

**VILLAGE OF PALM SPRINGS HAZARDOUS DUTY
EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
February 3, 2004**

Tim Conboy called the meeting to order at 4:45 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

TRUSTEES

Tim Conboy
Ed Lewis
Ed West

OTHERS

Paul Nicoletti, Fund Counsel
J. Scott Baur, Pension Resource Center
Bill Stewart & Brian Coker, Invesco
Ernie Mahler, Salomon Smith Barney

MINUTES

The Board reviewed the minutes of the meeting held on November 4, 2003. A motion was made, seconded and passed 3-0 to approve minutes of the meetings held November 4, 2003.

INVESTMENT MANAGER (BILL STEWART & BRIAN COKER, INVESCO)

Bill Stewart reviewed the performance of the portfolio as of December 31, 2003, on behalf of Invesco. The total fund returned 16.8% for the calendar year, as opposed to 17.2% for the benchmark. The portfolio includes many higher quality issues, which did not perform as well in the current market environment. Ernie Mahler said that the recent performance was strong for a very high quality portfolio. Furthermore, Invesco also maintained shorter duration and higher quality bonds in the fixed income portfolio than the benchmark. Invesco will continue to keep the duration of the bond portfolio short

Invesco also reported on recent allegations brought by the SEC against Invesco for allowing market timing trades through the mutual fund portfolios. These allegations have no impact on either the institutional management, or the Invesco operations in Kentucky.

Ernie Mahler discussed the proposed allocation of \$100,000 to international equities. The current ordinance does not permit the Pension Fund to invest in international equities. Mr. Mahler will provide information on small cap diversification at the next quarterly meeting. He also discussed the current style management provided by Invesco, which acts as a core manager for the Pension Fund. Invesco provides asset management at a very competitive fee for the size portfolio. The Pension Fund would have difficulty obtaining fees as competitive hiring separate value and growth managers, and many institutional investment management firms would not manage a smaller portfolio. Ernie Mahler also noted that the Pension Fund cannot invest in the Invesco international product, since Invesco requires the plan to provide an IRS letter of determination in order to invest.

Paul Nicoletti, counsel to the Board, said that the Board might include an ordinance change to allow international investments with other pending ordinance changes. Ernie Mahler advised that the ordinance should allow for a maximum allocation of 70% of assets to equities, international investments to the maximum allocation permitted by the State, and investment in the top 4 quality rating categories for bonds. The Board does not need to change the current investment policy, but

the suggested changes would allow the Board greater flexibility in the future to act on the advice of the professional advisors to the Pension Fund.

Paul Nicoletti stated that the ordinance benefit changes under the proposed contract should pass sometime during the next 3 months. He noted that an increase in allocation to equities did not require an ordinance change. Ernie Mahler suggested that the Trustees then take an incremental approach to increasing the allocation to equities, with a target allocation of 65% and a maximum allocation of 70% at market. A motion was made, seconded, and approved 3-0 to change the target asset allocation to 65% in equities at market with a maximum allocation of 70% at market, using a benchmark consisting of 65% S&P 500, 30% Lehman Brothers Government Credit, and 5% T-Bills. Ernie Mahler will provide an updated investment guideline at the next meeting, but Invesco can change the allocation of the portfolio immediately.

The Board then discussed modifying the ordinance to allow investments in Real Estate Investment Trusts. Ed Lewis suggested making all such changes to the ordinance at one time, with any benefit improvements after acceptance of the new contract. The Board decided to call a special meeting to review the ordinance and any ordinance changes.

Ernie Mahler concluded his report by noting that the Town now moved contributions to the investment accounts more frequently than previously. He noted that Invesco NAM maintained the 4 diamond rating through Smith Barney.

ADMINISTRATOR REPORT

A motion was made, seconded, and approved 3-0 to commence payment of an estimated benefit to Culberson prior to the next quarterly meeting, subject to final review by the Board. A motion was made, seconded, and approved 3-0 to accept the enrollment applications for new participants. A motion was made, seconded, and approved 3-0 to approve the disbursements as amended, with the addition of an updated invoice for Paul Nicoletti.

OTHER BUSINESS CONTINUED

Paul Nicoletti provided language for a 13th and 14th check used by the City of Sunrise for review prior to the special meeting or workshop to discuss ordinance changes. The Board scheduled the special meeting for March 2, 2004, at 3 PM.

There being no further business and the next regular meeting being scheduled for Tuesday, May 4, 2004 at 4:30 P.M., the meeting was adjourned at 6:20 p.m.

Respectfully submitted,

Ed West, Secretary