

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
November 1, 2005**

The meeting was called to order at 6:30 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

TRUSTEES

Virginia Walton
Bev Smith
Rebecca Morse
Phil Ralya

OTHERS

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel
Margie Adcock, Pension Resource Center
Chad Little, Actuary
Ernie Mahler, Smith Barney
Bob Croce, Anchor Capital (via teleconference)

MINUTES

The Board reviewed the minutes of the meeting held August 2, 2005. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held August 2, 2005.

INVESTMENT MANAGER: ANCHOR CAPITAL

Bob Croce appeared before the Board via teleconference. Mr. Croce reported on the performance of the Fund for the quarter ending September 30, 2005. He noted that it was a very good quarter. The Fund was up 4.85% net of fees while the benchmark was up 1.81%. Mr. Croce stated that what helped their performance was that they were pretty well invested in energy. He discussed their outlook. He stated that with higher energy costs and rising interest rates they feel that it will continue to constrain consumer spending. He noted that housing prices are beginning to moderate a bit and refinancing is slowing down. Mr. Croce reviewed the portfolio. He noted that consumer exposure was 9% while the S&P exposure to that sector was 6%. He thinks the outlook for the next year is somewhat constrained. He does not think it will be a dynamic year but is confident they can find things to invest in for the portfolio. He stated that it will be a stock pickers market. They need to look going forward at alternative energy, hybrid engines and companies that would benefit from energy coming down.

Mr. Croce departed the meeting.

INVESTMENT MONITOR REPORT: SMITH BARNEY

Ernie Mahler appeared before the Board. Mr. Mahler reviewed performance for the quarter ending September 3, 2005. The Fund was up 5.3% for the quarter while the

benchmark was up 1.83%. The total market value of the Fund as of September 30, 2005 was \$6,883,907. The asset allocation at the end of the quarter was 60% in equities; 29% in fixed income and 11% in cash. The equity portfolio was up 8.63% while the S&P 500 was up 3.61%. The fixed income portfolio was down .37% while the benchmark was down .97%. Since the manager change on January 31, 2005, the Fund was up 9.56% while the benchmark was up 3.41%. Mr. Mahler stated that his fee is paid for by transactions at 6 cents per share. He stated that he would provide an accounting at a future meeting.

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. A motion was made, seconded and approved 4-0 to pay the listed disbursements.

ATTORNEY REPORT

Bonni Jensen reported that the IRS increased the mileage rate from September 1, 2005 to December 31, 2005 to 48.5 cents.

Ms. Jensen provided a proposed increase to her retainer arrangement with the Board. She noted that she has not received an increase since 1997. They are proposing an increase of \$30 per quarter and a 3% COLA for each future year. She noted that the increase will not take effect until January 1, 2006. A motion was made, seconded and carried 4-0 to approve the increase to the retainer agreement with Hansen, Perry and Jensen, P. A.

Ms. Jensen advised that the Ordinance changes were passed by the Village Council last Thursday.

OTHER BUSINESS

Rebecca Morse raised some reporting issues that she was encountering with the Custodian, Salem Trust Company. Ms. Jensen stated that Salem switched over to an on-line system and changed their reports. Ms. Morse stated that she is unable to reconcile the statements but noted that Salem is trying to rework the statements. She noted that she is having a real problem with these issues and will keep the Board advised of the matter.

ACTUARY REPORT

Chad Little appeared before the Board. He noted that the State is reviewing valuations around Florida. They do it as a group where they will review 3-4 years of valuations for one municipality at a time. Some of the plans that the State has reviewed recently have received a letter that they should not use an 8% investment assumption going forward.

Mr. Little stated that he has several problems with this. First, the State does not give a percentage that they believe the plans should use. Second, they are basing their statement on recent experience. Third, they are looking at smoothed returns. It was noted that the Fund can show that it has a fiscal year return of 12% and a three year return of 10.73%. Mr. Little stated that he did not believe the State's statement is a reflection of where the Fund is headed. Additionally, there have been manager changes. Mr. Little stated that he had no problem with discussing lowering the investment assumption at some point in the future. He stated that the inflation numbers include the 1970's. Perhaps the inflation numbers are too high and are lowering the underlying numbers. He stated that when the State goes to review the Fund's valuations, the Fund may receive a similar letter. If so, he will sit down with Ernie Mahler and respond to the State accordingly.

OTHER BUSINESS (CONTINUED)

Phil Ralya stated that he was asked to present a petition by the employees to consider raising the multiplier to 2.5%. He noted that a majority of the employees are willing to contribute an additional 2% of pay for a total of 3% of pay. He stated that he had 69 signatures. Mr. Little noted that when a prior study was done, based on October 1, 2003 data the cost was 3.1% to go from 2.25 to 2.5% of pay. Ms. Morse stated that she would not be able to make an intelligent decision until she could see what the numbers were. She stated that she thought it was a reasonable request and there was support for it, but the total cost would need to be determined. Mr. Little stated that he could do a similar study to give more information going all the way to a 3% multiplier for the same fee as the previous study. Bev Smith stated that the benefits were just improved and the Fund is incurring costs to have the Actuary run studies over and over again. Mr. Little stated that he would charge \$2,500 to do the study with an addition \$1,000 for a subsequent impact statement if needed. It was noted that the benefits of the Fund have been stagnant for many years and this is a good faith effort from the employees that they will contribute another 2% to the Fund for this benefit. A motion was made, seconded and carried 4-0 to approve the Actuary performing a study to evaluate the cost of increasing the multiplier based on the petition presented by Phil Ralya.

There being no further business, the meeting was adjourned at 7:30 P.M.

Respectfully submitted,

Phil Ralya, Secretary