

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

The meeting was called to order at 6:35 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

TRUSTEES

Virginia Walton
Phil Ralya
Patti Waller
Rebecca Morse

OTHERS

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel
Margie Adcock, Pension Resource Center
Ernie Mahler, Smith Barney
Dan Doucette, Anchor Capital
Chad Little, Actuary (6:43 P.M.)

MINUTES

The Board reviewed the minutes of the meeting held August 1, 2006. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held August 1, 2006.

INVESTMENT MANAGER: ANCHOR CAPITAL

Dan Doucette appeared before the Board. He reported on the performance of the Fund for the quarter ending September 30, 2006. He stated that they have a general concern over the overall state of the market and economy. They will remain more on the conservative side and defensive end. They think it will slow down through the end of the year and potentially pick up once they see the ramifications of the political plays of the elections today. The total market value of the Fund as of September 30, 2006 was \$7,247,845.13.

The total portfolio was up 2.81% gross of fees while the benchmark was up 4.45%. He stated that the biggest underperformance was in the last quarter. The driver in the quarter was the volatility in the commodities and energy names. For the fiscal year to date the Fund was up 5.49% gross of fees while the benchmark was up 7.56%. Since inception of January 27, 2005 the Fund was up 15.98% while the benchmark was up 11.63%. They are overall very pleased with the performance since inception. The plan is to continue to add value in a conservative manner. They are looking at some more defensive areas and putting emphasis on some dividend paying companies. They are looking at the real estate market. Although the real estate market is slowing down they are looking to take advantage of the shift from a buyers market to a renters market. Mr. Doucette reported that the equities for the quarter were up 2.69% while the Russell 1000 was up 6.22%. The fixed income for the quarter was up 3.71% and the benchmark was up 3.19%.

Chad Little entered the meeting.

Mr. Doucette provided an update for the calendar year to date through November 5, 2006. He stated that the Fund was up 8.6% which is a big jump since September 30, 2006. Mr. Mahler stated that they still maintain a four-diamond ranking. He noted that they key people are still there and they feel there is no reason to change right now. However, he did note that the results are a tad disappointing. Since inception performance is fine but the last couple of quarters they have had underperformance. Mr. Mahler stated that as long as nothing else has changed, he is still happy with the staff and team. Mr. Doucette stated that there have been no changes. Mr. Mahler stated that he is not excited about what he sees right here. Mr. Mahler also stated that he is asking managers to provide in the future in some form or fashion some verification that they had best execution of trades.

INVESTMENT MONITOR REPORT: SMITH BARNEY

Ernie Mahler appeared before the Board. He provided the Board with a handout on the manager and universe returns through September 30, 2006. He stated that he is comfortable that the numbers will hopefully turn around. If they do not, the Board will need to deal with that. For now, the manager is not keeping up in the current time frame. The Fund was up 2.74% net of custodial fees for the quarter while the benchmark was up 4.45%. He noted that the numbers are net for the prior five years. He stated that he was unsure about the numbers prior to that time. The total market value as of September 30, 2006 was \$7,257,000. The asset allocation as of September 30, 2006 was 64% in equities, 27% in fixed income, and 9% in cash. The total market value as of September 30, 2006 for the equity portfolio was \$4,602,000. For the fixed income portfolio it was \$1,980,000. The cash position at September 30, 2006 was \$675,000.

Mr. Mahler discussed the issues related to the Delray Beach Police and Fire Pension Fund. He stated that the firm is under the public eye in that Fund. They have been doing an audit and not come up with any conclusions. He would like to be able to show that the Fund got best execution over the years. He does not know how it will all work out for this Plan. He would like the process to continue and it is worthy of discussion. There are a lot of things he does not know and is somewhat in the middle. He stated that he is trying to do the right thing. He stated that hopefully they would be able to give the information to the Board. He has talked to the main people in New York and they are looking into it. Ms. Jensen stated that the Board needs to have some level of due diligence. She stated that the Board has had an agreement with Smith Barney since 1991. The market has changed since 1991 so in the very least it is time to update the contract. In doing that, she recommended the Board issue a Request for Proposal. The downside is that it will be at today's prices versus the 1991 price. The upside is that the Board will be fulfilling its fiduciary duty. Ms. Morse stated that she has personally felt that Mr. Mahler has never misled the Board. She does however feel it is time to do a RFP and she would like Mr. Maher to respond to the request. As long as she has been on the Board she knows what has happened and does not feel she has ever been misled by Mr. Mahler. A motion was made, seconded and carried 4-0 to go forward with a Request for Proposal for an Investment Monitor. Ms. Jensen stated that she would bring back the results to the

February meeting. Mr. Mahler stated that the fee is currently \$7,500 with an offset for trading. The minimum fee has always been \$15,000.

ACTUARY REPORT

Mr. Little provided the Board with a letter dated November 2, 2006 advising that effective November 1, 2006 he has formed Freiman Little Actuaries. He has done that to be able to dedicate work to the Florida clients and some in Georgia. The goal is to maintain everything with the same fee structure. He stated that he would continue to be the lead person for this account. Ms. Jensen stated that she received the agreement from Mr. Little with the new firm. She stated that she has not received anything from Public Pension Professionals. She stated that she understands Public Pension Professionals let their liability insurance lapse. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to retain Freiman Little Actuaries as the Actuary and have Ms. Jensen negotiate an agreement.

Virginia Walton departed the meeting.

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 disbursements. Ms. Adcock noted that the renewal information for the FPPTA has not yet been released. She stated that as soon as that information becomes available she would renew the Board's membership for calendar year 2007. A motion was made, seconded and approved 3-0 to pay the listed disbursements.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 7:32 P.M.

Respectfully submitted,

Phil Ralya, Secretary