

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND**  
**MINUTES OF MEETING HELD**  
**May 1, 2012**

The meeting was called to order at 1:00 P.M. at the Conference Room on the First Floor of Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Patrick Rothenburg  
Rebecca Morse  
Vicki Van Fossen  
Patti Waller

**OTHERS**

Bonni Jensen, Fund Counsel  
Margie Adcock, Administrator  
Dan Johnson, Monitor  
Chad Little, Actuary

**ACTUARY REPORT**

Chad Little appeared before the Board. He provided a revised Actuarial Valuation as of October 1, 2011. He stated that the State requires contributions to be made on a percentage of payroll basis versus a dollar amount basis. He noted that by assuming that all participants leave when they are first eligible, that would increase the percentage of pay amount. He noted that percentage of payroll does not make sense for a closed plan. He stated that he worked with Ms. Morse in going through the Participants to get to a reasonable number. He stated that the dollar amount for the Village is the same at \$978,877, but the percentage of pay is now reported at 30.9%. A motion was made, seconded and carried 4-0 to approve the Actuarial Valuation as of October 1, 2011 as revised.

Chad Little departed the meeting.

**MINUTES**

The Board reviewed the minutes of the meeting held February 7, 2012. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held February 7, 2012.

**FIXED INCOME MANAGER PRESENTATIONS**

Mr. Johnson stated that the Board was going to be hearing presentations from three dedicated fixed income managers. He reviewed the performance of the managers that were making presentations.

**ANCHOR CAPITAL ADVISORS**

Bob Croce and Dan Doucette appeared before the Board. Mr. Croce provided a background of the firm. The firm was founded in 1983 and is headquartered in Boston. They have a professional staff of 10 and have \$6.2 billion in assets under management. He reviewed their investment philosophy noting that capital preservation is as important as capital appreciation. He reviewed their investment process noting that the process involves active management. They look at interest rate anticipation; the economic

outlook; exam monetary policy; perform an analysis of yield spreads; and perform equity and credit research. He reviewed the portfolio characteristics and performance. Mr. Doucette reviewed performance. He noted that the cash infusion effected performance. They invested slowly and cautiously. He stated that it was a risk management decision from a return standpoint that did not work out.

Mr. Johnson noted that the cash position is now at 14%. He stated that there is a very significant amount of cash that slows down return. He noted that there is about \$500,000 earning close to zero and the Fund is paying fees on that cash. As such, there is effectively a negative return. He noted that the cash is what has presented the big drag on performance for the year.

Mr. Croce stated that they would get the cash deployed when they find securities they want to be invested in. The time period has been tough for fixed income. They are being very careful on where they put the money. Mr. Doucette stated that the cash position was at 40% so they have made some big moves to reduce that. He stated that they understand the cash position is high, but it is with an eye on preserving capital. It was noted that they charge 40 basis points to manage the accounts for the Fund. They stated that the fee would not change if the Board hires a different manager for fixed income leaving Anchor only managing equities.

Bob Croce and Dan Doucette departed the meeting.

#### **GARCIA HAMILTON & ASSOCIATES**

Jeffrey Detwiler appeared before the Board. He provided a brief introduction. He stated that he was the portfolio manager. He noted that Janna Hamilton would be the client service representative on the account. Mr. Detwiler stated that they are a Houston based firm that was founded in 1988. They are 100% employee owned with \$2.9 billion in assets under management. He reviewed their representative client list. Mr. Detwiler discussed their investment goal and philosophy. Their goal is to outperform the benchmark, net of fees, over a full market cycle using a high quality strategy with less risk and low turnover. Their investment philosophy is to preserve principal, maintain liquidity and provide high current income. They own high quality securities. They have no derivatives or leverage. They are flexible and can quickly adjust to changing market conditions. Mr. Detwiler discussed risk controls. They add value by using limited interest rate anticipation, sector rotation, and yield curve management. He reviewed their investment process. They have five factors they utilize in the process: sentiment; monetary; economic; valuation; and inflation. He reviewed the portfolio characteristics. He reviewed performance. He stated that they have a high quality focus; proven investment process over time; and a strong focus on client service. He discussed fees stating that they would charge 25 basis points.

Jeffrey Detwiler departed the meeting.

#### **REINHART PARTNERS, INC.**

Sarah Damsgaard and Mike Wachter appeared before the Board. Ms. Damsgaard provided a brief introduction. She stated that she was the Director of Institutional Marketing and Client Service and Mr. Wachter was the Director of Fixed Income and the

lead portfolio manager. She stated that the firm was founded in 1991. They are 100% employee owned with \$4.0 billion in assets under management. They have 38 employees and 29 are shareholders. She discussed their investment philosophy. They use fundamental research; have a disciplined process; and investment in high quality securities. She reviewed their organizational chart. She reviewed their representative client list. Mr. Wachter discussed their investment philosophy. He reviewed their range of investment options, which include credit risk; interest rate risk; structure risk; and liquidity risk. He stated that they are a very conservative fixed income manager. They have a disciplined process. They use credit risk management; duration management; and portfolio structure management. He reviewed the portfolio characteristics. He stated that they concentrate on A, AA and AAA as compared to Treasury, Agencies or BBB. He reviewed performance. He discussed fees stating that they would charge 20 basis points.

