

**VILLAGE OF PALM SPRINGS HAZARDOUS DUTY
EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
February 7, 2006**

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
Jorge Cabrera

OTHERS

Ernie Mahler, Smith Barney
Margie Adcock, Pension Resource Center
Bonni Jensen, Attorney
Larry Wilson, Actuary
Kevin Quinn, Investment Manager, ICC
Randy Hoffer

MINUTES

The Board reviewed the minutes of the meeting held December 20, 2005. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held December 20, 2005.

INVESTMENT MONITOR REPORT

Ernie Mahler appeared before the Board. He stated that he did well with the issue involving the Delray Beach Police and Fire Pension Plan. The attorney reviewing the matter, Ted Siedel, admitted that he found no fraud or impropriety among other things. There is no final report to provide as of yet but he will provide it to the Trustees when available.

Mr. Mahler reviewed the investment performance for the quarter ending December 31, 2005. He stated that the Fund was up 3.03% net of fees while the benchmark was up 1.41%. It was a good quarter. He continued to emphasize the use of international equities in the portfolio. As the Fund continues to move forward he believes they have a place in the portfolio. He reviewed the asset classes and discussed how international equities fit in. While he likes what ICC is doing with domestic equities, they do have an international product that he would be interested in seeing. Ms. Jensen noted that there is a 10% limitation in international investing in the Florida Statutes. Mr. Mahler recommended amending the Ordinance to allow for international and noted that he thinks the Board should begin the process. A motion was made, seconded and carried 3-0 to authorize Ms. Jensen to amend the Ordinance to allow for investments in international to keep in line with the Florida Statutes.

INVESTMENT MANAGER REPORT: ICC

Kevin Quinn appeared before the Board. He discussed the investment performance for the Fund for the quarter ending December 31, 2005. He reported that the total Fund was

up 3.22% for the quarter while the benchmark was up 1.51%. With respect to equities for the quarter, the Fund was up 4.84 while the benchmark was up 2.03%. With respect to fixed income for the quarter, the Fund was up .57% while the benchmark was up .51%. Since inception (May 31, 2005 to December 31, 2005) the Fund is up 7.55% while the benchmark is up 3.95%. The total market value of the Fund as of December 31, 2005 was \$5,891,306. The asset allocation at market was 63.4% in equities; 17.5% in fixed income; and 19.1% in cash. Mr. Quinn noted that there was a high cash position in the portfolio. He attributed it to the fixed income component of the portfolio. He noted that there was a number of rolling treasuries maturing and the portfolio manager did not feel there was a lot of opportunity to get investment back into the portfolio. He noted that in January they added about another 3% to the composite portfolio so the Fund's total market value would be about \$6 million. He stated that they have done very well. They participated in a marketplace that had very narrow leadership.

ACTUARY REPORT

Larry Wilson appeared before the Board to present the Actuarial Valuation as of September 30, 2005. He noted that the Valuation determines the contributions for the fiscal year beginning October 1, 2006. He stated that the Village contribution requirement for the fiscal year beginning October 1, 2006 is \$853,902 less the Chapter 185 frozen amount of \$90,996. He stated that the reason the contribution rate has increased was because of actuarial losses, investment returns and pay increases. He stated that there was only a 4.3% recognized rate of return on investments versus the 8% expected. The average pay increase was 14.4% versus the 5.6% expected. It was noted that the increase in pay may have had a lot to do with the hurricanes and overtime needed during that time. However, because there is forecast for more hurricanes in the future, Mr. Wilson stated that they are not recommending any changes to the expected pay increase of 5.6%. The net effect of the experience factors was an experience loss of \$956,449. Mr. Wilson reviewed the historical comparison of contributions. He noted that the percentage of pay did not increase too much from last year (33.55% versus 32.53%) but payroll as a dollar amount has increased significantly (\$853,902 versus \$626,200). Mr. Wilson reviewed the development of the funding value of assets and the sources and financing of unfunded actuarial accrued liability. Mr. Wilson noted that the Board has made manager changes and he will be dropping of the negative years on the smoothing technique as of next year. He reviewed the supplementary information. He noted that the funded ratio as of September 30, 2005 was 53.5%. He stated that anytime benefits are increased the ratio goes down. It is important to reminder that if the Village contributes what is required, the Fund is actuarially sound. He stated that he did not recommend any changes in assumptions at this time. He could do an experience study if the Board was so inclined. He noted that he does not really have a lot of experience to use in this Fund. With respect to mortality that would stand on its own. Perhaps the Fund could make the mortality table more conservative as people live longer. Mr. Wilson stated that the 8% assumed rate of return is the most frequent assumption used by public pension plans in the State. The average is 7.92% so the Fund is right in line. He stated that the current year's experience is looking good. He is not making any recommendations for changes to the Board at this time. There was a discussion on salary increases. A motion was made, seconded and carried 3-0 to accept the Actuarial Valuation as of September 30, 2005.

ADMINISTRATIVE REPORT

Margie Adcock 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.

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

Ms. Adcock provided copies of the Summary Plan Description for distribution to the Participants.

OTHER BUSINESS

It was noted that Randal Hoffer submitted a letter advising that he was interested in the position of the 5th Trustee on the Board. There was a discussion and the Board asked Mr. Hoffer various questions. A motion was made, seconded and carried 3-0 to appoint Randy Hoffer, based on his experience and willingness to serve on the Board, as the 5th Trustee.

There being no further business, the meeting was adjourned at 5:45 P.M.

Respectfully submitted,

Tim Conboy, Chairman