

**VILLAGE OF PALM SPRINGS HAZARDOUS DUTY
EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
May 3, 2005**

Tim Conboy called the meeting to order at 4:32 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

TRUSTEES

Tim Conboy
Ed Lewis
Bob Becak
Jorge Cabrera

OTHERS

Ernie Mahler, Salomon Smith Barney (4:50 P.M.)
Margie Adcock and Greta Krumenacker, Pension Resource Center
Paul Nicoletti, Attorney
Randy Hoffer
Chad Little, Public Pension Professionals
Larry Wilson, Gabriel, Roeder, Smith & Company

MINUTES

The Board reviewed the minutes of the meeting held Feb 1,2005. A motion was made, seconded and carried 3-0.

The Board reviewed the minutes of the meeting held April 12, 2005. A motion was made, seconded and carried 3-0.

DISCUSSION ON EARNINGS ON DROP ACCOUNT

Paul Nicoletti noted that in his time of service as an Attorney to the Hazardous Pension Plan and the Village there has never been any issue that raised a possible conflict of interest until the discussion on earnings on the DROP account. He clearly explained in his letter how in order for him to further discuss the issue the Board needed to waive the matter.

The Board discussed the issue. A motion was made, seconded and carried 3-0 to waive the conflict to allow Mr. Nicoletti to continue giving legal opinions on this matter.

Mr. Nicoletti explained he constructed language to accommodate each position. The first option creates a policy that will link the rate to the 5-year Treasury note rate. It also allows the previous index to be changed by the Trustees to another commercially reasonable rate, once a year and it limits the rate to go down to 0%. Mr. Nicoletti explained how this option gives freedom to the Board to change the policy without the Village council approval. Ms. Morse the Village Finance Director addressed that this option might affect the Village finances in the case the Pension Fund was to under perform. Mr. Nicoletti discussed this matter with Larry Wilson the Actuary of the Fund and it was noted as long as the rate stayed below the assumed 8% it would not have an Actuarial impact, but agreed with Ms. Morse it might have a Financial impact to the Village.

The Second option would amend the Village Council Ordinance to incorporate an “indexed” rate linked to the 5-year Treasury note rate and it states the interest rate should never be less than zero (0%).

The Third option would also amend the Ordinance to incorporate a “fixed” rate not linked to a Financial Instrument. The Board thought it was fair a 5% per year, percentage rate that would not have an Actuarial impact, but Mr. Nicoletti explained again that it might have a financial cost to the Village.

Mr. Nicoletti advised the first option provides flexibility to the Board something that the second and third options limit because of the constraints that are created when waiting for Village Council approval for any change. He went ahead to say that the Third option might cause an unexpected financial impact to the Village if the Fund was to under perform the assumed rate.

Mr. Cabrera joined the meeting.

Mr. Nicoletti recommended the earnings on the DROP account should be adopted by policy instead of as an amendment to the Village’s Ordinance. The Board agreed on the advantages the first option provided.

Ernie Mahler joined the meeting.

A motion was made, seconded and carried 4-0 to adopt by policy the earnings on the Deferred Retirement Option Program (DROP) account, linking it to the 5 year Treasury note rate, stating the rate should never be less than zero and allowing the Board to change the index to another commercially reasonable rate once a year.

Mr. Nicoletti distributed a proposal for an ordinance change that will clarify Section 7. Finance and Fund Management. These changes will allow the fund to invest 10% of the assets or as otherwise permitted by Florida law in foreign securities, will also clarify that all monies paid into or held in the pension fund shall be invested and reinvested following and limited by Florida Statutes, as amended from time to time, will include the National Market System of the NASDAQ Stock Market as a recognized national exchange and as well will clarify that the Fund shall not invest more than 5% of its assets in the common stock or capital stock of any one issuing company.

A motion was made, seconded and approved 4-0 to endorse the language as clarified in Section 7 of the Ordinance.

ATTORNEY REPORT

Mr. Nicoletti stated he had the ICC contract for Board approval. He explained extensively the particulars of the contract and how if the Board approved the contract it would go into effect immediately and trading would start in a future date with the direction of the Investment Monitor.

Larry Wilson joined the meeting.

A motion was made, seconded and approved 4-0 to approve contract with ICC.

INVESTMENT MONITOR REPORT

Ernie Mahler appeared before the Board. He stated even if the short-term rates have moved upward the long-term rates have remained flat. Mr. Mahler noted he still remained uncertain on the stock market behavior, although he thinks it will get a little bit better next quarter. Mr. Mahler states it is a difficult time because of inflation and rising interest rates.

He reviewed the investment performance for the quarter ending March 31, 2005. The total market value as of March 31, 2005 was \$4,921,066.00. The Fund was down 2.76% or \$139,000.00 for the quarter while the benchmark was down 1.49%. Mr. Mahler advised that the asset allocation as of March 31, 2005 was 69% in equities; 28% in fixed income; and 3% in cash. Mr. Mahler noted that the fixed income portion of the portfolio was down .56% for the quarter while the benchmark was down .67% for the quarter.

Mr. Mahler proposed ICC be presented with a revised set of guidelines with their name in place to be signed. A motion was made, seconded and approved 4-0 to provide a revised set of guidelines to ICC.

Larry Wilson appeared before the Board. He stated that if the Board was to follow the State planning perspective, abiding their funding rules and the Drop rate was to be linked to the 5-year US Treasury bond rate there would have to be substantial inflation to go over the assumed rate of return, therefore he does not see the possibility of incurring a negative actuarial impact on the fund. Mr. Wilson explained as long as the Fund is not guaranteeing above the assumed rate of return the effect of the interest crediting is a no cost item.

ADMINISTRATIVE REPORT

Ms. Adcock appeared before the Board to address the proposals for the DROP Statements. Mr. Wilson provided a sample DROP statement. He noted the statements would be prepared every quarter, and the fee would include the DROP exhibit for the annual report that gets filed with the state. The fee Mr. Wilson would charge is \$675.00 per quarter up to 6 DROP participants and an additional fee of \$10.00 per month for each DROP participants in excess to 6 understanding they would not charge more than \$255.00 for participant and in addition a 1 time set up fee of \$500.00. Ms. Adcock presented the Pension Resource Centers proposal. The fee would be \$200.00 per quarter for 4 DROP participants with a \$50.00 fee for each additional.

After a lengthy discussion a Motion was made, seconded and approved 4-0 to hire the Pension Resource Centers to do the DROP statements.

It was discussed the possibility of a DROP participant leaving before the calendar quarter ended and it was agreed the final rate calculation shall be prorated upon their actual separation date, utilizing the rate for the month prior to termination. A motion was made, seconded and approved 4-0 to amend the policy to state the final rate calculation would

be prorated upon the actual termination date, utilizing the rate for the month prior to termination.

DISBURSEMENTS

Ms. Adcock presented the disbursements. A motion was made, seconded and approved 4-0 to pay all listed disbursements.

OTHER BUSINESS

The Board discussed the possibility of updating the Summary Plan Description every two years. Mr. Larry Wilson explained some of the information that would be included in the Summary Plan Description would be contacts, benefit structure, definition of terms, earnings, and other specifics of the Plan. He proposed a fee of \$1,800.00 to update and prepare the Summary Plan Description for the Hazardous Pension Fund.

A motion was made, seconded and approved 4-0 to accept Mr. Wilson proposal for the Summary Plan Description.

There being no further business, the meeting was adjourned at 6:00 P.M.

Respectfully submitted,

Ed West, Secretary