

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES’  
PENSION FUND  
MINUTES OF MEETING HELD  
December 7, 2004**

The meeting was called to order at 4:10 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Virginia Walton  
Michael Johnson  
Bev Smith  
Rebecca Morse  
Butch Cooper (4:35 P.M.)

**OTHERS**

Ernie Mahler, Salomon Smith Barney  
Margie Adcock, Pension Resource Center

**INVESTMENT MANAGER PRESENTATIONS**

Ernie Mahler appeared before the Board. He provided the Board with a manager presentation booklet and gave a brief introduction.

**ANCHOR CAPITAL ADVISORS, INC.**

Bob Croce and Bill Rice appeared before the Board. Mr. Croce introduced himself and then introduced Bill Rice noting that Mr. Rice was the President and Founder of Anchor Capital Advisors. Mr. Rice stated that the firm was based in Boston and was founded 23 years ago. The senior members were employed at another firm for 5 years prior to that. So as a group of professionals together, the senior members have worked together for 28 years. There are a total of 40 professionals and the tenure is over 12 years. They manage \$3.5 billion with about half being institutional investors and the other half being high net worth individuals. Mr. Rice discussed their philosophy. He stated that they were value investors where they seek securities that are undervalued. He discussed the investment process for equities noting the elements of value driven, quantitative screening, fundamental research, sell discipline and team approach. He stated that they have had no turnover in the investment professionals in 23 years with only one leaving for retirement. He then discussed their buy and sell discipline. He reviewed the balanced portfolio characteristics. There are about 40 stocks in the portfolio with 46.4% in large cap, 36.6% in mid cap and 17% in mega cap. He reviewed the equity sector breakdown. He also discussed the investment process for fixed income. Mr. Rice reviewed performance. He stated that they have outperformed the benchmark for the 1, 3, 5, 7 and 10 year time periods. They have outperformed their peers with consistency over time. Mr. Rice also provided information on their mid cap value product. He discussed the performance of that product noting that it is more volatile than the all cap product. He noted that the rates of return for the mid cap portfolio are superior to all of the other asset classes.

Butch Cooper entered the meeting.

Mr. Rice noted that in all of their products they use the same core decision making investment process. Mr. Rice then discussed fees. He stated that the fee is 50 basis points for both products. Mr. Croce and Mr. Rice answered various questions from the Board.

Bob Croce and Bill Rice departed the meeting.

### **TRUSCO CAPITAL MANAGEMENT**

Ann Caner and Tim Nash appeared before the Board. Ms. Caner introduced herself and stated that she was in the Ft. Lauderdale office. She introduced Mr. Nash noting that he was in the Orlando office and manages all of the Florida accounts. Ms. Caner stated that they are the investment arm of SunTrust Bank. They have the financial strength of SunTrust Bank but with the flexibility to manage money. They manage one-third of the municipal money for the State of Florida. She discussed their consistency of management. They have senior portfolio managers that have worked together for 21 years. There are 172 employees with 106 investment professionals. They manage \$52 billion in assets. They can also custody the assets.

Mr. Nash discussed his background and stated that he has been with Trusco for 15 years. He is the Director of their Florida Public Funds Group. He stated that they have solid investment returns. They focus on risk and do not have a lot of volatility. He then discussed asset allocation noting that 91.5% of return is a result of asset allocation and diversification. He stated that their portfolio recommendation is 55% domestic equities, 5% international equities, and 40% fixed income. He reviewed their historical performance. He stated that they have outperformed the index over the 1, 3, 5, 7 and 10 year time periods. He discussed their philosophy and said it was the same for all of the different products they offer. He stated that they have consistent and solid investment returns. They have a significant commitment to the Florida public funds and emphasize customer service.

Ms. Caner discussed fees. She stated that they can also custody the assets at SunTrust and do the pension payments. The all inclusive fee is 65 basis points which includes management and custody. Ms. Caner and Mr. Nash answered various questions from the Board.

Ann Caner and Tim Nash departed the meeting.

