

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
May 3, 2011

The meeting was called to order at 2:00 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
Chad Little, Actuary
Chris Long & George Nobilski, Manning & Napier

MINUTES

The Board reviewed the minutes of the meetings held February 1, 2011; February 25, 2011; and March 29, 2011. A motion was made, seconded and carried 5-0 to approve the minutes of the meetings held February 1, 2011; February 25, 2011; and March 29, 2011.

INVESTMENT MANAGER REPORT – MANNING & NAPIER

Chris Long and George Nobilski appeared before the Board. Mr. Long provided a brief background. He introduced Mr. Nobilski from the portfolio strategist group. He discussed the current market environment. He noted that the 1st Quarter was generally characterized by positive returns across most of the global equity markets. Mr. Nobilski reviewed the global markets. They think there is a stable situation globally in terms of economic growth. He stated that they think commodity prices will come down. They think oil will come down as well. They do not think there will be a problem with inflation. They think inflation should resume its 2.5% to 3.75% annual growth and not be problematic. Mr. Long reported that the total market value of the portfolio as of March 31, 2011 was \$1,608,637. The portfolio was up 5.41% as of March 31, 2011 while the benchmark was up 3.41%. Mr. Long reviewed the portfolio characteristics. He noted that consumer staples, information technology and healthcare were areas that really contributed to their outperformance this past year. He reviewed the top ten holdings. He reviewed their country allocation. Mr. Nobilski stated that they were very underweight in financials having a weighting of 8% versus the benchmark weighting of 24%. They think there are too many banks and loan demand is very weak. They are underweight in Japan, having a weighting of 7% versus the benchmark weighting of 14%, which underweight helped. He stated that they thought Japan had a lot of issues prior to the recent earthquake. He stated that demographically Japan is in a different situation. Internal growth is very slow and they are eating into their savings. Mr. Nobilski stated that emerging markets make up 22% of the benchmark. They think that is too much to have in the portfolio, so their portfolio has 9% in emerging markets.

Chris Long and George Nobilski departed the meeting.

INVESTMENT MONITOR REPORT

Dan Johnson appeared before the Board. He reviewed the market environment for the period ending March 31, 2011. He reviewed the major market index performance. He discussed TIPS. He reviewed sector performance. He noted that energy was up almost 17% for the quarter and 41% for the year. The total market value of the Fund as of March 31, 2011 was \$13,245,830. The asset allocation was 56.0% in domestic equities; 12.1% in international; 26.4% in domestic fixed income; and 5.4% in cash. The asset allocation by manager was 31.0% with Anchor Fixed Income; 27.7% with Anchor All Cap Value; 29.2% with Aletheia Large Cap Growth; and 12.1% with Manning & Napier.

The total portfolio was up 3.55% net of fees for the quarter while the benchmark was up 3.94%. The total equity portfolio was up 4.97% for the quarter while the benchmark was up 5.71%. The total domestic equity portfolio was up 4.88% for the quarter while the benchmark was up 6.38%. The total fixed income portfolio was up .66% for the quarter while the benchmark was up .79%. The total international portfolio was up 5.41% for the quarter while the benchmark was up 3.45%. The Anchor All Cap Value portfolio was up 5.29% for the quarter while the Russell 3000 Value was up 6.47%. The Aletheia Large Cap Growth portfolio was up 4.49% while the Russell 1000 Growth was up 6.03%. The Anchor Fixed Income portfolio was up .66% for the quarter while the benchmark was up .79%. The Manning & Napier portfolio was up 5.41% for the quarter while the benchmark was up 3.45%.

Mr. Johnson discussed the large cap growth strategy. He noted that the Board hired Brown as the new manager. It was noted that a contract has been negotiated, and Mr. Johnson provided an Addendum to the Investment Policy Statement for Brown as well as direction letters. Ms. Jensen stated that she had the contracts and they were ready for execution. She stated that the fee was 80 basis points on the first \$10 million. She reviewed the contract. A motion was made, seconded and carried 5-0 to authorize the Chair and Secretary to execute the agreement with Brown. A motion was made, seconded and carried 5-0 to terminate the agreement with Aletheia. A motion was made, seconded and carried 5-0 to execute and send the appropriate direction letters to Comerica. Mr. Johnson reviewed the Addendum to the Investment Policy Statement for Brown. A motion was made, seconded and carried 5-0 to approve the Addendum to the Investment Policy Statement for Brown. The Board was provided with an opinion updated from Brown dated March 28, 2011 regarding the departure of a financial services analyst. Mr. Johnson stated that they have assessed the information and feel that Brown and the strategy will not be impaired by the departure.

Mr. Johnson noted that the Village Auditor had some issues with the Investment Policy Statement. It was noted that this would be discussed further at the next meeting.

Mr. Johnson provided an overview of Treasury Inflation Protected Securities (TIPS). 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 recommended the Fund make a 5% allocation to TIPS. He thinks inflation is a problem now and will increase in the next decade. Investing in TIPS would not be just a tactical issue for now, but for the long term of the Plan. It was noted that the Board would discuss this further at the next meeting.

Mr. Johnson presented a fee increase proposal. He stated that they were hired in 2007 with a 3-year guarantee, which fee guarantee has since expired. He noted that they issued a Memo dated April 1, 2011 with an initial fee increase proposal, which proposal was to increase the fee to \$18,000 a year. However, based on comments with Rebecca Morse, they have now proposed an alternative fee arrangement with a built in increase. The alternative fee proposal would be for an annual fee of \$15,500 with a 5% increase annually. There was a lengthy discussion. A motion was made, seconded and carried 5-0 to accept the alternative fee arrangement of \$15,500 with a 5% increase annually effective July 1, 2011.

ACTUARY REPORT

Chad Little appeared before the Board. He discussed the Legislative updates. There was a lengthy discussion.

ATTORNEY REPORT

Ms. Jensen appeared before the Board. She provided information on fiduciary liability and fiduciary rules of pension professionals. She reviewed Section 112.656, Florida Statutes.

Ms. Jensen reported on the status of the IRS Determination Letter. She stated that the IRS is still processing it, and she has not heard anything further at this time.

ADMINISTRATIVE REPORT

Ms. Adcock presented the Board with the benefit calculation and election approval for John Davis. 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.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patrick Rothenburg, Secretary