

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND**  
**MINUTES OF MEETING HELD**  
**August 2, 2011**

The meeting was called to order at 2:05 P.M. at the Conference Room on the First Floor of Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Virginia Walton  
Patti Waller  
Rebecca Morse

**OTHERS**

Bonni Jensen, Fund Counsel  
Margie Adcock, Administrator  
Dan Johnson, Monitor  
Chad Little, Actuary (via teleconference)  
Dan Doucette, Anchor

**MINUTES**

The Board reviewed the minutes of the meeting held May 3, 2011. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held May 3, 2011.

**INVESTMENT MANAGER: ANCHOR CAPITAL**

Dan Doucette appeared before the Board. He reported on performance for the period ending June 30, 2011. The total market value of the fixed income account as of June 30, 2011 was \$4,180,228.29. The total market value of the equity account as of June 30, 2011 was \$3,702,639.52. The total equity portfolio was up 1.06% net of fees for the quarter ending June 30, 2011 while the Russell 1000 Value was down .50%. The total fixed income portfolio was up 1.79% net of fees for the quarter ending June 30, 2011 while the benchmark was up 2.12%. Mr. Doucette stated that their focus still remains on being conservative. He reviewed the equity portfolio. The asset allocation of the equity portfolio is 85.4% in equities and 14.6% in cash. He reviewed the fixed income portfolio. The asset allocation of the fixed income portfolio is 82.6% in securities (with 56.8% in corporate bonds) and 17.4% in cash. He reviewed the portfolio holdings and the purchases and sales in the quarter. He stated that health care and utilities would continue to be a focus on the equity side in order to stay conservative. They are continuing to watch credit quality on the fixed income side in face of the issues involving the US debt ceiling and the possibility that US Treasuries could be downgraded by Moody's or S&P.

**INVESTMENT MONITOR REPORT**

Dan Johnson appeared before the Board. He reviewed the market environment for the period ending June 30, 2011. He reviewed the major market index performance. He stated that equities were flat for the quarter. Bonds did very well in the quarter, with TIPS being the shining star up 37%. He noted that round two of quantitative easing ended on June 30, 2011. The total market value of the Fund as of June 30, 2011 was \$13,261,655. The asset allocation was 51.4% in domestic equities; 12.4% in international; 25.7% in

domestic fixed income; and 10.5% in cash. The asset allocation by manager was 31.6% with Anchor Fixed Income; 27.9% with Anchor All Cap Value; 28.1% with Brown Large Cap Growth; and 12.4% with Manning & Napier.

The total portfolio was up .12% net of fees for the quarter while the benchmark was up .97%. Mr. Johnson stated that he was not thrilled with the performance for the quarter, but noted that it was positive. The Fund lost about 20 basis points from the cost of the transition from Aletheia to Brown. He stated that whenever there is a change, there would be some cost. He is happy with the change going forward. The total equity portfolio was down .69% for the quarter while the benchmark was up .41%. The total domestic equity portfolio was down 1.24% for the quarter while the benchmark was down .03%. Mr. Johnson noted that this was the drag on the portfolio this quarter. The total fixed income portfolio was up 1.93% for the quarter while the benchmark was up 2.30%. The total international portfolio was up 1.88% for the quarter while the benchmark was up 1.83%. The Anchor All Cap Value portfolio was up 1.14% for the quarter while the Russell 3000 Value was down .68%. The Anchor Fixed Income portfolio was up 1.93% for the quarter while the benchmark was up 2.30%. Mr. Johnson noted that this portfolio was positioned defensively. He stated that there was a lot of cash, which earned nothing. He stated that perhaps TIPS might be an option here. The Manning & Napier portfolio was up 1.88% for the quarter while the benchmark was up 1.83%. It was noted that the return information for Brown Advisory was not available as they were funded at the end of June.

Mr. Johnson provided a revised Investment Policy Statement. He stated that no investment changes were made, just some changes to tie up some loose ends recommended by the Village Auditor. He recommended the Board approve the proposed changes. A motion was made, seconded and carried 3-0 to approved the revised Investment Policy Statement. Mr. Johnson stated that he would file the Statement with the State as required.

