

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
February 6, 2007

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
Phil Ralya
Patti Waller
Rebecca Morse
Butch Cooper

OTHERS

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

MINUTES

The Board reviewed the minutes of the meeting held November 7, 2006. A motion was made, seconded and carried 5-0 to approve the minutes of the meeting held November 7, 2006.

INVESTMENT MANAGER: ANCHOR CAPITAL

Dan Doucette appeared before the Board. He reported on the performance of the Fund for the quarter ending December 31, 2006. The total portfolio was up 6.38% gross of fees for the quarter while the benchmark was up 4.14%. The total market value of the Fund as of December 31, 2006 was \$7,770,702.47. The Fund was up over 23.38% since they took over the portfolio on January 27, 2005 compared to the benchmark which was up 16.43%. He stated that the utilities sector was very strong with telecommunications and that position bolstered their returns. He stated that corporate profits will continue to be in the low double digits to high single digits for the coming year. There are still places of interest to find names that they like but it will take a little more work to find them. He stated that they are pleased with their performance since they started managing the Fund. Mr. Doucette stated that they are cautiously optimistic with the market. There are enough concerns where they will not be overly aggressive with the portfolio. He stated that the consumer areas have held up pretty well but they are avoiding consumer areas unless they are in very strong areas where there is real value. They are looking at utilities, healthcare, and some technology areas.

INVESTMENT MONITOR REPORT: SMITH BARNEY

Ernie Mahler appeared before the Board. He reviewed the manager and universe returns through December 31, 2006. He stated that Anchor still has the same key people and their research team still likes them. He stated that they have added some staff and done some other positive changes. He stated that the numbers are very good this quarter and are

well above the S&P 500. Mr. Mahler presented the quarterly performance for the quarter ending December 31, 2006. The Fund was up 6.21% net of custodial fees for the quarter while the benchmark was up 4.13%. Since the manager change on January 31, 2005, the Fund was up 10.72% while the benchmark was up 7.97%. The total market value as of December 31, 2006 was \$7,717,000. The asset allocation as of December 31, 2006 was 60% in equities, 24% in fixed income, and 16% in cash. The equity portfolio was up 9.05% for the quarter while the benchmark was up 6.70%. The fixed income portfolio was up 1.0% for the quarter while the benchmark was up 1.03%.

He stated that he continues to recommend international exposure. He feels there should be some exposure whether using an index or separate manager. He stated that that was no rush to get into international investing. He noted that the Board might want to wait on a determination of the consultant issue before any decisions are made. He stated that if he was retained by the Board, he would recommend that the Board pursue international investing.

There was discussion on the cash position held by the manager. Mr. Doucette stated that short term fixed income is lumped into cash. He stated that he estimated that the actual cash position was between 8% and 12% at this point in time. He noted that they consider a 10% cash position to be fully invested. He noted that they can earn 5% on cash right now. If they sell a security they will put the cash on the side until they find a security that they are comfortable with rather than adding more to other positions or investing in a company they are not completely comfortable with.

ACTUARY REPORT

Ms. Jensen presented an Agreement between the Board and Freiman Little Actuaries as well as an engagement letter. Ms. Jensen reviewed the Agreement with the Board. The Agreement and engagement letter was executed by the Chair.

Chad Little appeared before the Board and presented the Actuarial Valuation as of October 1, 2006. He reviewed the Plan changes which included the increase in the multiplier from 2.25% to 2.50% and the increase in the employee contribution from 1% to 3%. He stated that there were no assumption changes and no methodology changes. Mr. Little reviewed the funded status. He noted that it was starting to level off a bit but it was still down from last year. He stated that the funded ratio was 66%. He noted that the biggest reason for the decrease was due to Plan changes. Mr. Little reviewed the demographic changes. He stated that there was almost 20% of employee that turned over last year so that caused a little bit of a gain. He discussed the required contributions to the Plan. He stated that the minimum funding requirement for October 1, 2007 is \$942,609 or 20.6% of payroll. He noted that the Plan is absorbing the last of the losses from 2001 and 2002. He discussed the projected contributions. He stated that he expect the contributions to level off in the next five years. Mr. Little discussed what the Plan can do to improve the funding status which includes increasing the investment returns, increasing contributions, and making assumption changes. He noted that there was a difference between being better funded and looking better funded. The only way to be

better funded is by increasing investment returns and contributions. Mr. Little stated that as contributions start to level off he would like to talk about putting in a floor for the contributions received from the Village. He noted that the State is putting in some rules for guidance regarding this in the next few years. The Board decided to review the Valuation further and approve it at the next meeting.

Ernie Mahler and Dan Doucette departed the meeting.

ATTORNEY REPORT

Ms. Jensen provided the Board with the responses to the Request for Proposal for Investment Consulting. She stated that she received five responses. She stated that she knows Smith Barney is not willing to acknowledge a fiduciary duty to this Fund or any other fund. She did note that Smith Barney would accept fiduciary duty only for the managers that are in the rating system of Smith Barney Consulting Group. She noted that Smith Barney has not bid on the last four RFP's that her firm has done, including these two in Palm Springs. She stated that Smith Barney was aware of the RFP but did not respond. Ms. Jensen reviewed the responses from the Schott Group; Southeastern Advisory Services, Burgess Chambers & Associates, Dahab Associates and Fiduciary Investment Advisors. She noted that all are independent firms, not affiliated with brokerage firms. She stated that Southeastern does offer some brokerage services to their clients but not the public at large. She noted that the Schott Group is affiliated with Wachovia. There was a lengthy discussion. Ms. Jensen recommended that the Board short list the monitors and determine who to have come in and make a presentation. A motion was made, seconded and carried 5-0 to invite Burgess Chambers & Associates, Southeastern Advisory Services, and Ernie Mahler to make a presentation to the Board.

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.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 8:16 P.M.

Respectfully submitted,

Phil Ralya, Secretary