

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
May 6, 2014

The meeting was called to order at 2:05 P.M. at the Conference Room on the First Floor of Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Patti Waller
Mariana Ortega-Sánchez
Rebecca Morse

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
John Thinnes, Monitor
Chad Little, Actuary
Chris Long, Manning & Napier
George Nobilski, Manning & Napier (via teleconference)

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meetings held January 27, 2014 and February 24, 2014. A motion was made, seconded and carried 3-0 to approve the minutes of the meetings held January 27, 2014 and February 24, 2014.

INVESTMENT MANAGER: MANNING & NAPIER

Chris Long appeared before the Board and George Nobilski appeared via teleconference. Mr. Long provided a brief background. He reviewed their strategy in selecting securities. He reviewed the performance of the portfolio. The total market value of the portfolio as of March 31, 2014 was \$2,304,572. The portfolio was up 2.13% while the benchmark was up .51%. He reviewed the portfolio characteristics and the top 10 holdings. Mr. Nobilski discussed the market environment. He stated that overall there has been a lot of news country by country over the past year to three years. He stated that they are a bit overweight in Europe which has largely helped performance. Europe is a good safe haven for many solid companies. He stated that they have been underweight to emerging market countries over the past several years, noting that emerging markets have struggled. This underweighting has helped the portfolio significantly. Mr. Nobilski reviewed the country allocation. He stated that they were vastly underweight in Japan. He noted that Japan was flat for the quarter and has lagged over the last year, 3 and 5 year periods. Japan has tough demographics, is a high cost producer, is surrounded by countries that can produce low cost, and has very high debt. He stated that Japan's allocation in the benchmark is 15% while the portfolio has under a 3% allocation to Japan. He stated that he is comfortable with the way the portfolio is positioned, noting that the positions have not changed a lot. He reviewed the portfolio as of March 31, 2014. He stated that their goal is to keep risk very low in the portfolio.

George Nobilski departed the meeting.

Mr. Long stated that Europe is about two years behind the United States in coming out of a recession. Mr. Long discussed their ability to manage risk.

Chris Long departed the meeting.

INVESTMENT MONITOR REPORT

John Thinnes appeared before the Board. He reviewed the market environment for the period ending March 31, 2014. He stated that the quarter was more volatile than over the last year. He noted that even with that volatility the benchmarks were, in general, still positive. Emerging markets was the only market that was negative in the quarter. He reported on the performance of the Fund for the quarter ending March 31, 2014. The total market value of the Fund as of March 31, 2014 was \$18,864,659. The asset allocation was 54.1% in domestic equities; 12.2% in international; 26.3% in domestic fixed income; 4.5% in global fixed income; and 2.9% in cash. The asset allocation by manager was 26.5% with Garcia Hamilton Fixed Income; 28.7% with Anchor All Cap Value; 28.1% with Brown Large Cap Growth; 12.2% with Manning & Napier; and 4.5% with Templeton Global Fixed Income.

The total portfolio was up 1.46% net of fees for the quarter while the benchmark was up 1.50%. He stated that there was not as strong growth as last quarter, but the Fund is still moving along in a positive manner. The total equity portfolio was up 1.61% for the quarter while the benchmark was up 1.66%. The total domestic equity portfolio was up 1.50% for the quarter while the benchmark was up 1.79%. The total fixed income portfolio was up 1.57% for the quarter while the benchmark was up 1.55%. The total domestic fixed income portfolio was up 1.59% for the quarter while the benchmark was up 1.20%. The total international portfolio was up 2.13% for the quarter while the benchmark was up .61%.

Mr. Thinnes reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 2.93% for the quarter while the Russell 3000 Value was up 2.92%. The Brown Large Cap Growth portfolio was up .09% for the quarter while the Russell 1000 Growth was up 1.12%. It was noted that this was a tough quarter for Brown. The issue was stock selection, namely Whole Foods. Brown is a conservative manager so they were expected to trail but not by this much. Mr. Thinnes stated that they are closely watching Brown but are still comfortable with their strategy. The Manning & Napier portfolio was up 2.13% for the quarter while the EAFE was up .61%. The Garcia Hamilton Fixed Income portfolio was up 1.59% for the quarter while the benchmark was up 1.20%. The Templeton Global Fixed Income portfolio was up .46% for the quarter while the benchmark was up 3.23%. It was noted that the Templeton portfolio is a new allocation for the Fund. The timing was not ideal for investing as globally rates decreased during the quarter which hurt.

Mr. Thinnes discussed real estate. He stated that the Fund needed to do something to generate a higher fixed income return. He reviewed the real estate return numbers and discussed the diversification benefits. He reviewed the risk and return analysis. He reviewed historical returns. He presented an open-end diversified core real estate fund review. He reviewed the manager options: American Core Realty Fund; ASB Allegiance Real Estate Fund; Cornerstone Patriot Fund; J.P Morgan Strategic Property Fund; Morgan Stanley Prime Property Fund; Principal US Property Account; and UBS Trumbull Property Fund. He stated that the Fund did not meet the minimum funding requirements for J.P Morgan, Morgan Stanley and UBS. He reviewed the property sector allocations as of December 31, 2013. There was a lengthy discussion. Mr. Thinnes stated that he thinks ASB and Principal would be the best fit for this Fund. He would

recommend the Board invite both managers to make a presentation at the next meeting. The Board stated that they might be interested in seeing Cornerstone as well. Mr. Thinnes stated that Cornerstone does not accept the ERISA fiduciary duty standard in their contracts. Ms. Jensen stated that the Board would need to do a side letter for them to accept fiduciary duty. The Board decided not to invite Cornerstone because of the fiduciary duty issue. Mr. Thinnes stated that he would arrange for ASB and Principal to attend the next meeting to make presentations to the Board.

ACTUARY REPORT

Chad Little appeared before the Board. He stated that he has performed five retirement calculations in one quarter, which is more than usual. He stated that since 2005 there has been an average of two retirements a year and now there are five in one quarter. He just wanted to the Board to be aware of this.

Mr. Little discussed an issue regarding the actuarial equivalence. He stated that one person was given an estimated calculation using the actuarial equivalence definition in place at that time. Since then, the Board changed the definition of actuarial equivalence. The question came up as to what definition of actuarial equivalence should be used. Mr. Little stated that he worked with Ms. Jensen and it was determined that he should use the definition of actuarial equivalence that is currently in place versus the one that was in place when a person left employment.

ADMINISTRATIVE REPORT

Ms. Adcock presented the disbursements. A motion was made, seconded and approved 3-0 to pay the listed disbursements.

Ms. Adcock presented the Board with the benefit calculations and election approvals for Steven Hicks, Donna Czajkowski, and Karl Umberger. A motion was made, seconded and carried 3-0 to approve the benefit election.

Ms. Adcock presented an updated Authorized Signor Card from Comerica for the Board to execute.

ATTORNEY REPORT

Ms. Jensen provided a Legislative Update. She also reminded the Board to file their Financial Disclosure Form 1.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patrick Rothenburg, Secretary