

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
May 2, 2006

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
Phil Ralya
Rebecca Morse
Butch Cooper
Patti Waller

OTHERS

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel
Margie Adcock, Pension Resource Center
Ernie Mahler, Smith Barney
Dan Doucette, Anchor Capital

MINUTES

The Board reviewed the minutes of the meetings held February 7 (joint and regular) and February 28, 2006 (joint and special). A motion was made, seconded and carried 5-0 to approve the minutes of the meetings held February 7 (joint and regular) and February 28, 2006 (joint and special).

INVESTMENT MANAGER: ANCHOR CAPITAL

Dan Doucette appeared before the Board. He reported on the performance of the Fund for the quarter ending March 31, 2006. He stated that the total market value of the Fund as of March 31, 2006 was \$7,150,895.47. The Fund was up 3.44% gross of fees (3.31% net of fees) for the quarter while the benchmark was up 2.27%. He noted that most of the performance was driven from equities. Mr. Doucette reported that the equities for the quarter were up 5.50% while the Russell 1000 was up 5.93%. The fixed income for the quarter was down .74% and the benchmark was down .32%. Mr. Doucette reviewed the portfolio summary and discussed the recent holdings. He noted that they added one name to the portfolio which was Budweiser. He noted that it has a strength in the overseas market. The asset allocation as of March 31, 2006 was 65.6% in equities; 25.7% in fixed income; and 8.6% in cash. Mr. Doucette stated that they were pleased with the way things have been going with the portfolio.

Mr. Mahler stated that he had an issue with a particular stock in the portfolio and talked to Bob Croce about one month ago and resolved the matter. Mr. Mahler stated that he would follow up and report to the Board on the particular matter. Ms. Morse noted that there are no ratings of the bonds shown in the quarterly report. She noted that at September 30, 2005 they held a bond that was below rating. Mr. Mahler stated that it was a small piece and the Fund made money on the holding so it was insignificant.

Mr. Doucette stated that Anchor Capital has entered into a definitive agreement with Boston Private, a non-affiliated investor, to acquire an 80% stake in Anchor Capital and a

20% stake in a sister company. He stated that there have been no changes with senior management or how business is run. The only difference is they are now a subsidiary of Boston Private. He advised that the Bob Croce, the CEO, and the CIO have signed a contract for five years with an additional 6 and 7 year option. There have been no staffing changes and the business will continue as it has. The effective date for the change is around June 1, 2006. Mr. Mahler stated that he thinks it is a positive change. They are retaining the key employees. Anchor Capital will be a separate company as part of the holding company. He is comfortable with the change and has no issues. Ms. Jensen stated that the contract the Board has with Anchor Capital requires that the Board acknowledge the assignment and that a motion to execute the consent to assignment would be in order. Mr. Cooper stated that the Board spent a lot of time finding Anchor and he would like a little more information before agreeing to the assignment. Mr. Mahler stated that Smith Barney has signed off on it and is comfortable with it and they have not changed their ranking in their system. He stated that he could provide more information if necessary. There was further discussion. Mr. Cooper stated that he would like confidence that the Fund will have the same managers. He agreed that a copy of the contract that sets forth that the managers are staying would suffice. Mr. Doucette advised that he would send a letter confirming that contracts are in place with the key people. A motion was made, seconded and carried 5-0 to execute the consent to assignment.

INVESTMENT MONITOR REPORT: SMITH BARNEY

Ernie Mahler appeared before the Board. Mr. Mahler reviewed performance for the quarter ending March 31, 2006. The Fund was up 3.36% net of custodial fees for the quarter while the benchmark was up 2.20%. The total market value as of March 31, 2006 was \$7,154,000. He stated that he was happy with their performance. They have done a nice job for the Fund.

Mr. Mahler reviewed a spreadsheet comparing Salem's reporting and Anchor's reporting. It showed the beginning value, net cash flow, adjusted beginning value, ending value, performance and rolling quarters from December 31, 2005. He stated that the difference is in the bond pricing and the lack of Anchor Capital reporting custodial fees. Both are good numbers although they are slightly different numbers. He stated that as long as it is within 20 basis points on a cross check it is within tolerance. He is very satisfied here.

Mr. Mahler provided information on a breakdown on total market value for cash, equities, fixed income, accruals and totals for each quarter since December 31, 2005. They are very close in the numbers. He cannot blame Anchor Capital for showing consistently less than total market value because they pay less in fees.

Mr. Mahler discussed international investing. He stated that he would like the Board to consider moving forward in this asset class. He recommended up to 20% of the overall portfolio in international. Ms. Jensen advised that they could have up to 20% in international investments according to State law. She stated that the Board has broad powers to invest the money. This would not require an Ordinance change. Mr. Mahler stated that the Board made active decisions before not to invest in international. He

recommends that the Board get international exposure. It was noted that Anchor might be able to buy shares or an index fund. The Board could also hire an independent manager. He stated that he was interested to see what Anchor has an option. Perhaps the fee could be adjusted if a piece was carved out of the fixed portfolio. This would enable one custodial statement to be kept which would be easier and would save money. Beyond that he could do a full blown search. He stated that he would be inclined to look at indexing to start. Mr. Mahler reviewed the capital markets outlook. There was some discussion about international investing. He stated that he would bring back choices and information to the next meeting for the Board to consider.

ATTORNEY REPORT

Ms. Jensen stated that she prepared the Ordinance on the multiplier increase and sent it to the Village. The Village and Union are in the process of negotiations.

Ms. Jensen stated that she sent Comerica a proposed agreement for custodial services and is waiting to hear back.

ADMINISTRATIVE REPORT

Margie Adcock presented the Beneficiary/Enrollment Forms received from the Village. A motion was made, seconded and carried 5-0 to approve the list of Enrollment Applications.

Ms. Adcock presented the disbursements. A motion was made, seconded and approved 5-0 to pay the listed disbursements. Ms. Adcock provided the Board with an invoice for the processing fee for retirement applications. A motion was made, seconded and carried 5-0 to approve the invoice.

Ms. Adcock advised that the employee benefit statements as of October 1, 2005 were completed and were being provided to Ms. Morse for review and distribution to the employees.

OTHER BUSINESS

Ms. Morse provided the Board with pages from the Village's CAFR on the Pension Fund. She noted that it was requested at the last meeting. She reviewed the information with the Board. She stated that she would update the information quarterly. She noted that the CAFR is on the Village website.

There being no further business, the meeting was adjourned at 7:45 P.M.

Respectfully submitted,

Phil Ralya, Secretary