

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
August 5, 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

Patti Waller
Mariana Ortega-Sánchez
Rebecca Morse
Patrick Rothenburg

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Tyler Grumbles, Monitor
Chris Gibson, Brown Advisory

PUBLIC COMMENTS

There were no public comments.

ELECTION OF CHAIR

It was noted that Vicki Van Fossen resigned from the Board on July 22, 2014. As such, the Board needed to elect a new Chair. There was a lengthy discussion. A motion was made, seconded and carried unanimously to elect Patti Waller as the Chair of the Board. It was determined that a Vice Chair would be elected once a full Board is present. In the meantime, the Secretary will run the meeting in the absence of the Chair.

MINUTES

The Board reviewed the minutes of the meeting held May 6, 2014. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held May 6, 2014.

INVESTMENT MANAGER: BROWN ADVISORY

Chris Gibson appeared before the Board. He stated that he was the institutional relationship manager. He provided a brief background. He provided a firm update. He stated that they were founded in 1993. They have over \$50 billion in assets under management as of June 30, 2014. They have over 40 institutional investment professionals. He reviewed the equity investment team. He reviewed the asset summary. He discussed their strategy. He reviewed the performance of the portfolio. The total market value of the portfolio as of June 30, 2014 was \$5,406,853. The portfolio was up 1.77% net of fees for the quarter ending June 30, 2014 while the Russell 1000 Growth Index was up 5.13%. Since inception the portfolio was up 11.34% net of fees for the quarter ending June 30, 2014 while the Russell 1000 Growth Index was up 15.05%. He stated that they were not that happy with their numbers since inception. It was noted that their underperformance was due to some shorter periods and their holding of Intuitive Surgical. That stock experienced some difficulties due to negative media coverage, but they believe in the company's long term growth potential. Mr. Gibson reviewed their

performance analysis for the 2013 calendar year. He reviewed attribution detail by sector, noting that the sectors that underperformed were consumer staples, energy and healthcare. He reviewed the top five contributors and bottom five detractors from the portfolio. He discussed their performance in different market environments. In momentum markets they have only outperformed roughly 19% of the time. As such, they have had a hard time keeping up. They do not want to stray away from their process. Their longer 5, 7 and 10 year strategy has never underperformed. The key is to stay true to their process. They are looking for the best numbers and the best business models that will perform over a full market cycle, which is 5 years. It was noted that the Fund has only been with Brown for 3 years and the market environment these past 3 years has been atypical with no discernment between high and low quality companies. He also noted that they have a very concentrated portfolio.

Chris Gibson departed the meeting.

REAL ESTATE MANAGER PRESENTATIONS

PRINCIPAL REAL ESTATE

Jennifer Perkins and Doug Baran appeared before the Board. Mr. Baran provided a brief introduction. He noted that he was the director of institutional marketing and Ms. Perkins was the portfolio manager. Ms. Perkins stated that they were one of the largest real estate managers in the country. They are headquartered in Iowa. They have \$52.6 billion in real estate assets under management. This is a direct owned property portfolio. She reviewed the portfolio management team. She stated that they have worked as a team for 7 years but have many more years of individual experience than that. Ms. Perkins discussed the benefits of real estate which include generating income; providing diversification; and providing a potential hedge against unexpected inflation. She reviewed the portfolio as of June 30, 2014. The inception date of the portfolio was January 1982. There are \$6.54 billion in gross assets in the portfolio. There are 123 properties in the portfolio. The portfolio is leveraged at 17.7% with a maximum limitation of 33%. She noted that they have never breached the maximum limit. Ms. Perkins reviewed the investment objectives. She stated that their diversification is regional with a focus on the west, south and east which is where they see growth. She reviewed the sectors they invest in: office; retail; multifamily; and industrial. She reviewed their top ten assets. She reviewed performance of the portfolio. The portfolio was up 1.33% for the quarter ending June 30, 2014 while the benchmark was up 1.27%. She stated that they have beaten the benchmark during all time periods. There was discussion on the queue. It was noted that currently the entry queue is \$240 million so there is approximately a 6-9 month wait period before the money would be called. It was further noted that usually 100% of the money is called. For distributions, the payment is on a pro rata basis. Mr. Baran discussed the valuation process. He stated that the portfolio is valued on a daily basis. They annually appraise every property in the portfolio but have internal valuations every day.

Jennifer Perkins and Doug Baran departed the meeting.