### **BUCKHEAD CAPITAL MANAGEMENT**

Bruce Bridges and Eugene Pearce appeared before the Board. Mr. Bridges introduced himself and the introduced Mr. Pearce. He stated that Mr. Pearce is the founding father of Buckhead Capital. He stated that Buckhead is an Atlanta based firm that was founded in 1994. They have \$1.6 billion in assets under management. The investment professionals have an average experience of 22 years. They are a value based investment

firm. He then provided a representative client list. He stated that 22% of their assets are in managing public fund accounts.

Mr. Pearce discussed the value equity team. He stated that their objective is to outperform the Russell 1000 Value and the S&P 500. He discussed the investment process noting that they are a bottom up manager and pick stock by stock. He reviewed their screening process and how they value companies. He provided the example of Home Depot. Mr. Pearce discussed the bond process noting that they have a high quality diversified portfolio and measure and control risk. He then reviewed asset allocation. He discussed the small cap value product and the team approach. They have stocks between \$100 million and \$2 billion. He noted the cyclical nature of the small cap stocks noting that there has been a 5 year up cycle in small cap stock and the uncertainty of whether this is a good time to consider such a product. He noted that it is great for the long term, but an ounce of prevention is probably called for in this area as it is perhaps at its peak. He reviewed the stock selection process and provided the example of Titan International. Mr. Pearce discussed fees noting they would be 55 basis points on the first \$10 million, 50 basis points on the second \$10 million, and 25 basis points after that. Mr. Bridges and Mr. Pearce answered various questions from the Board.

Bruce Bridges and Eugene Pearce departed the meeting.

#### **HGK ASSET MANAGEMENT, INC.**

Steve Sheppard and Harold Stone appeared before the Board. Mr. Stone introduced himself and stated that he has been with the firm since 1994. He introduced Mr. Sheppard noting that he joined the firm in January 2000. Mr. Stone stated that the firm was founded in 1983 and is headquartered in Jersey City, New Jersey. They are 100% employee owned and have no external affiliations. They have 10 investment professionals with an average of 15 years experience. They manage over \$2.5 billion in assets over 100 separate accounts.

Mr. Sheppard discussed the large cap core product. He stated that he is the portfolio manager for this product and has had 20 years in the financial business. He had owned a management firm from 1995 to 2000 and then merged the business into HGK. He discussed the equity discipline and the screening process. He reviewed the sell discipline. He provided an example of their process using Harley Davidson. He reviewed the equity portfolio characteristics as of September 30, 2004. He noted that they have a broad base in all of the groups in the S&P 500. They do not make large bets in any one sector. He reviewed the top 10 holdings and their performance over the 1, 3, 5 and 7 year time period.

Mr. Stone discussed the mid cap value portfolio. He reviewed the portfolio characteristics as of September 30, 2004. He reviewed the top 10 holdings and the performance over the 1, 3 and 5 year time period. He provided an example of their process using Wendy's. He discussed the fixed income philosophy and process. He reviewed the performance of the

fixed income product. He then discussed fees noting that they charge 60 basis points. Mr. Sheppard and Mr. Stone answered various questions from the Board.

Steve Sheppard and Harold Stone departed the meeting.

### **DISCUSSION ON PRESENTATIONS**

There was then discussion on the investment manager presentations. Mr. Mahler stated that they all do a balanced and large cap portfolio. He noted that he thought one firm makes sense and thought the pricing from all of them was fair for this size Fund. He noted that he was surprised as the numbers Trusco was reporting as he has them on three other funds and is in the middle of a dispute with them on some numbers. He noted that HGK is the one that Chad Little asked to be included. A motion was made and seconded to negotiate a contract with Anchor Capital. There was then further discussion on the various managers. It was noted that Anchor has nice outperformance with less risk despite being more core. Mr. Mahler stated that he was very satisfied with Anchor on another fund that he provides services to and noted that they do service the account. They do have a high cash position on another fund but have worked to bring it down. Mr. Mahler stated that moving away from Invesco at this point is probably a good thing. He noted that Anchor has been steady and consistent. The motion was called and carried 5-0.

### **OTHER BUSINESS**

There being no further business and the next meeting being scheduled for February 1, 2005 at 6:30 P.M., the meeting was adjourned at 6:35 P.M.

Respectfully submitted,

Michael Johnson, Secretary