

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
February 7, 2006

The meeting was called to order at 6:45 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
Dan Doucette, Anchor Capital

MINUTES

The Board reviewed the minutes of the meeting held November 1, 2005. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held November 1, 2005.

ACTUARIAL REPORT

Chad Little appeared before the Board and presented the Actuarial Valuation as of October 1, 2005. He reviewed the funded percentage for the time period of 1999 to 2004. He reviewed the history of contribution rates and the investment return for the twelve month period ending September 30, 2005. Mr. Little reviewed the demographic changes. He noted that there were seventeen terminations in the fiscal year which he thought was high. There were 22 new hires. There was a slight decrease in the active employees. There were four new retirements and no deaths. He stated that there were no Plan changes or assumption changes. He reviewed the changes from the prior year. He noted that liabilities grew faster than the actuarial value of assets. He stated that the demographic changes and the investment loss have caused a slight increase in the required contributions to 18.3% or \$810,910. He noted that the investment returns were good for the year but the Fund is still absorbing negative years due to the smoothing technique. He stated that the payroll growth was not unreasonable. There were more retirements this year than in previous years which caused a spike in the liability. It caused some impact but it was not unreasonable. He stated that the funded ratio was 68.7%. He noted that the Fund was unfunded, not underfunded. This came about because of the downturn in the market and every public pension plan is feeling it. There was a lengthy discussion on this issue. Mr. Little stated that he had no recommendations at this time. He stated that when the contribution rate goes down in the future he would like to see a floor of 10% put in. Then a credit balance would be carried to build up excess

contributions to pull from if there is another downturn in the market. A motion was made, seconded and carried 4-0 to accept the Actuarial Valuation as of October 1, 2005.

Mr. Little provided the Board with an analysis of the multiplier increase as of October 1, 2005. He reviewed the analysis and the benefit enhancements of the study. He reviewed the cost of the benefit enhancements and the change in the contributions rates for each scenario.

INVESTMENT MANAGER: ANCHOR CAPITAL

Dan Doucette appeared before the Board. He reported on the performance of the Fund for the quarter ending December 31, 2005. He stated that the total market value of the Fund as of December 31, 2005 was \$6,913,929.57. The Fund was up .48% for the quarter while the benchmark was up 1.37%. He noted that the portfolio underperformed the benchmark and attributed that to an overweight in energy. He stated that they have an overweight in energy as the long term outlook in energy remains strong. Since inception (January 27, 2005 to December 31, 2005) the Fund was up 10.22% while the benchmark was up 5.15%. Mr. Doucette reported that the equities for the quarter were up .70% while the Russell 10000 was up 1.27% and the S&P 500 was up 2.03%. The fixed income for the quarter was up .52% as was the benchmark. Mr. Doucette reviewed the portfolio summary and discussed the recent holdings. The asset allocation as of December 31, 2005 was 63.6% in equities; 29.6% in fixed income and 6.8% in cash. Mr. Doucette noted that the average duration for bonds was 4.9 years and the average maturity was 5.9 years. They are taking a more intermediate approach in the fixed income portfolio. It was noted that the benchmark numbers are slightly different from what Mr. Mahler reported. Mr. Mahler agreed and advised that he would review the matter to determine why there was a difference.

INVESTMENT MONITOR REPORT: SMITH BARNEY

Ernie Mahler appeared before the Board. Mr. Mahler reviewed performance for the quarter ending December 31, 2005. The Fund was up .42% for the quarter while the benchmark was up 1.41%.

Mr. Mahler stated that his firm is going through an audit with respect to the Delray Beach Police and Fire Pension Plan. He noted that as a result of going through everything, they are doing a system wide audit on themselves. He is comfortable that what they are doing here is accurate. He noted that the attorney reviewing the matter in Delray, Ted Siedel, admitted that he found no fraud or impropriety among other things. There is no final report to provide as of yet but he will provide it to the Trustees when available.

Mr. Mahler stated that Anchor had a quarter where they have underperformed. However, since inception they have done very well. They have a value bias which may make them have a tougher time as he thinks growth will outperform value. Mr. Mahler discussed the asset allocation. He stated that he thinks the Fund needs to have money in international looking forward. He stated that he thinks there is value added in international.

Rebecca Morse departed the meeting.

ATTORNEY REPORT

Bev Smith asked Bonni Jensen for any comments regarding Ermine Mahler. Ms. Jensen stated that the issue has been going on for public pension plans for the last two years and is talked about at every conference. She stated that the Board should look at Mr. Mahler's contract and renegotiate it. She added that his company is working on it. She stated that she does have clients going out for an RFP. She stated that the most important thing is to know all the disclosures. Going through the contract process will help the Board understand the disclosures. It is a business judgment for the Board to see if they want to go out for an RFP. There is nothing that has come up that requires an RFP but she does think it requires the contract to be renegotiated. Mr. Mahler stated that his fee will go up if the contract is renegotiated because of the minimums. Mr. Mahler discussed more on the disclosure side and discussed trading. He stated that they do not get compensated by Anchor and stated that they are about as conflict free as he knows.

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 presented the Board with the benefit calculation and election approval for Irene Burroughs. A motion was made, seconded and carried 3-0 to approve the benefit election.

Ms. Adcock presented the disbursements. A motion was made, seconded and approved 3-0 to pay the listed disbursements.

OTHER BUSINESS

The Board was provided with a handout from Rebecca Morse on the GFOA Funding of Public Employee Retirement Systems.

It was determined that the Board would discuss further the analysis of the multiplier increase after the special joint meeting on the custodian scheduled for February 28th.

There being no further business, the meeting was adjourned at 8:10 P.M.

Respectfully submitted,

Phil Ralya, Secretary