

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND**  
**MINUTES OF MEETING HELD**  
**November 5, 2009**

The meeting was called to order at 1:16 P.M. at the Conference Room on the First Floor of Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Virginia Walton  
Phil Ralya  
Rebecca Morse  
Patrick Rothenburg (1:20 P.M)

**OTHERS**

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel  
Margie Adcock, Pension Resource Center  
Chad Little, Actuary (2:25 P.M.)  
Dan Johnson, Bogdahn Consulting  
Dan Doucette, Anchor Capital

**MINUTES**

The Board reviewed the minutes of the meeting held August 4, 2009. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held August 4, 2009.

**LARGE CAP GROWTH INVESTMENT MANAGER PRESENTATIONS**

Dan Johnson briefly discussed how the Fund has grown and that it was their recommendation that the Board consider hiring a large cap growth manager to compliment Anchor Capital. He provided a review of the large cap growth managers that would be making presentations. He reviewed the historical data of the three managers.

**ALETHEIA RESEARCH AND MANAGEMENT**

Todd Barney appeared before the Board. Peter Eichler, Jr founded the firm in 1997. They manage over \$7 billion in assets. There are 9 investment and research professionals and 22 employees. Mr. Barney reviewed the investment process. He discussed the four criteria for their buy discipline: industry research; knowledgeable investors; financial statement analysis; and direct industry contacts. He discussed their sell discipline. It is the mirror image of their buy discipline with the exception rather than needing all four of the criteria, any one of the criteria would trigger a sell. Mr. Barney reviewed the performance and analytics. He reviewed the cumulative returns as of September 30, 2009. They rank as a number one growth manger on the 5, 7 and 10-year basis. They do not rank as high on the 3-year time period because of their poor performance in the 4<sup>th</sup> Quarter of 2008. It was noted that 2008 was the first year of underperformance for them, with most of the underperformance occurring in the month of October. They missed the severity of the credit crunch that occurred in the month. They now have taken trimmings much faster. Their annualized return since inception of January 1998 to September 2009 is 11.84%. He reviewed the sector allocation versus the benchmark as of September 30, 2009. There was discussion on personnel terminations in the last three years. They would offer a separately managed account for a fee of 1 basis point.

Todd Barney departed the meeting.

### **DANA INVESTMENT ADVISORS**

Doug Classen appeared before the Board. He stated that his firm started in 1980. There are 12 investment professional and 34 employees. They are 100% employee owned. They have \$2.7 billion in assets under management. Their objective is for better returns with less risk. They think sector bests get some managers in trouble. He provided historical performance of the S&P 500 by sector. He discussed their investment philosophy and process. They have a sector neutral construction. They have 50 to 55 positions that are equally weighted at 2%. This helps with risk control and diversification. They look for earnings growth; valuation; and fundamental research. Mr. Classen reviewed the portfolio characteristics. He reviewed the risk-reward measures. He discussed stock paying dividends and their sell process. He stated that their strategies are lower risk; disciplined and repeatable process; consistent performance. He noted that 7 of the last 8 years they have beaten the benchmark with less risk. Their fee would be 70 basis points for the first \$3 million with 65 basis points for \$3 million to \$10 million.

Doug Classen departed the meeting.

### **DSM CAPITAL PARTNERS**

Stephen Constantine appeared before the Board. He stated that his firm manages \$2.4 million in assets. They only manage growth portfolios. They are 100% employee owned. He stated that they have an alignment of interest with that of their clients as they are invested in the products that they manage. He reviewed a partial list of institutional clients. He reviewed their philosophy and process. They combine a research-intensive process with a rigorous valuation discipline. He discussed their valuation process. He reviewed an example of Stryker Corporation. They would offer a separately managed account with a fee of 1% on the first \$5 million or a mutual fund with a fee of 150 basis points cap on the total fee inclusive of the management fee.

Chad Little entered the meeting.

Stephen Constantine departed the meeting.

Mr. Johnson reviewed the managers that made presentations to the Board. He stated that Anchor has a value tilt and they are looking for a compliment with a growth piece. He stated that Aletheia looks to insider purchases and not from a management or balance sheet structure. Dana is a sector neutral manager and more modest. DSM is only a growth manger and very similar to Anchor as a boutique manger. He reviewed the risk-adjusted analysis. The lowest volatility is Dana with the highest volatility being Aletheia.

### **ACTUARY REPORT**

Chad Little appeared before the Board. He stated that he was about to begin the Valuation for the fiscal year ending September 30, 2009. He stated that he thought he would have the Valuation done in the same time frame as last year. He understands that there is discussion on freezing the Plan. Ms. Morse stated that it is anticipated that

effective July 1, 2010 all new hires will go to FRS. Mr. Little stated that they would need to be discussions on amortization and possible changes. Ms. Morse stated that there would probably be an election in January so that they might know who would be staying in the Plan and who would be going to FRS. There was discussion on the need for an Ordinance change and an impact statement.

Chad Little departed the meeting.