Mr. Johnson provided another overview of Treasury Inflation Protected Securities (TIPS). As he stated at the last meeting, the objectives of investments in TIPS include that it is a hedge against inflation; it preserves purchasing power; it increases cash flows; and it provides greater diversification of fixed income assets that reduce the total portfolio volatility. He discussed TIPS investment vehicles. He stated that he would recommend an open-ended mutual fund. He discussed the TIPS product with Vanguard. He stated that right now the Fund is paying Anchor a management fee to hold cash that is earning the Fund nothing. The Fund would save money with a TIPS investment. He would recommend a 5% investment, or about \$600,000, in TIPS. He stated that he has already spoken with Comerica and this transition would be seamless. Mr. Johnson discussed the other possible options for a TIPS investment. He stated that PIMCO is an active manager whereas Vanguard is not. However, Vanguard is more cost effective. He reviewed the returns for the managers versus the benchmark for the year-to-date, 1, 2, 3, 4, 5, 7 and 10 year periods. He reviewed the calendar year returns from 2001 to 2010 and year-to-date. It was noted that TIPS was a government bond and could adjust for inflation. It was a little more volatile. He stated that he would recommend to fund TIPS at \$600,000 as follows: \$300,000 from the Anchor Fixed income portfolio; \$200,000 from

the Brown Advisory portfolio; and \$100,000 from the Anchor All Cap portfolio. There was a lengthy discussion. It was noted that the Anchor Fixed Income portfolio had cash now so it might be best to take it from there. It was noted that the Anchor All Cap portfolio also had cash now, whereas if the money were taken from Brown, they would need to sell holdings to raise the cash. It was noted that perhaps an initial invest of \$300,000 should be made now with consideration at a future meeting on increasing the investment. A motion was made, seconded and carried 3-0 to invest \$300,000 in the Vanguard TIPS mutual fund taking \$300,000 from the Anchor Fixed Income portfolio.

### **ACTUARY REPORT**

Chad Little appeared before the Board via teleconference. He discussed the Legislative updates and payroll growth.

Chad Little departed the meeting.

### **ATTORNEY REPORT**

Ms. Jensen provided a Memorandum dated July 7, 2011 regarding the IRS Mileage Rate. She noted that that IRS mileage rate increased to 55.5 cents per mile effective July 1, 2011.

Ms. Jensen reported on the status of the IRS Determination Letter. She stated that the Fund received a favorable Determination Letter. She noted that the Village passed Ordinance 2011-13, which was required for the Determination Letter. She noted that this matter is now completed.

Ms. Jensen provided an Addendum to the Consulting Services Agreement with Bogdahn Consulting for the new fees approved at the last meeting. The Board signed the Addendum.

Ms. Jensen noted that Comerica was requesting new authorized signor cards.

Ms. Jensen discussed the Palm Beach County Ordinance regarding Ethics. She stated that she was not sure if the Board was subject to the Ordinance or not and the Commission on Ethics was not sure if the Board was subject to the Ordinance either. She stated that she was pretty sure that the Board appointed trustees are not subject to the jurisdiction of the Commission of Ethics, but since the Board appointed Trustee here, Mr. Rothenburg, is also an employee, he would be subject to the Ordinance due to his responsibilities as an employee of the Village. Ms. Jensen stated that she has presented several questions to the Commission on Ethics regarding coverage and will keep the Board apprised of any response she receives.

Ms. Jensen discussed SB 1128. She noted that the Village does not have sick or vacation leave but rather has personal leave. As such, she does not think this is necessarily something the Fund has to exclude now because it is not accumulated sick leave. She

noted that the new law applies when a new collective bargaining agreement is reached and a decision would have to be made at that time.

### **ADMINISTRATIVE REPORT**

Ms. Adcock presented the disbursements. A motion was made, seconded and approved 3-0 to pay the listed disbursements.

Ms. Adcock advised that the Fiduciary Liability Insurance is due to expire on November 1, 2011. A motion was made, seconded and carried 3-0 to renew the Fiduciary Liability Insurance with FMIT not to exceed a 5% increase in the premium.

### **OTHER BUSINESS**

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patrick Rothenburg, Secretary