

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND**  
**MINUTES OF MEETING HELD**  
**May 7, 2013**

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  
Vicki Van Fossen  
Patti Waller

**OTHERS**

Bonni Jensen, Fund Counsel  
Margie Adcock, Administrator  
Chris Long and Greg Woodard, Manning & Napier  
Tyler Grumbles, Monitor

**MINUTES**

The Board reviewed the minutes of the meeting held March 19, 2013. A motion was made, seconded and carried 5-0 to approve the minutes of the meeting held March 19, 2013.

**INVESTMENT MANAGER: MANNING & NAPIER**

Chris Long and Greg Woodard appeared before the Board. Mr. Long provided a brief background. He introduced Mr. Woodard from the portfolio strategist group. He discussed the current market environment. He stated that the international markets continue to do very well. He noted that the numbers are strong and they are adding a lot of value. Mr. Woodard provided an update on the European investment environment. He noted that Europe has basically been in a recession and it looks like it is bottoming out now. He stated that a lot of their position in Europe was done last year. From an economic view, it will continue to be very messy in Europe and they think there will be headwinds. However, there are still good multi national companies over there. He reviewed the portfolio characteristics as of December 31, 2012. The top three sector allocations were consumer staples, consumer discretionary and energy. They had an underweight in telecommunications and financials. He stated that they see some difficulties with growth but there have been improvements in the market. Growth is still slow but they are encouraged by what opportunities they are seeing in the market. Mr. Woodward reported that the portfolio was up 5.89% while the benchmark was up 5.85%. For the calendar year 2012 the portfolio was up 19.28% while the benchmark was up 16.83%. He reviewed the portfolio characteristics as of December 31, 2012. He reviewed the top ten holdings. He reviewed country allocation. He stated that about 8% to 9% of the portfolio is in emerging markets. They are underweight the Index which is about 20%. They have a positive view of emerging markets so they think that exposure could increase to 11%. It was noted that they are underweight in Japan. They are finding some opportunity but have not really added to any positions in Japan.

Mr. Woodard reported that the total market value of the portfolio as of March 31, 2013 was \$1,987,534. The portfolio was up 5.15% for the quarter while the benchmark was up

3.17%. He stated that there were strong equity markets this past quarter. He reviewed the portfolio characteristics. He stated that there were no dramatic shifts in the portfolio. They are overweight in consumer staples, energy and industrials. He discussed the drivers of performance. He stated that their overweight to Europe really helped, as did their weighting in the materials and industrial sectors. Their underweight to Japan contributed negatively to performance.

Chris Long and Greg Woodard departed the meeting.

### **INVESTMENT MONITOR REPORT**

Tyler Grumbles appeared before the Board. Mr. Grumbles discussed the service team responsible for this Fund. He reviewed the market environment for the period ending March 31, 2013. He stated that Anchor did very well this past quarter. He noted that Anchor had a position in Hewlett Packard that was up 68.3% for the quarter. Mr. Grumbles reported on the performance of the Fund for the quarter ending March 31, 2013. The total market value of the Fund as of March 31, 2013 was \$16,211,067. The asset allocation was 54.3% in domestic equities; 12.3% in international; 32.0% in domestic fixed income; and 1.5% in cash. The asset allocation by manager was 28.6% with Garcia Hamilton Fixed Income; 28.0% with Anchor All Cap Value; 27.6% with Brown Large Cap Growth; 12.3% with Manning & Napier; and 3.6% with Vanguard TIPS.

The total portfolio was up 6.96% net of fees for the quarter while the benchmark was up 6.28%. The total equity portfolio was up 10.35% for the quarter while the benchmark was up 9.72%. The total domestic equity portfolio was up 11.57% for the quarter while the benchmark was up 11.07%. The total fixed income portfolio was up .58% for the quarter while the benchmark was up .06%. The total international portfolio was up 5.15% for the quarter while the benchmark was up 5.23%.

Mr. Grumbles reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 13.56% for the quarter while the Russell 3000 Value was up 12.26%. The Brown Large Cap Growth portfolio was up 9.62% for the quarter while the Russell 1000 Growth was up 9.54%. The Manning & Napier portfolio was up 5.15% for the quarter while the EAFE was up 5.23%. The Vanguard TIPS portfolio was down .25% for the quarter while the benchmark was down .36%. Mr. Grumbles stated that TIPS has done well for the portfolio, but he does not think it will continue to be a great idea. He does not think TIPS will do much for the Fund's portfolio going forward. The Garcia Hamilton Fixed Income portfolio was up .69% for the quarter while the benchmark was up .15%.

Mr. Grumbles presented information regarding diversifying fixed income. He discussed how interest rates impact bond prices. He reviewed the 10-year Treasury rates from 1953 through 2013. He stated that diversified bond portfolios include developed foreign, emerging and high yield bonds. He stated that the opportunities include increasing current income, diversifying interest rate risk and a potential total return enhancement. The risks include increased sensitivity to economic cycles and geo-political events, and increased volatility of returns. There was a discussion on whether the current Ordinance allows such an investment. Ms. Jensen stated that she does not think the intent of the

current Ordinance was to allow foreign bonds so she recommended an Ordinance change be done to allow such an investment. Mr. Grumbles reviewed the historical returns and risks of diversified bond investing. He thinks this space could really add some value to the portfolio.

Mr. Grumbles reviewed the strategy overviews of four possible candidates: Loomis Sayles Fixed Income; PIMCO Diversified Income; Templeton Global Bond; and Templeton Global Total Return. He stated that he would recommend either PIMCO Diversified Income and Templeton Global Bond together or Templeton Global Total Return alone. Mr. Grumbles reviewed performance of the candidates both by trailing returns and calendar year returns. He reviewed the risk and return analysis of the candidates. He stated that he thinks diversified fixed income is a good option for the Fund. He noted that if the Board was interested in this option, an Ordinance change should be presented to the Village Council as soon as possible as he believes interest rates will go up in the not too distant future. He stated that he would recommend a 5% investment in this asset class. There was a lengthy discussion. Ms. Jensen stated that perhaps an Ordinance change allowing for opportunities as the market changes might be the best option, as it would prevent the need to continually seek Ordinance changes as more investment options become available. A motion was made, seconded and approved 4-1 to authorize the Attorney to draft possible Ordinance changes to be presented at the next Board meeting for consideration, one allowing the broadest discretion available and the other allowing broad discretion with a certain level of restriction. Ms. Van Fossen opposed the motion.

### **ATTORNEY REPORT**

Ms. Jensen advised that the Legislative Session ended last week. She stated that there was one Bill that passed that would impact the Fund. The Bill provides new provisions regarding the Financial Disclosure Form as well as a requirement to add "Public Comments" to each agenda. Ms. Jensen stated that there is another Bill, SB 534, which has been passed but has not been signed into law yet. That Bill deals with reporting and would require a second Valuation to be completed separate and apart from the GASB one that is already required. It would also require the mortality table used to be the RP2000 Mortality Table.

### **ADMINISTRATIVE REPORT**

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