

**VILLAGE OF PALM SPRINGS HAZARDOUS DUTY
EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
August 1, 2006**

Tim Conboy called the meeting to order at 4:31 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

TRUSTEES

Tim Conboy
Randy Hoffer
Jorge Cabrera
Phil Englert

OTHERS

Ernie Mahler, Smith Barney
Margie Adcock, Pension Resource Center
Bonni Jensen, Attorney
Jennifer Cute, Investment Manager, ICC

MINUTES

The Board reviewed the minutes of the meetings held April 25, 2006 (joint) and May 2, 2006. A motion was made, seconded and carried 4-0 to approve the minutes of the meetings held April 25, 2006 (joint) and May 2, 2006.

INVESTMENT MONITOR REPORT

Ernie Mahler appeared before the Board. He discussed an article on the Delray Beach Police and Fire Pension Plan that Ms. Jensen provided to the Board. He stated that in general his firm has cooperated with the auditor that is being referenced. He noted that the Delray Plan is doing well in terms of performance. He also noted that the auditor has admitted that there is no fraud. Mr. Mahler stated that he felt comfortable that the newspaper did not reflect properly their relationship with that Plan. There were inaccurate statements in the article. He also noted that the person who is the "independent auditor" of the Delray Plan has an agreement whereby he is only paid if he finds damages. He stated that every transaction has a trading fee already in it and everyone understands that. He stated that he did not report professional fees net of fees for a period of time because fees were paid in an outside custodial account and reported on the custodial account. He stated that they have corrected that. He stated that he has never done anything that he did not feel was right for their Plan or any other plan. He stated that his firm is going back and auditing whether it is net or gross of fees. He noted that the Actuary does that at the end of the year so the Board has that information anyway. Whether it showed on their reports he is not sure but they are checking on that now. He stated that the only fee he knows of that may or may not have been included is the manager fee. He stated that he was willing to answer any question the Board may have and would like to have the opportunity to have until the next meeting to provide t he Board with documentation. He stated that there is nothing in terms of compensation that he has not disclosed to this Board that he is aware of. Ms. Jensen stated that the reason she sent the article was not because of the Delray Plan but because Smith Barney admitted that it made some errors in the returns of the plans. She stated that it is important to document for this Fund that returns are accurate and that there are no problems with the numbers. Mr. Mahler stated that he thinks the numbers are accurate but he cannot release anything until their audit is complete.

Ms. Cute stated that they deal with every major brokerage firm in the country. She stated that it is almost impossible to skim money out of trading. The only area she is aware of where the allegations are polluting the industry is where an investment manager also has mutual funds. Where there is a broker/consultant that hires mutual funds and then gets trades from those mutual funds. Only abuse she is aware of is where the managers place mutual funds in the program and then get fees from placing the mutual funds. She noted that the manager is the fiduciary when it comes to trading anyway. It is in every manager's contract that they have to get best execution. There was a lengthy discussion.

INVESTMENT MANAGER REPORT: ICC

Jennifer Cute appeared before the Board. She discussed the investment performance for the Fund for the quarter ending June 30, 2006. She reported that the total Fund was down .6% for the quarter while the benchmark was down .87%. With respect to equities for the quarter, the Fund was down .24 while the benchmark was down 1.46%. She stated that they lost less than the market because of their defensive position. With respect to fixed income for the quarter, the Fund was up .29% while the benchmark was up .21%. She noted that the fixed income was pretty much flat and they expect more of that. The total market value of the Fund as of June 30, 2006 was \$6,120,438. The asset allocation at market was 61.2% in equities; 23.1% in fixed income; and 15.7% in cash.

Ms. Cute stated that starting in January they started repositioning the portfolio. They trimmed back on certain sectors. In energy they are now at a zero position. It is an area of the market where there is a lot of speculation and it is peaking. She thinks they timed it all properly. The Fed raising rates for seventeen times is starting to have an impact. They are watching the market now for new signs of life. They are sitting on a defensive position for the rest of the year. There might be a rally but they feel it will be short lived. They are there to preserve capital in equities. If the market goes down, the way the portfolio is positioned it will go down a lot less. They are holding a lot of cash. They are defensive in equities so are some cash there. The rest is on the bond side. She noted that the cash is in short term investments.

INVESTMENT MONITOR REPORT (CONTINUED)

Ernie Mahler reviewed the investment performance for the quarter ending June 30, 2006. He reviewed the capital markets. He reported that the Fund was down .17% net of fees while the benchmark was down .64%. The total market value of the Fund as of June 30, 2006 was \$6,126,000. He stated that the numbers are good. Everything ICC has done so far for the Fund has been excellent.

ATTORNEY REPORT

Ms. Jensen stated that custodial agreement with Comerica has been executed. Ms. Adcock advised that the transition took place today and everything was going smoothly.

Ms. Jensen provided a memorandum on a new requirement for governmental web sites that provides that a statement should be placed on the web site that informs people that e-mail addresses are public records. Ms. Adcock advised that the statement has been placed on their web site that they have for the Plan.

Ms. Jensen provided the Board with a memorandum on the databases for the State and noted that the municipalities have until September 3, 2006 to update the address database.

Ms. Jensen reported on whether a member of the DROP could sit on the Board as an employee representative. He stated that there was an Attorney General Opinion from July 21 which conflicted with the Division of Retirement ruling and they are trying to resolve those issues. The AGO is of the opinion that a DROP Participant can sit on the Board whereas the Division of Retirement is that a DROP Participant can not unless there is a special provision in the Plan Document. She stated that the safest way is to change the Ordinance if that is what the Board is interested in doing.

Ms. Jensen discussed the issue involving the definition of salary. She provided the Board with a memorandum on the matter. She stated that she does not think the Board ever made a decision to change the method of calculation. She thinks the change was just to add in 12 months. Looking at the two documents, it looks like it was just clarifying language because it was not previously a complete sentence. She stated that she reviewed the Valuations and the minutes. There were no records found or discussion on changing the method of the calculation. However, she noted that it is a minimum benefit. She stated that the Actuary has advised her that there is a "theoretical cost" to adding in that benefit. Once there is enough money to purchase the benefit it can be added. Ms. Jensen also discussed the administrative issue regarding the matter. She stated that salary is not reported on a weekly basis but rather on an annual basis as a lump sum. The Fund would need to arrive at some means of capturing salary on a weekly basis. She noted that the State believes that any five year period should be allowed. That is not the way it is currently being done because the salary is reported on a fiscal year basis in a lump sum. There was a lengthy discussion.

ADMINISTRATIVE REPORT

Margie Adcock presented the Beneficiary/Enrollment Forms received from the Village. A motion was made, seconded and carried 40 to approve the list of Enrollment Applications.

Ms. Adcock presented the Board with the benefit calculation and election approval for Ed Lewis. A motion was made, seconded and carried 4-0 to approve the benefit election.

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

Tim Conboy departed the meeting.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 6:04 P.M.

Respectfully submitted,

Tim Conboy, Chairman