VILLAGE OF PALM SPRINGS HAZARDOUS DUTY EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
April 12, 2005

Tim Conboy called the meeting to order at 4:20 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

TRUSTEES	**OTHERS**
Tim Conboy	Ernie Mahler, Salomon Smith Barney (4:45 P.M.)
Ed West	Margie Adcock and Greta Krumenacker, Pension Resource Center
Bob Becak	Paul Nicoletti, Attorney
	Randy Hoffer

DISCUSSION ON EARNINGS ON DROP ACCOUNT

Paul Nicoletti advised that Rebecca Morse, CFO of the Village of Palm Springs, has expressed concern and questioned the language in the Hazardous Ordinance regarding earnings on DROP accounts. She is taking the position that the language of the Ordinance does not allow for a 5% flat interest rate which she alleges is not commercially reasonable. Additionally, she believes that the language in the Ordinance does not allow for an alternate interest rate. Mr. Nicoletti discussed that when he drafted the Ordinance, he did so purposefully to leave it fairly flexible so the Board could do what was in the best interests of all concerned. Ms. Morse is claiming that an interest rate of 5% can not be found and that that actual income for the Fund is .6% averaged out over the last five years. He noted that the Actuary has stated that as long as the interest rate is below that of the assumed rate, there is no actuarial impact to the Fund. Mr. Nicoletti noted that if the interest rate is limited to the actual experience of the Fund the in down years it will not cause the Village to pay more than it has to and in good years it will not limit the employee's earnings. He stated that it avoids any challenge because it is what it is. He stated that "commercially reasonable" is subject to interpretation. He does think that the Ordinance is flexible enough so that the Board could offer other choices besides just one for the earnings. He stated that he would recommend that if the Board chooses to go with the experience of the Fund, it should limit it so that it can not go below zero. He stated that Randy Hoffer may want to consider not going into the DROP at this time until the matter is resolved.

Randy Hoffer addressed the Board to express his concern regarding this matter. He stated that he made application to enter the DROP based on the Board's decision in February and he does not consider it an option not to go into the DROP at this time. He noted that Mr. Nicoletti has elevated some of his concern with the statement that the earnings should not go below zero. He stated that most of the DROPs he is aware of have a guaranteed interest rate. He stated that the whole Plan is based on assumptions for investments and that the premise is that over the long term the Fund will make the assumed rate of return. If the Fund earns more than the 5% fixed rate that the Board decided at the February meeting, then the Village has no problem. This appears to be inequitable to him. Mr. Hoffer stated that he would prefer to have a choice. He noted that Mr. Nicolletti has opined that the language in the Ordinance is flexible enough to allow for a choice. His preference is to have a set fixed reasonable rate and also the choice that is tied to the earnings of the Fund.

Mr. Nicoletti noted that FRS offers a 6.5% fixed interest rate on its DROP. He stated that if the Fund experience is not substantial enough to meet the fixed rate set by the Board, then the Village would have to kick into the Fund the difference without the City Council every voting on it and that is what Ms. Morse finds objectionable.

Ernie Mahler entered the meeting.

Ernie Mahler stated that he has seen higher rates offered as a guarantee in other plans. It was his understanding that if the assumed rate is higher than what the Board is offering, then the Village is on the hook for something less. Mr. Mahler stated that he has looked at different rates of return. He presented a list of alternatives to which this rate can be linked to, one of them being the 5 year Treasury which is currently at 4.12% to be revised every quarter. This is an easily verifiable rate that is published and since this is a 5 year DROP program. He noted that he had a conversation with Ms. Morse and she felt comfortable with that. She was agreeable with the interest rate at the end of the quarter for the next quarter and to have it reset every quarter. Mr. Nicoletti stated that he was of the opinion that the Board can have more than one rate but questioned whether it was wise to have more than one rate. Randy Hoffer addressed the Board again to respectfully express his wish.

Randy Hoffer departed the meeting.

A motion was made, seconded and carried 3-0 to table the decision until the next meeting but make the decision of the earnings on the DROP accounts retroactive to April 1, 2005 which is the date of Mr. Hoffer entered the DROP.

DISBURSEMENTS

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

PRESENTATION BY INVESTMENT MANAGERS

TRUSCO CAPITAL MANAGEMENT

Tim Nash appeared before the Board noting that he was the Director of their Florida Public Funds Group. He is in the Orlando office and manages all of the Florida accounts. Mr. Nash stated that they are the investment arm of SunTrust Bank. They have the financial strength of SunTrust Bank but with the flexibility to manage money. They manage one-third of the municipal money for the State of Florida. He discussed their consistency of management. They have senior portfolio mangers that have worked together for 21 years. There are 172 employees with 106 investment professionals. They manage $10.9 billion in public fund assets with $2 billion in Florida. They can also custody the assets. Mr. Nash discussed their strategic target allocation. He discussed asset allocation noting that 91.5% of return is a result of asset allocation and diversification. The stated that their asset allocation is 60% equities and 40% fixed income noting that they are fully diversified amount all different asset classes. He reviewed the products and allocation in the Active Allocation Fund. He reviewed their historical performance and the risk and return profile from January 1999 to December 2004. He stated that they have had better returns and less risk than the benchmark. He stated that they have consistent and solid investment returns. They have a significant commitment to the Florida public funds and emphasize customer service. He provided the Board with a representative public fund client list. Mr. Nash discussed fees. He stated that they could also do the custody of the assets at SunTrust and do the pension payments. The all-inclusive fee is 75 basis points, which includes management and custody. There is no set up fee but there is a $36 per year per retiree fee that is charged.