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

Dan Doucette appeared before the Board. Mr. Doucette discussed the market environment. He stated that the market has moved up since April. They continue to be cautious. They are pretty pleased with where things were. He reported on the performance of the Fund for the quarter ending September 30, 2009. The total market value of the portfolio as of September 30, 2009 was \$8,880,095.26. The total portfolio was up 10.57% net of fees for the quarter while the benchmark was up 9.86%. The equity portion of the portfolio was up 16.79% net of fees for the quarter while the Russell 1000 Value was up 18.24% and the S&P 500 was up 15.56%. The fixed income portion of the portfolio was up 2.63% net of fees for the quarter while the benchmark was up 3.25%. He reviewed the portfolio summary. The asset allocation as of September 30, 2009 was 63.4% in equities; 24.4% in fixed income; and 12.2% in cash.

### **INVESTMENT MONITOR REPORT**

Dan Johnson appeared before the Board. He reviewed the market environment for the period ending September 30, 2009. He noted that small cap did better than large cap for the quarter. International equities were positive for the quarter and one year and significantly more positive than domestic equities. He reviewed the domestic equity style index performance and noted that value did better than growth for the quarter but that for the one-year growth did better than value. He reviewed the sector performance for the quarter and noted that financials was the number one performing sector in the quarter.

Mr. Johnson reviewed the performance for the Fund for the period ending September 30, 2009. The total market value of the Fund as of September 30, 2009 was \$10,055,395, of which \$8,876,685 was in Anchor and \$1,178,711 was in Manning & Napier. The asset allocation was 56% in domestic equities; 11.7% in international; 21.3% in domestic fixed income; and 11% in cash. Mr. Johnson reported that for the quarter the Fund was up 12.13% net of fees while the benchmark was up 11.90%. The Anchor domestic equity portfolio was up 16.90% for the quarter while the benchmark was up 16.31%. The Anchor fixed income portfolio was up 2.81% for the quarter while the benchmark was up 3.18%. The Manning & Napier portfolio was up 25.72% for the quarter while the EAFE was up 19.52%.

There was discussion on the issue of the Custodian. Mr. Johnson stated that the issue was an annual fee of an additional \$1,000 associated with shadowing the mutual fund. Ms. Jensen stated that she discussed the matter with the Custodian and they advised that they would charge the one year additional fee, but moving forward they would waive the fee and just charge the regular custodial fee of 4 basis points. Mr. Johnson stated that they would like to take the current portfolio structure and have the Custodian separate the

asset classes into stocks and bonds. The custodial fee associated with doing that would be \$500. This would give the Monitor extra control over the asset classes. Mr. Doucette stated that for them there was no real benefit either way. There was a lengthy discussion. Mr. Johnson stated that he received quotes from the other two custodians that the Board had interviewed previously. Ms. Morse stated that she liked the Comerica statements and would not press the issue any more since Comerica was willing to waive the additional fee to shadow the mutual fund. Mr. Johnson stated that he understands that there is a \$500 additional annual fee to have the statements separated by asset class, but he thinks there is an advantage to it. Ms. Morse stated that she would need to see a sample of what the statements would look like. Mr. Johnson stated that he would discuss the matter with Comerica and update the Board at the next meeting.

There was discussion on the growth manager presentations. The Board stated that they would like to proceed with moving forward on this. There was a lengthy discussion. Mr. Johnson stated that he did not think Aletheia was appropriate as a compliment with Anchor. They do things too similar with Anchor and are seldom the sole growth manager. Mr. Rothenburg stated that he liked Aletheia. He thinks this is a time where the market will see substantial gains and the Plan should capitalize on that. Mr. Johnson noted that Aletheia has great numbers. However, the Board needs the stomach for them because of their volatility. They had the biggest turnaround. They were hurt in the 4<sup>th</sup> Quarter because they had energy. He also noted that they overlap with Anchor on some securities. Ms. Morse stated that she was bothered that the representative from Aletheia did not know how many accounts they had or how many they had lost. She stated that she was leaning toward Dana because of the anticipation of the Plan closing in July. She was not sure how any people would stay in the Plan and thought Dana was more conservative. As the time horizon narrows, she thinks they need to be more conservative and less risky. The Board stated that they wanted answers to the questions that were unanswered from Aletheia. The Board decided to have a special meeting on December 11, 2009.

### **ATTORNEY REPORT**

Ms. Jensen provided a memorandum on the State law updates. She reviewed the updates with the Board.

### **ADMINISTRATIVE REPORT**

Ms. 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 Board with the benefit calculation and election approval for Victor Perez. 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 approved 4-0 to pay the listed disbursements.

Ms. Adcock noted that the term for the position held by Phil Ralya expired on October 31, 2009 and an election was conducted. She noted that no one ran against Mr. Ralya and he has been reappointed for another term.

### **OTHER BUSINESS**

Ms. Jensen stated that there appears that there will be a change to the Plan effective July 1, 2010 and the Plan will become a closed Plan at that time. She stated that she would work on drafting a proposed Ordinance. She discussed the changes in Chapters 175 and 185, Florida Statutes, noting the allowance of the increase in trustee terms from two to four years. She stated that there is no requirement for this Plan, but the Board might want to consider it. She stated that she would bring a draft proposed Ordinance to the February meeting.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Phil Ralya, Secretary