

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

The meeting was called to order at 6:30 P.M. at the Council Chambers in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Virginia Walton  
Phil Ralya  
Patti Waller  
Butch Cooper

**OTHERS**

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel  
Margie Adcock, Pension Resource Center  
Ernie Mahler, Smith Barney  
Dan Doucette, Anchor Capital  
Chad Little, Actuary

**MINUTES**

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

**INVESTMENT MONITOR REPORT: SMITH BARNEY**

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 he felt comfortable that the newspaper did not reflect properly their relationship with that Plan. He 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 the 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.

### **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.

### **INVESTMENT MANAGER: ANCHOR CAPITAL**

Dan Doucette appeared before the Board. He reported on the performance of the Fund for the quarter ending June 30, 2006. He stated that they slightly underperformed in the quarter. The total portfolio was down 1.39% while the benchmark was down .66%. He stated that they were not overly concerned with the performance and were still in a positive position year to date (2.0% versus the benchmark of 1.55%). The total market value of the Fund as of June 30, 2006 was \$7,050,952.32. He stated that he thinks the reason for the underperformance and negative second quarter is due to a lot of the uncertainty in the market in general. They continue to be cautiously optimistic. They have valuations across the market and are keeping in their sweet spot which is the mid cap to middle of large cap ranges. Mr. Doucette reported that the equities for the quarter were down 2.35% while the Russell 1000 was up .59%. The fixed income for the quarter was up .09% and the benchmark was up .21%. Mr. Doucette stated that they would not be overly aggressive just to raise short term performance and jeopardize the long term objective. He reviewed the portfolio summary and discussed the recent holdings.

Mr. Mahler provided a handout on their research of Anchor and the mid cap product. He noted that the Fund has the all cap product. He stated that at the last meeting he reported on the sale of Boston Private and he has no issue with that. They still rank Anchor four diamonds out of four. They feel that if Mark Rickabaugh, the portfolio manager at Anchor, left that firm it could possibly negatively impact the rating of the firm. It was noted that Mr. Rickabaugh has said that he has no intent to retire. Mr. Doucette stated that Mr. Rickabaugh is the lead portfolio manager and one of the three individuals who are the main principals of the firm. He noted that they had to sign a contract to stay at least five years with an option for six and seven years. He noted that the contracts are incentivized over the life of the contract. Mr. Mahler asked about their weightings in energy. Mr. Doucette stated that they reduced their weighting across the Board and it is dependent on a name by name basis. Mr. Mahler stated that Anchor did underperform for the quarter but he did not recommend that the Board do anything at this time. There has been no change in the firm. He will continue to monitor their performance closely.

### **INVESTMENT MONITOR REPORT: SMITH BARNEY (CONTINUED)**

Mr. Mahler reviewed performance for the quarter ending June 30, 2006. He reviewed the capital markets. The Fund was down 1.63% net of custodial fees for the quarter while the

benchmark was down .64%. The total market value as of June 30, 2006 was \$7,055,000. He stated that the Fund was up 2.10% for the fiscal year to date while the benchmark was up 2.98%. He stated that performance was slightly under the benchmark for both the quarter and the fiscal year to date. However, he noted that performance has been good since inception. He stated that the Board should keep the short term in mind but also look at the big picture of how they have done. They should show lower volatility and better returns over time. Mr. Mahler stated that he was very satisfied with their performance.

Mr. Mahler discussed international investing. He stated that he does not see international as providing a giant return in excess of what the Fund has right now. He noted that Anchor will not give a lot of international exposure. Mr. Doucette agreed that they really do not do international investing. Mr. Mahler stated that the Fund could get international exposure using an index. He does not strongly recommend that at this time because it is not the best market environment for it right now. However, it is worth looking at. There is no rush but he feels the Board should consider it. He stated that he would bring some further information for the next meeting and asked that it be added to the agenda.

#### **ADMINISTRATIVE REPORT**

Margie Adcock presented the Beneficiary/Enrollment Forms received from the Village. A motion was made, seconded and carried 4-0 to approve the list of Enrollment Applications.

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

#### **OTHER BUSINESS**

There being no further business, the meeting was adjourned at 7:35 P.M.

Respectfully submitted,

Phil Ralya, Secretary