

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
February 1, 2011

The meeting was called to order at 2:02 P.M. at the Conference Room on the First Floor of Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Rebecca Morse
Virginia Walton
Patti Waller
Patrick Rothenburg
Vicki Van Fossen

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Dan Doucette, Anchor
Dan Johnson, Bogdahn Consulting

MINUTES

The Board reviewed the minutes of the meeting held October 25, 2010. A motion was made, seconded and carried 5-0 to approve the minutes of the meeting held October 25, 2010.

INVESTMENT MANAGER: ANCHOR CAPITAL

Dan Doucette appeared before the Board. He reported on performance for the period ending December 31, 2010. The total market value of the fixed income account as of December 31, 2010 was \$4,079,581.52. The total market value of the equity account as of December 31, 2010 was \$3,480,413.88. The total equity portfolio was up 9.23% net of fees for the quarter ending December 31, 2010 while the Russell 1000 Value was up 10.54%. The total fixed income portfolio was down .41% net of fees for the quarter ending December 31, 2010 while the benchmark was down 1.44%. Mr. Doucette stated that the bulk of the performance came at the beginning of October and end of December. He stated that they are happy with their performance. They are still cautious with where they are putting assets. Mr. Doucette reviewed the equity portfolio. The asset allocation of the equity portfolio is 98.4% in equities and 1.6% in cash. He reviewed the portfolio holdings and the purchases and sales in the quarter. He reviewed the fixed income portfolio. The asset allocation of the fixed income portfolio is 64.2% in securities (with 43.5% in corporate bonds) and 35.8% in cash. Mr. Doucette stated that they feel better with the economy than they did six months ago. On the fixed income side, they are staying very cautious.

INVESTMENT MONITOR REPORT

Dan Johnson appeared before the Board. He reviewed the market environment for the period ending December 31, 2010. He reviewed the major market index performance. He noted that bonds were negative for the quarter while equities were positive for the quarter. He reviewed the Treasury yield curve. The total market value of the Fund as of December 31, 2010 was \$12,786,131. The asset allocation was 55.6% in domestic equities; 11.9% in international; 20.2% in domestic fixed income; and 12.2% in cash. The asset allocation by manager was 31.9% with Anchor Fixed Income; 27.2% with

Anchor All Cap Value; 28.9% with Aletheia Large Cap Growth; and 11.9% with Manning & Napier.

The total portfolio was up 6.95% net of fees for the quarter while the benchmark was up 6.57%. The total equity portfolio was up 10.83% for the quarter while the benchmark was up 10.47%. The total domestic equity portfolio was up 11.73% for the quarter while the benchmark was up 11.59%. The total fixed income portfolio was down .30% for the quarter while the benchmark was down .61%. The total international portfolio was up 6.79% for the quarter while the benchmark was up 6.65%. The Anchor All Cap Value portfolio was up 9.34% for the quarter while the Russell 3000 Value was up 10.92%. The Aletheia Large Cap Growth portfolio was up 14.07% while the Russell 1000 Growth was up 11.83%. The Anchor Fixed Income portfolio was down .30% for the quarter while the benchmark was down .61%. The Manning & Napier portfolio was up 6.79% for the quarter while the benchmark was up 6.65%.

Mr. Johnson stated that he brought Aletheia to the Board only about one year ago. During the course of the quarter, a former partner left that firm and is suing the partners. Mr. Johnson stated that he thinks it is such a significant distraction that the Board should look at other manager options. He feels that the internal situation with Aletheia might deter from their performance. He recommends that the Board seek another option and terminate their relationship with Aletheia. He thinks the Board should be pro active and make a change. The returns have been very good and they have increased customer service, but he is not happy with what is happening there. It is not so much the performance but the significant internal issues that has him concerned. As such, Mr. Johnson brought information on a manager search to replace Aletheia. He provided information on six manager candidates: Alger Capital; Brown Investment Advisory; Dana; DSM Capital; Wells Capital; and Winslow Capital. He reviewed the various managers. He reviewed the trailing performance for the quarter, 1, 2, 3, 5, 7, 8 and 10 year periods through December 31, 2010. He stated that the two that really stand out are Brown and Wells Capital. He reviewed the calendar year performance from 2001 to 2010. He reviewed the risk and return analysis. Mr. Johnson stated that he still thinks a growth manager is needed to complement Anchor. He recommended that the Board interview Brown and Wells. A motion was made, seconded and carried 5-0 to invite Brown and Wells to make a presentation to the Board.

Mr. Johnson discussed the Investment Policy Statement. He stated that he received questions from Rebecca Morse in the Finance Department at the Village and the Village Auditor. He stated that the Village Auditor has asked for two changes to the Fund's Investment Policy Statement under fixed income. He reviewed the requested changes. Ms. Jensen discussed the issues raised by the Auditor. There was a lengthy discussion. The Board directed Mr. Johnson to send the revised Statement to the Village's Auditor for review prior to approval by the Board.

ATTORNEY REPORT

Ms. Jensen provided a Memorandum dated January 2011 regarding the IRS mileage rates for 2011.

Ms. Jensen advised that an issue came up recently regarding class action filings. She noted that Salem provided the Fund with a notice of a class action filing the day before it

was due. The notice stated that Salem would file class actions for the time when they held a stock for the Fund with a charge of \$300 per filing. It was noted that Comerica could not file such actions because they do not have any information on such stocks. Ms. Jensen noted that it was a complicated process for anyone else to do. There was a lengthy discussion. It was noted that due to the size of the Plan when it was with Salem, the cost for filing might not cover what the Fund would recover from a class action. The Board decided not to move forward with having Salem file any class actions for the Fund.

There was a discussion on the assumed rate of return. Mr. Johnson stated that he was still comfortable with an 8% assumed rate of return. He stated that he would draft the necessary letter for the State.

Ms. Jensen provided a Memorandum dated January 2011 regarding HB 303 and SB 290. She noted that HB 303 has since been withdrawn. She noted that SB 290 does not impact this Plan. Rather, it impacts elected officers and judges under FRS. She stated that she would continue to monitor the legislative updates.

ADMINISTRATIVE REPORT

Ms. Adcock presented the Board with the benefit calculation and election approval for Michael DiCocco. A motion was made, seconded and carried 5-0 to approve the benefit election.

Ms. Adcock presented the disbursements. A motion was made, seconded and approved 5-0 to pay the listed disbursements.

It was noted that Patrick Rothenburg was up for re-appointment as the 5th Trustee. A motion was made, seconded and approved 4-0 to re-appoint Patrick Rothenburg as the 5th Trustee for another term.

It was noted that now that Ms. Van Fossen has filled the employee Trustee seat that was vacant, an election needs to be done for the employee Trustee seat currently held by Ms. Walton. It was noted that a mail notice would be sent to the current participants in the Plan regarding the election.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patrick Rothenburg, Secretary