

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
January 27, 2014

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

Vicki Van Fossen
Patti Waller
Rebecca Morse
Mariana Ortega-Sánchez
Patrick Rothenberg

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Tyler Grumbles, Monitor
Chad Little, Actuary
Dan Doucette, Anchor Capital

MINUTES

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

INVESTMENT MANAGER: ANCHOR CAPITAL

Dan Doucette appeared before the Board. Mr. Doucette reported on performance for the period ending December 31, 2013. The total market value of the equity account as of December 31, 2013 was \$5,257,929.98. The total portfolio was up 7.67% net of fees for the quarter ending December 31, 2013 while the Russell 3000 Value was up 10.01%. Mr. Doucette reviewed the portfolio summary as of December 31, 2013. He stated that they were happy with performance both in the up markets, as well as when things pulled back a little. Their objective is to protect and preserve the capital of the portfolio.

INVESTMENT MONITOR REPORT

Tyler Grumbles appeared before the Board. He reviewed the market environment for the period ending December 31, 2013. He stated that the international developed markets did better than the emerging markets. Fixed income was negative for the quarter. He noted that a rise in interest rates had a negative impact on fixed income. Domestic equities did better than international equities. He noted that mid cap and small cap did better than large cap, and growth did a little bit better than value. He reported on the performance of the Fund for the quarter ending December 31, 2013. The total market value of the Fund as of December 31, 2013 was \$18,270,386. The asset allocation was 55.0% in domestic equities; 12.4% in international; 25.8% in domestic fixed income; 3.0% in global fixed income; and 3.9% in cash. The asset allocation by manager was 26.9% with Garcia Hamilton Fixed Income; 28.8% with Anchor All Cap Value; 29.0% with Brown Large Cap Growth; 12.4% with Manning & Napier; and 3.0% with Templeton Global Fixed Income.

The total portfolio was up 5.48% net of fees for the quarter while the benchmark was up 5.63%. The total equity portfolio was up 7.41% for the quarter while the benchmark was up 8.94%. The total domestic equity portfolio was up 8.05% for the quarter while the benchmark was up 10.10%. The total fixed income portfolio was up 1.21% for the quarter while the benchmark was down .21%. The total domestic fixed income portfolio was up 1.10% for the quarter while the benchmark was down .31%. The total international portfolio was up 4.54% for the quarter while the benchmark was up 5.11%.

Mr. Grumbles reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 7.80% for the quarter while the Russell 3000 Value was up 9.95%. The Brown Large Cap Growth portfolio was up 8.29% for the quarter while the Russell 1000 Growth was up 10.44%. The Manning & Napier portfolio was up 4.54% for the quarter while the EAFE was up 5.11%. The Garcia Hamilton Fixed Income portfolio was up 1.39% for the quarter while the benchmark was down .14%. It was noted that the Templeton Global Fixed Income portfolio was funded during the quarter.

Mr. Grumbles stated that he had an asset allocation study to present, but thought it would be best to have the Actuary present the draft Actuarial Valuation first. The Board agreed.

ACTUARY REPORT

Chad Little appeared before the Board. He presented the draft Actuarial Valuation as of October 1, 2013. He stated that there were no Plan changes, method changes or assumption changes. He discussed the investment returns. He reviewed the historic investment returns from 1995 to 2013. He reviewed the funded ratio noting it was at 88.7%. He reviewed the required contributions. He stated that there was a decrease in employer contributions from \$1,017,458 to \$894,465. He reviewed the changes in the minimum funding. He reviewed the projected contributions going forward. He stated that in approximately 2019 there should be a meaningful reduction due to the fresh start payment being paid off. Mr. Little reviewed the market value of assets versus the actuarial value of assets. He stated that the market value is slightly higher than the actuarial value of assets. Mr. Little discussed the projected unfunded accrued actuarial liability. He stated that it might be a good time to purchase more conservative assumptions. He noted that he planned to reduce the assumed rate in five years, but stated that it might be a better approach to trail some of it off now. He suggested being authorized to perform a study at 7.75% to see if the Board and the Village would be comfortable with making such a change at this point. There was a lengthy discussion. A motion was made, seconded and carried 5-0 to authorize the Actuary to perform a study to lower the investment return assumption from 8% to 7.75%.

INVESTMENT MONITOR REPORT (CONTINUED)

Mr. Grumbles presented an asset allocation study as of December 31, 2013. He reviewed the historical market performance. He reviewed the forward looking capital markets assumptions and the economic forecast models. He stated that he thinks domestic core

bonds are going to earn less than they have in the past. He stated that the probability of earning 8% over the next 15 years is 38%. He recommended moving 10% from fixed income and putting it into real estate, which would lower the domestic fixed income from 30% to 20%. That change would increase the probability of making the assumed rate of 8% to 42%. He noted that if the Board decided to reduce the investment return assumption, that would increase the probably even more. He stated that real estate is uncorrelated to other asset classes. If the Board was interested in such an investment class, he stated that he would bring more information to the next meeting. He stated that it was reasonable to assume 8%, but it would be more reasonable to lower it. Ms. Jensen stated that the Board cannot make a declaration of the expected rate of return until the Actuary completes the study. The Board stated that they were interested in learning more about the possibility of a real estate investment, but wanted to wait until the Actuary completed the study.

ATTORNEY REPORT

Ms. Jensen provided a Memorandum dated December 2013 regarding the change in the IRS mileage reimbursement rate. She advised that effective January 1, 2014 the rate was 56 cents.

ADMINISTRATIVE REPORT

Ms. Adcock presented the Board with the benefit calculation and election approval for Lori Craft, who is the pre-retirement survivor of Raymond Craft. 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