

**VILLAGE OF PALM SPRINGS HAZARDOUS DUTY
EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD**

August 2, 2005

Tim Conboy called the meeting to order at 4:30 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

TRUSTEES

Tim Conboy
Jorge Cabrera
Bob Becak

OTHERS

Scott Baur and Greta Krumenacker, Pension Resource Center
Bonni Jensen, Hanson, Perry & Jensen
Ernie Mahler, Smith Barney
Kevin Quinn and Jennifer Cute, ICC

MINUTES

The Board reviewed the minutes of the meeting held July 5, 2005. A motion was made, seconded and carried 3-0 to accept the minutes of the meeting held July 5, 2005.

INVESTMENT MANAGER REPORT: SMITH BARNEY

Ernie Mahler appeared before the Board. He reviewed the investment performance for the quarter ending June 30, 2005. The total market value as of June 30, 2005 was \$5,287,000.00. The Fund was up 1.27% for the quarter while the benchmark was up 1.79%. Mr. Mahler advised that the asset allocation as of June 30, 2005 was 73% in equities; 24% in fixed income; and 3% in cash. Mr. Mahler noted that the year to date was up 4.17% while the benchmark was up 5.52%. He stated he was very optimistic with the change in managers and stated the results were already showing. Mr. Mahler noted the equity portion of the portfolio seemed high and it would be something to be addressed before the end of the year.

INVESTMENT MONITOR REPORT: ICC

Kevin Quinn and Jennifer Cute appeared before the Board. Mr. Quinn reported on performance for the quarter ending June 30, 2005. He stated the equity portion of the portfolio was up 5.36% while the S&P 500 was up 3.89%. The fixed income portion of the portfolio was down .52% while the benchmark was down .41%. He stated the total performance of the Fund was up 3.77% while the benchmark was up only 2.39%. Jennifer Cute explained that since they received the funds on May 27th they have been restructuring the portfolio. The portfolio was delivered with 65% of equities and 35% bonds, but because of appreciation the equities ascended to 73%. They expect the equity markets to slow down and therefore they have started to trim down the equity portion of the portfolio. Ms. Cute noted they are overweight in certain sectors compared to the benchmark. Those sectors are industrials, raw materials and energy. In contrast, she stated they are underweight compared to the benchmark in the consumer sector,

technology and financials. She explained the news for the market was very optimistic, but for them this means a correction is coming. They are getting away from old winners and moving into stable winners and have shifted into a defensive mode. Ms. Cute explained ICC inherited a huge number of bonds from prior manager. They have slowly evaluated them and are almost at the end of the process. They foresee having their sections by next quarter. Mr. Becak noted he was very pleased with the performance and hoped it would continue improving.

Ms. Cute and Mr. Quinn departed the meeting.

ACTUARY REPORT

Larry Wilson appeared before the Board. Mr. Wilson asked if there were any comments on the SPD he had presented. Ms. Jensen stated there were a couple of suggestions she had, but stated that she would discuss the suggestions with Mr. Wilson and provide the Board with a revised document at the next meeting.

ADMINISTRATIVE REPORT

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

Ms. Krumenacker presented the Beneficiary/Enrollment Forms received from the Village. A motion was made, seconded and carried 3-0 to approve the list of Enrollment Applications.

There was a lengthy discussion regarding the earnings rate for the DROP account. A motion was made, seconded and approved 3-0 to have the Investment Monitor provide a monthly rate to the party that would create the DROP statements to determine the quarterly rate to be applied to DROP account.

ATTORNEY REPORT

Ms. Jensen reported to the Board on the 175 and 185 chapter monies. She stated the Police amount decreased by \$4,000, but noted that the law guarantees the \$39,000 they received though 2008. The Fire amount increased by \$14,000 and is expected to continue increasing. Mr. Wilson explained that the excess would go into a reserve for additional benefits.

Ms. Jensen informed the Board that the Village was at the stage of collective bargaining and the Ordinance was likely to be heard in September.

Ms. Jensen stated the Board had the fiduciary duty to monitor the Investment Consultant and explained that the SEC had just released a staff report regarding this matter. She provided the Board with the SEC memo with ten sample questions that consultants should answer. The Board agreed and asked Mr. Mahler to complete the questionnaire. Ms. Jensen stated she would review the answers provided by Mr. Mahler and if there were unusual disclosures she would propose a special meeting. The Board agreed to review the matter at the next meeting scheduled for November.

Mr. Mahler discussed the issue of commissions and soft dollars. The soft dollars include research provided to investment managers through directed brokerage and commissions generated by the Plan through Smith Barney to offset their consulting fee. Mr. Mahler stated the money market fund has a revenue sharing fee with the custodian of 25 basis points, which may not be disclosed. He stated it is not that significant, but the Board should be aware of it. Ms. Jensen recommended the Board get answers from the Investment Monitor so as to continue to fulfill their fiduciary obligations.

Ms. Jensen informed the Board the Legislature passed HB1159 to allow municipalities to collect premium taxes for services provided to another municipality.

OLD BUSINESS

It was noted that the next meeting was scheduled for Monday November 1, 2005 at 4:30 p.m. There being no further business, the meeting was adjourned at 5:20 P.M.

Respectfully submitted,

Ed West, Secretary