

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

Tim Conboy called the meeting to order at 4:33 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Tim Conboy  
Randy Hoffer  
Phil Englert

**OTHERS**

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

**MINUTES**

The Board reviewed the minutes of the meeting held August 1, 2006. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held August 1, 2006.

**INVESTMENT MANAGER REPORT: ICC**

Kevin Quinn appeared before the Board. He discussed the investment performance for the Fund for the quarter ending September 30, 2006. He reported that the total portfolio was up 15.57% since inception (May 31, 2005 to September 30, 2006). For the fiscal year to date the total portfolio was up 10.92%. The total market value of the Fund as of September 30, 2006 was \$6,329,164. The asset allocation at market was 61.7% in equities; 30.4% in fixed income; and 7.9% in cash. He noted that as equities have grown, they have had to rebalance so there were quite a few transactions to keep the allocation within range.

With respect to equities since inception, the Fund was up 21.67 while the benchmark was up 14.92%. With respect to fixed income since inception, the Fund was up 3.11% while the benchmark was up 3.44%. He noted that the fixed income was mediocre and it slightly underperformed the benchmark. The total return was largely based on the equity performance. He stated that his report did not show the quarterly performance. Rather it just showed performance since inception, calendar year to date and fiscal year to date. The Board advised that they wanted to see quarterly, fiscal year to date and since inception performance for future reports. Mr. Quinn reviewed the portfolio sector diversification for the quarter ending September 30, 2006. He reviewed the top ten holdings and the sector contribution. He reviewed investment performance by sectors. He stated that they were overweight in materials and underweight in financials, energy and information technology.

Mr. Mahler stated that they did some bond transactions through Smith Barney and noted that no commissions were paid on the bond transactions. He asked Mr. Quinn to include something in their reports that they received best execution for the Board's records. Mr. Mahler noted that there are 26 institutional funds in this particular product. It was noted that this is the smallest one. He stated that the portfolio manager is extremely defensive but fully invested.

## **INVESTMENT MONITOR REPORT**

Ernie Mahler appeared before the Board. He provided the Board with a handout on the manager and universe returns through September 30, 2006.

Kevin Quinn departed the meeting.

Mr. Mahler presented the quarterly performance for the quarter ending September 30, 2006. He stated that the historical data is in there and it is net of fees going back five years. He stated that he could not guarantee that the fee was not in there prior to 2001. He reported that the Fund was up 3.28% net of fees while the benchmark was up 4.45% for the quarter. The total market value of the Fund as of September 30, 2006 was \$6,334,000. He stated that the performance was good although they were slightly behind for the quarter. He noted that the asset allocation has helped.

Mr. Mahler stated that they have updated the numbers for five years. He stated that prior to that time frame there is still a little bit of work to be done. He stated that he would like his firm to offer to show something to the Fund to show best execution. He stated that he has spoken with Bonni Jensen about the matter and is trying to get his firm to be a little more transparent. His firm has not agreed to do that quite yet. Ms. Jensen stated that there have been a lot of articles in the newspaper and the Board is operating under a very old contract with Smith Barney. She stated that she thinks the Board should go through the exercise of getting a new contract and also do a Request for Proposal to see what else is out there. She recommended that the Board take a look at what is available in the market and see what Smith Barney can offer in a contract. Mr. Mahler stated that a new contract would force them to increase the amount they are charging the Fund. Ms. Jensen noted that Smith Barney is getting paid based on trades right now and that area is under scrutiny. She stated that because the Board is a fiduciary, she recommended that they go through the process. She stated that the Board needs to have a level of discussion with Smith Barney that meets with today's standards. Ms. Jensen stated that she recommended the Board obtain a new contract with Smith Barney and in doing that go through the Request for Proposal process. There was a lengthy discussion. A motion was made, seconded and carried 3-0 to go forward with the Request for Proposal process based on the recommendation of the Attorney.

## **ATTORNEY REPORT**

Ms. Jensen reported on the Pension Protection Act of 2006. She stated that President Bush signed the legislation in to law on August 17, 2006. She stated that there were two changes that impacted the Fund. The first was to exclude \$3,000 annually from a retiree's pension if it is used to pay for qualified health insurance premiums. The effective date is for tax years beginning after December 31, 2006. She provided an election form that should be sent to the retirees that had health insurance with the Village. She discussed the various issues involved. The second change was to reduce the early withdrawal penalty tax for those who separate service from 55 to 50.

Ms. Jensen then discussed the issue involving the definition of salary. She stated that she spoke with Larry Wilson and what is going to be the impact of meeting the minimum benefit. She stated that the Fund could look to the excess 175/185 monies from this point forward. They both felt that the Fund should be using the highest salary and not limiting

it to the fiscal year earnings. It is a question of implementation. She stated that Mr. Wilson has a couple of municipalities that report on a fiscal year basis but break it down on a pro rata basis at the end. She noted that Mr. Wilson will be at the February meeting to present the Valuation and it could be further discussed at that time.

### **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 discussed the Trustee election process for the position that was previously held by Ed Lewis. She noted that the position was for a police officer position and as such firefighters were not entitled to vote. However, there were three firefighters that were sent ballots in error. The vote was such that James Gregory had three more votes than his opponent. However, one of the ballots that were sent to a firefighter in error was returned to the Administrator as undeliverable. Ms. Jensen stated that the process did not appear to impact the outcome of the election because one of the ballots that was sent in error got returned. There was a lengthy discussion. Ms. Jensen stated that this was no legal problem. However, she felt it should be discussed before the Board to make sure that the Board was comfortable with the outcome. A motion was made, seconded and carried 3-0 to certify the election results that declared James Gregory as the new Trustee.

Ms. Adcock noted that the renewal information for the FPPTA has not yet been released. She stated that as soon as that information becomes available she would renew the Board's membership for calendar year 2007.

### **OTHER BUSINESS**

There being no further business, the meeting was adjourned at 6:23 P.M.

Respectfully submitted,

Tim Conboy, Chairman