Sarah Damsgaard and Mike Wachter departed the meeting.

### **DISCUSSION ON FIXED INCOME MANAGER PRESENTATIONS**

The Board discussed the fixed income manager presentations. Mr. Johnson stated that he thought the Fund would be better served in changing the management of the fixed income portfolio. He stated that he did not recommend Anchor Capital as a dedicated fixed income manager. He noted that Anchor served a purpose when they were hired, but he stated that the Fund has grown since that time. He noted that the Fund would save money in fees by making a change. The fees for Garcia Hamilton were 25 basis points and the fees for Reinhart were 20 basis points as compared to Anchor at 40 basis points. He compared the performance of all of the managers. He noted that Garcia Hamilton would have a bigger tracking record to the index than Reinhart. So they might be more volatile which will give more excess return. He noted that Reinhart does not currently manage any money in Florida. It was noted that the Police Pension Fund hired Garcia Hamilton back in February. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to replace Anchor fixed income with Garcia Hamilton and authorize the Attorney to negotiate an agreement with Garcia Hamilton.

### **INVESTMENT MONITOR REPORT**

Mr. Johnson reviewed the market environment for the period ending March 31, 2012. He reported on the performance of the Fund for the quarter ending March 31, 2012. The total market value of the Fund as of March 31, 2012 was \$14,132,611. The asset allocation was 52.6% in domestic equities; 10.6% in international; 29.4% in domestic fixed income; and 7.4% in cash. The asset allocation by manager was 29.3% with Anchor Fixed Income; 27.1% with Anchor All Cap Value; 29.1% with Brown Large Cap Growth; 10.6% with Manning & Napier; and 3.9% with Vanguard TIPS. The total portfolio was up 8.91% net of fees for the quarter while the benchmark was up 8.23%. The total equity portfolio was up 13.21% for the quarter while the benchmark was up 12.44%. The total domestic equity portfolio was up 12.68% for the quarter while the benchmark was up 12.87%. The total fixed income portfolio was up .98% for the quarter while the benchmark was up .79%. The total international portfolio was up 16.11% for the quarter while the benchmark was up 10.98%.

Mr. Johnson reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 7.64% for the quarter while the Russell 3000 Value was up 11.16%.

Mr. Johnson noted that the Anchor All Cap Value portfolio had 9% in cash and 4% in gold, which hurt performance. Additionally, the portfolio was underweight in financials and financials was up the most during the quarter. He stated that the long term numbers were great and noted that Brown was brought in to balance things out in times like this. The Brown Large Cap Growth portfolio was up 17.81% for the quarter while the Russell 1000 Growth was up 14.69%. The Manning & Napier portfolio was up 16.11% for the quarter while the EAFE was up 10.98%. The Vanguard TIPS portfolio was up .73% for the quarter while the benchmark was up .86%. The Anchor Fixed Income portfolio was up 1.01% for the quarter while the benchmark was up .66%. Mr. Johnson stated that he was happy with the progress of the Fund.

### **ATTORNEY REPORT**

Ms. Jensen provided a Memorandum dated April 13, 2012 regarding revisions to exemptions from Public Records. She reviewed the Memorandum for the Board.

Ms. Jensen provided a Memorandum dated April 11, 2012 regarding the Palm Beach County Ethics Opinion that reconsidered RQO 11-060. She reviewed the Memorandum for the Board.

Ms. Jensen reminded the Board that they had to file the Form 1 Financial Disclosure Form with the Supervisor of Elections in the County where they reside by July 1.

Ms. Jensen discussed a new statutory provision that passed this year - Section 732.703, Florida Statutes. This section voids the designation of the former spouse as the death beneficiary/joint annuitant as of the date of divorce and applies to all deaths occurring on or after July 1, 2012, regardless of when the designation was made. There was a lengthy discussion. Ms. Jensen stated that the Fund should renew efforts to update all beneficiary designations and involve the Village in the process.

Ms. Jensen provided an Addendum to the Anchor Capital Agreement to reduce the fees for fixed income effective January 1, 2012. The Chair executed the Addendum.

### **ADMINISTRATIVE REPORT**

Ms. Adcock presented the disbursements. It was noted that the invoice for Anchor did not reflect the reduction of fees for fixed income. A motion was made, seconded and approved 4-0 to pay the listed disbursements with the revision for the invoice from Anchor to reflect the reduction of fees for fixed income.

### **OTHER BUSINESS**

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patrick Rothenburg, Secretary