

**VILLAGE OF PALM SPRINGS HAZARDOUS DUTY
EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
August 27, 2007**

Tim Conboy called the meeting to order at 3:00 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

TRUSTEES

Tim Conboy
Randy Hoffer
Phil Englert

OTHERS

Bonni Jensen, Attorney
Margie Adcock, Pension Resource Center
Dave West, Bogdahn Consulting
Kevin Quinn, ICC (3:10 P.M.)

MINUTES

The Board reviewed the minutes of the meeting held May 1, 2007. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held May 1, 2007.

The Board reviewed the minutes of the joint meeting held May 29, 2007. A motion was made, seconded and carried 3-0 to approve the minutes of the joint meeting held May 29, 2007.

INVESTMENT MONITOR REPORT

Dave West appeared before the Board. He stated that they were still collecting information. He stated that they put together a preliminary report for the quarter ending June 30, 2007. The total market value of the Fund as of June 30, 2007 was \$8,279,925.31. The total portfolio was up 4.90% for the quarter while the benchmark was up 4.10%. The Fund was in the 4th percentile for the quarter. The asset allocation as of June 30, 2007 was 65% in equities; 24% in fixed income; and 11% in cash. For the fiscal year to date the Fund was up 14.74% while the benchmark was up 10.05%. The Fund was in the top percentile for the fiscal year to date.

Kevin Quinn entered the meeting.

Mr. West stated that since inception of May 31, 2005, ICC was up 14.5% while the benchmark was up 10.07%. Mr. West stated that the numbers look good. For the quarter equity was up 7.52% while the benchmark was up 6.28%. Fixed income was up .13% for the quarter while the benchmark was down .14%. Domestic equity has been the driver of performance. Fixed income has not been a driver of performance from an absolute basis.

Mr. West stated that he is strongly encouraging the Board to diversify the equity portfolio into international. He stated that international performs well when the US dollar is weak. Additionally, most growth is likely to come from outside the US. He stated that the portfolio is pretty well positioned for domestic equity. It very efficiently covers value and growth and small to large cap. He would like to look to the addition of international. Ms. Jensen stated that there would need to be an Ordinance change to allow for international. She provided a proposed Ordinance to the Board. Mr. West stated that

ICC has an ADR product that allows foreign shares to be exchanged on the US market. He stated this is a careful way to get into the international market. In the alternative, he could do an open-ended search for an international manager by using an institutional commingled fund product or a collective trust. Ms. Jensen reviewed the proposed Ordinance with the Board.

Mr. West discussed expanding restrictions in the Investment Policy Statement. He stated that he would work with Ms. Jensen to broaden language to expand the Board's investment opportunities. Ms. Jensen stated that other plans have eliminated specific listings and put in a provision that allows them to invest as allowed by State Statutes. The Board directed the Attorney to prepare an Ordinance to provide what the State allows. A motion was made, seconded and carried 3-0 to draft an amendment to the Ordinance to allow investments in accordance with Chapters 112, 175, 185 and 215.47, Florida Statutes and forward such proposed amendment to the City. Mr. West stated that he would hold off on performing an international search until they see what happens with the proposed Ordinance.

There was a discussion on the requirement of a security holding a rating in one of the three highest classifications by a major rating service. Mr. West stated that he would recommend putting the restrictions in the Investment Policy Statement. He stated that he would prepare a proposed draft of a modified Investment Policy Statement for the next meeting.

ATTORNEY REPORT

Ms. Jensen reported that the Annual Report was approved by the State and advised of the amount to be received for 175 and 185 tax premiums. She discussed the issue of PIP insurance and the fact that it may be eliminated. She stated that if PIP disappears and premiums go down, there could be a correspondingly decrease in 185 monies.

Ms. Jensen stated that she sent a letter to the Village Clerk advising of the Trustee vacancy due to Jorge Cabrera moving outside the Village limits. She has not received a response from the Village as of yet.

INVESTMENT MANAGER REPORT: ICC

Kevin Quinn appeared before the Board. He discussed the performance for the quarter ending June 30, 2007. The total market value of the portfolio as of June 30, 2007 was \$8,279,816. The total portfolio was up 4.90% for the quarter while the benchmark was up 4.0%. Equities were up 7.15% for the quarter while the benchmark was up 6.24%. Fixed income was up .41% while the benchmark was down .15%. The asset allocation as of June 30, 2007 was 64.6% in equities; 24.4% in fixed income; and 10.9% in cash. Mr. Quinn stated that the driver of returns was on the equity side, which is a major part of the program. He stated that active management has worked. Bonds have slightly outperformed the benchmark. He reviewed the investment performance by sectors.

Ms. Jensen inquired why ICC was still trading through Smith Barney. She noted that the agreement with the Board provides for best execution. There is no direction to trade through Smith Barney in the agreement and she did not see a letter of direction in the file. She stated that ICC could trade anywhere they wanted to. Mr. Quinn stated that they

would consider and address the matter. Mr. West stated that the Board could enter into recapture arrangements. Ms. Jensen explained recapture arrangements. Mr. West stated that he would draft a letter of direction to ICC advising that they should be seeking best execution in their trading.

There was then discussion on sub prime investments. Mr. Quinn noted that they do have some exposure but stated that it was fractional. He stated that there was no more than 1% or 2%. Mr. Quinn stated that he would provide a letter from the fixed income manager to the Board on that issue. There was discussion on compliance with the Investment Policy Statement when a holding is downgraded. Mr. Quinn asked if the Board had direction on that matter. Ms. Jensen stated that it should be eliminated from the portfolio in the ordinary course of business.

Kevin Quinn departed the meeting.

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 advised that the Fiduciary Liability Insurance Policy would be expiring on November 1, 2007 and noted that the Board would probably need a special meeting to renew or change coverage before the next regular meeting.

OTHER BUSINESS

An issue was raised of whether a police officer or firefighter could purchase service. Ms. Jensen stated that they could not purchase “air” time. However, she explained what could be done in terms of increasing the multiplier. She stated that she could provide the Board with more information on that matter. Ms. Jensen stated that she has raised the issue of purchasing time with the State because the PPA opened up the purchase of “air” time. She stated that perhaps in the next couple of years the State would come up with something to either maintain their position that “air” time can not be purchased or change their position to allow for it.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Tim Conboy, Chairman