

**VILLAGE OF PALM SPRINGS HAZARDOUS DUTY
EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
April 7, 2003**

Tim Conboy called the meeting to order at 5:25 P.M. at the Water Treatment Plant in Palm Springs, Florida. Those persons present were:

TRUSTEES

Tim Conboy
Ed Lewis
Ed West
Jorge Cabrera
Bob Becak

OTHERS

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

MINUTES

The Board reviewed the minutes of the meetings held February 11, 2003. A motion was made, seconded and carried 5-0 to approve minutes of the meetings held February 11, 2003.

INVESTMENT MONITOR REPORT: SMITH BARNEY

Ernie Mahler appeared before the Board to discuss the investment performance of Invesco. He noted that what he provided to the Board at the last meeting was incomplete. He explained that they receive two downloads of information on various benchmarks. The first download is an initial one with limited information. The second download is more complete as it will have all of the benchmarks. The information he provided the Board at the last meeting was incomplete because he used the first download as opposed to the second. Mr. Mahler reported that Invesco/NAM is in the top quartile for the period ending September 30, 2002. Relatively speaking, Mr. Mahler advised that Invesco/NAM looks decent. The information he provided the Board puts Invesco/NAM in a much better light than what was showed at the last meeting.

Mr. Mahler then provided the Board with information on a balanced manager search. He advised that he looked at 427 candidates initially. When the screening was done to conform to the Fund's guidelines, there were 13 candidates that remained. Mr. Mahler reviewed a 3, 5, 7 and 10 year capital market line test. He discussed the risk/return analysis of the various candidates. He noted that Invesco/NAM was a balanced manager with both growth and value. They try to weight in the right area at the right time. He discussed Davis Hamilton as a manager. He stated that they have some mid-cap exposure and there is a chance that the Fund could get a little better return over time with that exposure. He then reviewed the consistency of performance using rolling 3 year annualized returns. Mr. Mahler advised that two managers beat the index 4 out of 5 periods: Invesco/NAM and Davis Hamilton. The only time they did not beat the index was in the current time frame.

Mr. Maher recommended that, based on the information, the Board sit tight at this point. He stated that he will look at the numbers for the period ending March 30, 2003. If at that point he thinks that there might need to be a change, the Board can invite other managers to make a presentation. There was then a lengthy discussion concerning the investment performance and the candidates that were reviewed. Mr. Mahler noted that Davis Hamilton uses mid-cap to try to outperform while Invesco/NAM tries to get it right between growth and value to outperform. Invesco/NAM has been waiting for the economy to come back and they have a philosophy that should work once the market turns around. He stated that it makes sense to sit tight a bit longer with Invesco/NAM.

DISBURSEMENTS

Margie Adcock presented the disbursements. A motion was made, seconded and approved 5-0 to pay all listed disbursements.

ACTUARY REPORT

Larry Wilson appeared before the Board to present the cost study for certain benefit improvements that the Board had requested. He provided them with a letter dated April 1, 2003 showing the various costs for the benefit improvements requested. Mr. Wilson discussed the benefit study with the Board. He also discussed the extra benefits provision of Chapter 175. He stated that through September 30, 2002, there is \$51,906 in reserves for extra benefits. He also noted that the expectation for future state monies is about \$22,883 on an ongoing basis. Mr. Wilson advised that the implementation of a DROP would cost something because the actuarial assumptions currently assume that someone will not retire when they are first eligible. If a DROP is established, that would most likely accelerate the date at which people would retire. He would then assume that 75% of the Participants would elect to enter the DROP when they are first eligible. He stated that if the Board was to change the vesting schedule from partial vesting to 10 year vesting that would be a savings of \$7,781. Mr. Wilson then discussed the cost for increasing the multiplier to 3%. After applying both the reserves and the expected excess, the cost for a 3% multiplier only for future years of service would be \$18,671 or about 1.1% of payroll. If the multiplier was increased to 2.75% versus 3%, that would cut the cost in half. That is a way to bring the cost down a little but still get an improvement now. There was a lengthy discussion regarding the various options and the cost associated with each. Paul Nicoletti suggested that the membership be polled on what they would like to see in terms of benefit improvements given the cost for each. He noted that before anything can be implemented, Council has to approve it. However, it first has to be bargained for between the Union and the Village. Mr. Nicoletti also advised that it would be legal for the Board to change the vesting from partial vesting to 10 year vesting if that was something that wanted to be pursued.

ADMINISTRATIVE REPORT

Margie Adcock gave the Board with an accounting of the Fund that was provided by the Finance Director. There was a lengthy discussion on the various items on the report. The Board questioned the loss on the sale of investments that was shown on the report. The Board requested that the Finance Director be asked to attend the next meeting to help the Board understand the accounting of the Fund.

Ms. Adcock then provided the Board with responses that were received to the request for a proposal for legal services. The Board questioned Mr. Nicoletti about possible conflicts. Mr. Nicoletti stated that he thought that it has worked out better for the Board that he has been their attorney than otherwise. He stated that he felt he could guide the Board a little better in situations due to his status as City Attorney. He noted that he could understand why someone might say there is a conflict at a conference as the potential could be there. However, Mr. Nicoletti does not believe that having him as the Fund Attorney would ever disadvantage the Board. A motion was made, seconded and approved 5-0 to table the matter and review it at the next meeting.

OTHER BUSINESS

Ms. Adcock provided the Board with the October 1, 2002 Actuarial Valuation. She stated that Larry Wilson will attend the next meeting to present the Valuation.

There being no further business and the next meeting being scheduled for Tuesday, May 6, 2003 at 5:00 P.M. at the Water Plant, the meeting was adjourned at 6:40 p.m.

Respectfully submitted,

Ed West, Secretary