

**VILLAGE OF PALM SPRINGS HAZARDOUS DUTY
EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
February 11, 2003**

Tim Conboy called the meeting to order at 5:14 P.M. at the Water Treatment Plant in Palm Springs, Florida. Those persons present were:

TRUSTEES

Tim Conboy
Ed Lewis
Ed West

OTHERS

Paul Nicoletti, Fund Counsel
Margie Adcock, Pension Resource Center
Bruce Bridges, Invesco
Ernie Mahler, Salomon Smith Barney

MINUTES

The Board reviewed the minutes of the meetings held November 12, 2002. A motion was made, seconded and carried 3-0 to approve minutes of the meetings held November 12, 2002.

INVESTMENT MANAGER REPORT: INVESCO

Brian Coker appeared before the Board to discuss the investment performance for the Fund for the quarter ending December 31, 2002. Mr. Coker discussed the equity market summary and noted that all major stock market indices were up for the quarter, but were all down for the one year and two year time period except for real estate. He noted that once a bear market is over things generally look pretty bright. He stated that once the war with Iraq is resolved, the market should be strong based on past history. Mr. Coker then provided a market outlook and noted that the economic fundamental are not terrible. There are corporate trust concerns and concerns about the war. Looking at past history, the pre-war markets have been volatile, but during a war the markets have never lost more than 5%, and after a war the markets have made a good rally. Mr. Coker advised that they have been positioning for a market recovery and did not plan for war or corporate scandals. He then reviewed the fixed income market summary advising that interest rates are at a 40 year low.

Mr. Coker reported that the total portfolio was up 3.7% for the quarter ending December 31, 2002, while the benchmark was up 5.5%. Equities were up 6.8% for the quarter while the S&P 500 was up 8.4%. Fixed income for the quarter was up 1.5% while the benchmark was up 1.7%. Mr. Coker then discussed the equity characteristics and noted that the Fund has a well-balanced core portfolio. He stated that the Fund was slightly overweighted in financials, technology and industrials.

Mr. Coker stated that National Asset Management has a consistent record of adding value and has outperformed the market in 11 out of the last 15 calendar years. He stated that they have provided consistent results and have stability. Mr. Coker noted that the economy is improving and the stock market should respond. He then discussed the fixed income characteristics and noted that the majority of the portfolio is in government securities and high quality bonds.

Mr. Coker stated that what has hurt them the most is the positioning in economic and market improvement. Once the war is resolved, they feel things will move forward. They are slightly behind the benchmark in the last 1 ½ years, but they are positioned for recovery. Mr. Coker acknowledged that the Fund had a tough experience with Invesco and it has been one of the worst markets when National Asset Management took over. Mr. Coker advised that Bruce Bridges has provided notice that he will be leaving Invesco at the end of the year. It was noted that the Miami office will most likely be closing and that he would be the client service manager.

INVESTMENT MONITOR REPORT: SMITH BARNEY

Ernie Mahler appeared before the Board to discuss the investment performance of the Fund. He reported that the market value as of December 31, 2002 for the Fund was \$3,572,751. He advised that the Fund underperformed for the quarter with the Fund being up 3.66% while the benchmark was up 5.50%. Mr. Mahler advised that for future reports he will just report on the performance of National Asset Management. The asset allocation for the Fund at the end of the quarter was 56% in equities; 40% in fixed income; and 4% in cash. The manager has not bought more equities as the maximum is 60% at market. Rather, they are letting the market carry them to the maximum. Mr. Mahler then discussed the history of quarterly performance. He advised that with respect to the equity portion of the portfolio, the manager has underperformed for 4 quarters, 1 quarter was flat and 1 quarter they outperformed. He stated that he would be more comfortable to see more consistency with the benchmark. There has also been a little underperformance in bonds too and he would like to see a little bit of a better performance in that portion of the portfolio too. Mr. Mahler then reported that the manager is in the bottom quartile for the one and two year time periods. The further one looks back in time the ranking improves. However, the current quarters are dragging down the other quarters. Almost as soon as National Asset Management came in they began to underperform. Mr. Mahler advised that he would like to see a change pretty quickly or he thinks the Board needs to take a look at what the other options are.

He does not encourage terminating the manager, but does encourage the Board to see what else is out there and compare. Due to the consistent underperformance of the manager, Mr. Mahler came prepared with a draft review of other managers. He reviewed with the Board the various information he had and what the Board needs to look at. He recommended having a special meeting before the next quarterly meeting to review the options available. A motion was made, seconded and carried 3-0 to have Ernie Mahler evaluate the information and conduct a manager search. Mr. Mahler advised that he would bring detailed information to the special meeting.

ADMINISTRATIVE REPORT

Margie Adcock reported that they had received two Beneficiary/Enrollment Forms from the Village. A motion was made, seconded and carried 3-0 to approve the list of Enrollment Applications.

There was then a discussion on the non-attendance of Bob Becak and Jorge Cabrera at the last couple of meetings. The Board asked Ms. Adcock to contact these Trustees to find out their intent with respect to remaining on the Board.

Ms. Adcock then advised that Salem Trust Company was asking for an updated signature authorization form. The Board determined that the Trustees and the Administrator would be authorized signors with any action requiring the signature of 2 Trustees or 1 Administrator.

DISBURSEMENTS

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

ATTORNEY REPORT

Paul Nicoletti reported that at the last meeting he was requested to look into whether the Board could change the vesting schedule so as to allow vesting at 10 years of service versus partial vesting at 5. Mr. Nicoletti advised that the Board could change the vesting, but would need to know what the actuarial impact is before it would make such a change. The Board requested that the Actuary do a cost study on the four benefit changes that are being considered.

OTHER BUSINESS

Ed Lewis provided the Attorney with some information concerning some conflicts and language problems in the existing Ordinance. Mr. Nicoletti will review the information and suggest some language for the special meeting.

The Board then had some questions on the various provisions of the Plan. There was a discussion on the accounting of the Fund. It was reported that the Finance Director of the Village does the accounting. The Board requested that they be able to see the accounting for the checking account of the Fund. Mr. Nicoletti advised that the monies in the account can be aggregated with other funds and swept each night.

The Board then discussed information that was provided from a recent conference. At the conference, it was suggested that the City Attorney not be the attorney for the pension fund as there is a conflict of interest. Mr. Nicoletti advised that he was not aware of any conflict in this situation, but if there was he would have to withdraw as counsel. Mr. Nicoletti stated that he has never been asked by the Village concerning benefits or the improvement of benefits. He has only been asked to draft language for any Ordinance changes. Mr. Nicoletti stated that if the Board feels there is a conflict, then they can send out a request for proposal for legal services. A motion was made, seconded and approved 3-0 to have the Administrator send out a request for proposal for legal services to attorneys in South Florida that represent 175 and 185 pension plans.

There being no further business and the next meeting being scheduled for Monday, April 7, 2003 at 5:00 P.M. at the Water Plant, the meeting was adjourned at 6:48 p.m.

Respectfully submitted,

Ed West, Secretary