

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES'
PENSION FUND
MINUTES OF MEETING HELD
October 26, 2004

The meeting was called to order at 6:38 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

TRUSTEES

Virginia Walton
Butch Cooper
Bev Smith
Michael Johnson
Rebecca Morse (7:00 P.M.)

OTHERS

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

MINUTES

The Board reviewed the minutes of the meeting held August 3, 2004. A motion was made, seconded and carried 4-0 to approve minutes of the meeting held August 3, 2004.

INVESTMENT MONITOR REPORT: SMITH BARNEY

Ernie Mahler appeared before the Board to discuss the investment performance of the Fund for the quarter ending September 30, 2004. He provided a capital markets overview. He noted that the S&P was up 1.75 for the year to date. He stated that it was a good quarter for bonds despite the Feds raising the rates. Bonds made money in the quarter, although Mr. Mahler does not suspect that will continue much longer. He stated that he still thinks interest rates will go up between now and next year and that the emphasis should be on stocks as a group. The Fund was down .92% for the quarter ending September 30, 2004 while the benchmark was up .07%. The total market value of the Fund as of September 30, 2004 was \$5,722,000. The asset allocation was 58% in equities; 41% in fixed income; and 1% in cash. Mr. Mahler stated that where the portfolio stands now it should do well going forward, but it still needs to do more. He stated that Invesco underperformed given their profile and part was due to the fact that they had no oil exposure. The fixed income portion of the portfolio was up 2.61% for the quarter while the benchmark was up 3.56%. The equity portion of the portfolio was down 3.27% for the quarter while the S&P 500 was down 1.87%.

Mr. Mahler then presented his manager search. He provided a historical asset mix review of stocks and bonds. He reviewed the 3, 5 and 7 year risk/return analysis. He stated that as a fund diversifies, the risk is less and the return increases. He then provided the 3, 5 and 7 year risk/return analysis of combining the S&P with the EAFE. He noted that as international is brought in, the risk is lowered. He then provided the 3, 5 and 7 year risk/return analysis of combining the S&P, EAFE and fixed income and different mixes within that group. He noted that returns are enhanced over time. Mr. Mahler stated that this Plan is lacking small and mid cap equities and international exposure. He stated that the large cap portion of the Plan is fine although he would like to see them perform better in the class.

Rebecca Morse entered the meeting.

Mr. Mahler stated that what the Fund is in now should work but it is not. It is nothing major but it is not doing what it should be doing. He stated that he performed an asset mix search not just an individual manager search. Mr. Mahler provided historical information and performance on various manager firms: Anchor; ICC; NWQ; HGK; Trusco; Buckhead; Davis Hamilton Jackson; Invesco; and Sands. He reviewed the performance table of the managers. He reviewed the risk/return of each manager from January 1999 to June 2004. He reviewed the calendar year returns since 1999. There was then a lengthy discussion on the performance of the various managers. A motion was made, seconded and approved 5-0 to invite HGK, Buckhead, Anchor and Trusco to make a presentation to the Board with Davis Hamilton Jackson to be a backup should any of the four selected managers not be able or willing to make a presentation. The Board noted that they had not made a decision to change from Invesco but rather a decision to listen to other managers.

ADMINISTRATIVE REPORT

Margie Adcock reported that Virginia Walton was reelected to the Board for another two year term.

Ms. Adcock provided the Board with a renewal quote for the Fiduciary Liability Insurance. A motion was made, seconded and approved 5-0 to renew the Fiduciary Liability Insurance. Bonni Jensen noted that Marsh, the insurance agent obtaining the renewal quote, was under investigation and stated that she would write them a letter.

OTHER BUSINESS

There being no further business and the next meetings being scheduled for November 9, 2004 at 6:30 P.M. and December 7, 2004 at 4:00 P.M., the meeting was adjourned at 8:10 P.M.

Respectfully submitted,

Michael Johnson, Secretary