

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
March 29, 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

Virginia Walton
Patrick Rothenburg
Rebecca Morse
Patti Waller
Vicki Van Fossen

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Dan Johnson, Monitor

OPPORTUNISTIC GROWTH MANAGER PRESENTATIONS

Dan Johnson appeared before the Board. He provided a brief background regarding the large cap growth equity manager search. He stated that Aletheia has done a very good job managing the portfolio. However, they have experienced internal issues, which has raised a serious concern. He provided performance information through December 31, 2010 on a quarter, 1, 2, 3, 4, 5, 6, 7, 8, and 10 year time periods. He stated that Brown is more of a boutique firm with 30 to 40 holdings in their portfolio whereas Wells is part of a much larger organization with 100 holdings in their portfolio.

BROWN ADVISORY

Topher Fearey appeared before the Board. He stated that the firm was founded in 1993 and is located in Baltimore. The firm is 100% employee owned and there are 30 investment professionals. They focus on fundamental bottom up stock picking. They have \$8.1 billion in assets under management, with \$3.9 billion in large cap growth. He discussed their US large cap growth equity strategy. He reviewed their investment philosophy. They manage a concentrated portfolio of about 30-35 names. They are sector agnostic as to where they find consistent growth. Mr. Fearey reviewed the investment team. He stated that Kenneth Stuzin is the portfolio manager and has 24 years of experience with 14 years at Brown. He discussed the recent departure of one analyst last week. They do not think the departure will have a significant impact on the portfolio. He was only with the firm for two years. They have started a search to replace the analyst. Mr. Fearey discussed the investment process. He reviewed the universe, idea generation, due diligence, decision process, portfolio management, and sell discipline. There was a discussion on client retention. He stated that this strategy has not lost a client since he has been with the firm, which has been for 2.5 years. There was discussion on performance going forward. He stated that he would be willing to attend Board meetings as needed.

Topher Fearey departed the meeting.

WELLS CAPITAL

Dann Smith and John Krueger appeared before the Board. Mr. Smith, Director of Business Development, provided a brief introduction. He stated that their firm is headquartered in San Francisco, with offices throughout the country. The firm was founded in 1986. They have \$365 billion in assets under management. He reviewed their representative client list. He noted that Heritage All Cap Growth Equity is one of the boutique component portfolios of Wells. It is based outside Milwaukee, Wisconsin. They have \$6 billion in assets under management.

Mr. Krueger stated that he is with Heritage All Cap Growth Equity. They have a 30-year history with a proven investment philosophy and process. The team is dedicated to pure growth. They have an informational advantage from their all cap research expertise. They have good performance which results from risk management and a successful sell discipline. He reviewed the investment team. He reviewed their investment philosophy and process. They are rigid about their discipline, but flexible about where they find their ideas. He reviewed their performance since 2001. He reviewed their portfolio construction. They have 80 to 100 securities in the portfolio. He stated that their top ten holdings are typically 25 to 30% of the portfolio. He reviewed their buy and sell discipline. There was discussion on the Montgomery Group. It was noted that the Montgomery Group was a boutique shop under Wells that recently left. Heritage is taking over some of those clients. Mr. Krueger stated that he thinks it will add about \$1 billion in small cap. There was discussion on their ability and capacity to take on additional money. He stated that they feel they have about \$3 billion that they can add to small cap, so they feel they can manage the additional assets from Montgomery and this Plan. He stated that Montgomery does not impact them except it uses up some of their capacity. With regard to client turnover, only one client has left in the last four years. It was a company that was acquired so the new parent chose to revise the pension plan. He stated that they would be willing to attend Board meetings as needed.

Dann Smith and John Krueger departed the meeting.

DISCUSSION ON PRESENTATIONS

There was a lengthy discussion on the manager presentations. It was noted that Wells is a mutual fund product. It was also noted that Brown increased their minimum so that they were now offering a mutual fund product. Mr. Johnson stated that he was concerned about the size of the group within Wells. There was further discussion. A motion was made, seconded and carried 5-0 to authorize the Attorney to negotiate a contract with Brown if they would manage a separate account for the Fund. If Brown was not willing to manage a separate account for the Fund, the matter would be brought back to the May meeting for further discussion.

OTHER BUSINESS

Mr. Johnson provided information on bond ratings in response to discussions at the last quarterly meeting regarding issues raised by the Village Auditor in connection with the

Fund's Investment Policy Statement. There was a lengthy discussion. Mr. Johnson stated that he recommended that the Board allow the ratings to be more flexible so as to allow the managers a better opportunity. However, he did note that he thinks the returns going forward will mainly come from stocks, not bonds. He does not think they are talking about a huge risk if the Board wanted to take a more conservative approach. Ms. Morse stated that she wanted to review the information a little more before making a decision. Mr. Johnson will discuss the matter with the Village Auditor, Ms. Morse the bond manger and Attorney.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patrick Rothenburg, Secretary