Tim Nash departed the meeting.

ANCHOR CAPITAL ADVISORS, INC.

Bob Croce and Bill Rice appeared before the Board. Mr. Croce introduced himself and then introduced Bill Rice noting that Mr. Rice was the President and Founder of Anchor Capital Advisors. Mr. Rice stated that the firm was based in Boston and was founded 23 years ago. The senior members were employed at another firm for 5 years prior to that. As a group of professionals together, the senior members have worked together for 28 years. There are a total of 9 investment professionals and 35 total staff. He noted that the average tenure is 14 years. They manage $3.5 billion with about half being institutional investors and the other half being high net worth individuals. Mr. Rice discussed their philosophy. He stated that they were value investors where they seek securities that are undervalued. He discussed the investment process for equities noting the elements of value driven, quantitative screening, fundamental research, sell discipline and team approach. He then discussed their buy and sell discipline. He reviewed the balanced portfolio characteristics. He also discussed the investment process for fixed income. Mr. Rice reviewed performance. He stated that they have outperformed the benchmark for the 1, 3, 5, 7 and 10 year time periods. They have outperformed their peers with consistency over time. Mr. Rice also provided information on their mid cap value product and discussed the portfolio characteristics and performance. Mr. Rice noted that in all of their products they use the same core decision making investment process. Mr. Rice then discussed fees. He stated that the fee is 50 basis points for both products. Mr. Croce and Mr. Rice answered various questions from the Board.

Bob Croce and Bill Rice departed the meeting.

ICC CAPITAL MANAGEMENT

Jennifer L. Cute and Kevin Quinn appeared before the Board. Mr. Quinn introduced Ms. Cute noting that she was the CFA Managing Director and Portfolio Manager and he was the Director of Business Development. Mr. Quinn stated the firm is headquartered in Orlando, Florida and is an employee-owned organization. He discussed their business development and how two thirds of their clientele is public fund based and one third is labor based. He noted their strong presence in South Florida and provided the Board with a representative client list. They manage just over $2 billion with most of it in equity and balanced strategies. He noted that all of their portfolios are individually managed and there are no commingled funds.

Ms. Cute discussed their multi cap core strategy. She explained the investment strategies ICC follows and how they look at markets differently from other managers by believing in efficient markets in this age of "perfect information". Ms. Cute explained how they feel they are better decision makers since they have structured investment procedures that add value to their client investments through 3 key decisions: (1) market capitalization or deciding if they want to be in small cap or large cap; (2) investment style or deciding if they should they be in growth or value markets; and (3) sector or deciding if they should be focusing in defensive or aggressive cyclical economy markets. Ms. Cute pointed out how their primary information comes from computer models that pull in historic and current data from all stocks, economy indicators, interest rates and inflation. This information provides a clear understanding of the market environment.

Mr. Quinn pointed out how ICC's approach gives the benefit of both value investing and growth investing with the advantage of a broader spectrum that allows changing capitalization on a cost effective basis. Ms. Cute discussed performance and noted that they outperform in down and up years which shows that they can respond to change. Mr. Quinn stated the fee is 50 basis points. Mr. Quinn and Ms. Cute answered various questions from the Board.

Kevin Quinn and Jennifer Cute departed the meeting.

DAVIS HAMILTON JACKSON & ASSOCIATES

Janna Woods and Peter Steelman appeared before the Board. Ms. Woods introduced herself and Mr. Steelman to those present. She noted the company is based out of Houston and was founded in 1988 from a partnership that developed in the mid 1970's. They currently manage over $4 billion in assets for institutional clients. They offer individually managed portfolios. She pointed out their strong presence in Florida and provided a representative client list.

Mr. Steelman explained the investment philosophy of their balanced fund. He stated that the key to adding value over time is active asset allocation, interest rate anticipation and sector rotation. The equity philosophy is to outperform the S&P and Russell 1000 Growth over time. He noted their investment process involves stock selection, portfolio construction and risk control. Another key part of the process they have learned to master is their buy and sell discipline. He explained how they regularly screen for companies recording better than expected earnings and how they obtain full understanding of why and how those companies are performing better than expected. Their fixed income philosophy goal is to outperform the Lehman Brothers Aggregate Index or the Lehman Brothers Intermediate Government/Credit Index over a full market cycle using a high quality strategy with similar or less risk than the indices.

Janna Woods reviewed performance since inception of June 30, 1988. She discussed fees noting that they were willing to offer a fee schedule of 50 basis points for balanced and equity markets and 30 basis points for fixed income.

Janna Woods and Peter Steelman departed the meeting.

DISCUSSION ON PRESENTATIONS

Ernie Mahler addressed the Board. He stated how important it was to replace Invesco and gave a brief summary of the investment firm differences and strengths. He noted how ICC and Trusco are very competitive and fully diversified while Anchor and Davis Hamilton are limited on equity diversification. He noted that the Board could split the Fund up between managers at sort of the same cost. He noted that the performance numbers of ICC are compelling. He does not think that it makes sense to have Davis Hamilton as a sole manager as they are growth oriented. He somewhat feels that about Anchor too but they have had good performance over time. He noted that Trusco is a little expensive. Mr. Mahler reviewed various charts with the Board on manager style, performance, and risk/return. For the next year and a half, he likes ICC the best. He would split the Fund between large cap growth and large cap value right now and ICC does that. There was a lengthy discussion. A motion was made, seconded and carried 3-0 to negotiate a contract with ICC with Ernie Mahler to attempt to obtain the best fee possible.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 7:25

Respectfully submitted,

Ed West, Secretary