utilities has worked against them because of the price of oil. He stated that as the price of oil declines he believes the position will be corrected. Mr. Stewart then discussed the United States Presidential election cycles and the S&P 500 total return during election years. He stated that there is a good chance there will be good outperformance in the second half of the year and the portfolio is positioned to take advantage of such an upswing in the market.

### **INVESTMENT MONITOR REPORT: SMITH BARNEY**

Ernie Mahler appeared before the Board to discuss the investment performance of the Fund. He reported on performance for the quarter ending June 30, 2004. He provided the Board with a manager versus universe equity comparison. He noted that the Fund's portfolio has a ranking in the 72.91% and the S&P 500 median rank is 30.24%. He noted that Invesco remains below the median of all the managers of similar size that report. He stated that he would like to see their performance improve. He noted that the manager style of Invesco is a large cap core with a little tilt toward value. He noted that the asset allocation is reasonably diversified. The calendar year to date return for Invesco was .84% while the S&P 500 was 3.44%. Mr. Mahler stated that he needs to start to see something happen very soon. He was not saying that the Board needed to do a manager change right now, but it needs to be monitored rather closely. He stated that he was willing to wait a little longer because he thinks their style is about to come into play. Mr. Mahler reported that the Fund was down .33% for the quarter ending June 30, 2004 while the benchmark was down .06%.

Mr. Mahler then discussed a manager search. He stated that they are a national firm with national research capabilities. He provided an e-mail regarding Smith Barney placing Invesco on watch. He stated that by placing Invesco on watch that means that Smith Barney is reviewing Invesco and will get back to the clients with any recommendations. He noted that if a manager drops to two diamonds then they will come back with a strong recommendation to change managers.

Mr. Mahler provided a research bulletin on asset allocation that was prepared by Smith Barney. He stated that prospects for large cap stocks are more favorable than for small cap stocks on a six to twelve month view. He stated that he likes this area a lot right now so is comfortable with the style. He discussed the global model portfolios and noted that they recommend active management close to Model 5. Mr. Mahler then discussed the risk and return results for stock and bond blends. He then noted that he asked Invesco to come prepared to discuss different asset classes.

Rebecca Morse stated that she had hoped to see the ending numbers for the second quarter to be better, but they really are not. She stated that she thought the Board might need to do a manager search at this point as she is just not seeing the performance from Invesco. Mr. Stewart stated that they are frustrated too. They are working on it and doing the best they can. Mr. Mahler stated that the equities have clearly underperformed but noted that their asset allocation has been good. Mr. Mahler stated that doing a manager search is healthy at a minimum and it can be done fairly quickly if needed. He is not recommending any decision today because of the uncertainty of the portfolio. Mr. Mahler stated that the changeover in the portfolio team hurts as it does not give a high level of comfort. The other Board members agreed that there was nothing wrong in looking at the alternatives for the future. Bonni Jensen noted that the Board never went out for a manager search before. Rather, the Board just went with another product Invesco was offering. So for the Board, this is somewhat a continuation of the same issue they had with the old Invesco product. Mr. Mahler stated that he thought a special meeting would be best right before the next quarterly meeting. The Board decided to have a special meeting on October 26, 2004 at 6:30 to review a core manager search.

### **ACTUARY REPORT**

Chad Little appeared before the Board. He provided an impact statement for the proposed Ordinance. He reviewed the impact statement and the employer contribution rates.

Mr. Little stated that at the last meeting there was discussion on air time buy backs. He stated that he talked to Charles Slavin and Patricia Shoemaker and thinks that the requirement that the purchase of time be for prior service or military time only applies to police and firefighters. He is now under the impression that the ability to purchase an additional year of a multiplier can be done for general employees. If the Board wanted to allow something like this, he does not think there is any legal prohibition to doing it. Ms. Jensen stated that there is such a restriction in Chapters 175 and 185 but it does not carry over to the general employees. Mr. Little noted that there might be an issue of rolling over money to purchase an additional year of a multiplier. He thinks that if the purchase is not tied to actual time, then a rollover is not allowed. Ms. Jensen stated that she will have to review this if the Board decides to pursue this. It was noted that no other public pension plans now allow this type of buy back. The Board noted that this would cause an administrative issue as well as the cost of the Actuary. The Board decided not to pursue this further at this time.

### **ADMINISTRATIVE REPORT**

Margie Adcock presented the Beneficiary/Enrollment Forms received from the Village. A motion was made, seconded and carried 4-0 to approve the list of Enrollment Applications.

Ms. Adcock presented the disbursements. Ms. Morse stated that she talked to Larry Wilson about the bill that was held from the last two meetings and that she was giving up on it and would process the payment. A motion was made, seconded and approved 4-0 to pay the listed disbursements.

Ms. Adcock reported that there are two Trustee positions that are due to expire on September 30, 2004. One position is for an employee representative that is currently held

by Virginia Walton. Ms. Adcock advised that she would begin the election process. The other position is for the fifth Trustee that is currently held by Butch Cooper. The Board asked Mr. Cooper if he was willing and able to serve another two year term to which he responded in the affirmative. A motion was made, seconded and approved 4-0 to reappoint Butch Cooper for a two year term starting October 1, 2004.

### **ATTORNEY REPORT**

Bonni Jensen stated that the Village Council is going to consider the Ordinance in September. The Village Council is first going to have a workshop on the pension changes for both the General Employees and the Hazardous Employees Pension Plans in August.

### **OTHER BUSINESS**

There being no further business and the next meetings being scheduled for October 26, 2004 at 6:30 P.M. and November 9, 2004 at 6:30 P.M., the meeting was adjourned at 7:50 P.M.

Respectfully submitted,

Michael Johnson, Secretary