ASB ALLEGIANCE REAL ESTATE FUND

Judy McCoy appeared before the Board. She stated that she was the head of client service and marketing. She stated that they have been around for 30 years. The portfolio has outperformed the benchmark in 8 of the last 10 years. They have been in the top quartile for the 1, 3, 5, 7 and 10 year time periods. She stated that it is all about consistency in performance for them. Ms. McCoy discussed their firm. They have \$5.1 billion in total assets under management as of June 30, 2014. They have 203 total assets under management and have a total of 286 institutional investors. They invest in quality office, industrial, retail and multifamily assets. They are urban investors, not suburban investors. They outperform in up markets and protect in down markets. She provided an overview of the portfolio. It is a core fund that is conservatively managed. There are \$4.4 million in assets under management. The inception of the portfolio was June 1984. The portfolio is leveraged at 18% with a maximum limitation of 40%. Ms. McCoy reviewed the property type distribution and geographic distribution. She reviewed their investment strategy. She stated that they like long-term net operating income growth. She reviewed their market fundamentals noting that they have ten core markets that they are willing to invest in. She discussed their risk management. She stated that they have never experienced any foreclosures, defaults or renegotiated debt covenants. There was discussion on the portfolio valuation. She stated that 25% of the assets are fully appraised each quarter and the other 75% are valued internally. There was discussion on the queue. It was noted that currently the entry queue is \$600 million so there is approximately a 9 month wait period before the money would be called. She stated that the money would be called on a pro rata basis within the queue.

Judy McCoy departed the meeting.

DISCUSSION ON REAL ESTATE MANAGER PRESENTATIONS

Mr. Grumbles stated that both real estate managers would do a nice job. He stated that ASB has a little more deviation, a little more leverage and a little more volatility than Principal. He reviewed the trailing returns for both managers for the quarter ending March 31, 2014; as well as the 1, 2, 3, 5, 7 and 10 year time periods. He reviewed the calendar year returns from 2004 through 2013. He reviewed the rolling excess return as of March 31, 2014 as well as the risk and return analysis as of March 31, 2014. Mr. Grumbles stated that he might expect Principal to call the money a quarter earlier than ASB would. ASB is a smaller manager but has picked up a lot of new clients lately so has more in the queue. However, ASB does not have a lot of investors in Florida. Mr. Grumbles stated that he thought both managers were pretty similar in returns. Principal is focused on the long term. The fees quoted were ASB at 125 basis points and Principal at 110 basis points. It was noted that Principal had daily liquidity which makes things a little easier. He stated that he would recommend a 10% allocation. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to negotiate an agreement with Principal Real Estate for a 10% allocation.

INVESTMENT MONITOR REPORT

Mr. Grumbles presented an updated Investment Policy Statement to account for an investment in real estate and to reflect the investment assumption decreasing from 8% to 7.75%. A motion was made, seconded and carried 4-0 to adopt the updated Investment Policy Statement.

Mr. Grumbles reviewed the market environment for the period ending June 30, 2014. He reported on the performance of the Fund for the quarter ending June 30, 2014. He stated that performance has been great. The total market value of the Fund as of June 30, 2014 was \$19,499,278. The asset allocation was 54.6% in domestic equities; 12.2% in international; 25.5% in domestic fixed income; 4.5% in global fixed income; and 3.3% in cash. He noted that the Fund was currently over the target allocation in domestic equities and stated that he would rebalance the Fund back to the targets. The total portfolio was up 3.26% net of fees for the quarter while the benchmark was up 3.98%. The total equity portfolio was up 4.05% for the quarter while the benchmark was up 4.96%. The total domestic equity portfolio was up 4.22% for the quarter while the benchmark was up 4.87%. The total fixed income portfolio was up 1.84% for the quarter while the benchmark was up 1.96%. The total domestic fixed income portfolio was up 1.70% for the quarter while the benchmark was up 1.62%. The total international portfolio was up 3.24% for the quarter while the benchmark was up 5.25%. The total global fixed income portfolio was up 2.68% for the quarter while the benchmark was up 3.62%.

Mr. Grumbles reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 6.43% for the quarter while the Russell 3000 Value was up 4.89%. The Brown Large Cap Growth portfolio was up 1.98% for the quarter while the Russell 1000 Growth was up 5.13%. Mr. Grumbles stated that stock selection has not been great with Brown. However, they do have very good long term performance. He stated that he was not recommending looking at other strategies at this point. Brown has good downside protection. He acknowledged that the numbers do not look good but he is hoping they will turn it around. The Manning & Napier portfolio was up 3.23% for the quarter while the EAFE was up 5.25%. The Garcia Hamilton Fixed Income portfolio was up 1.70% for the quarter while the benchmark was up 1.62%. It was noted that Garcia Hamilton had a senior person leave the company but it was on the equity side. Mr. Grumbles stated that there is no impact on this Fund and noted that Garcia Hamilton won manager of the year for this portfolio. The Templeton Global Fixed Income portfolio was up 2.68% for the quarter while the benchmark was up 3.62%.

ATTORNEY REPORT

Ms. Jensen provided a Memorandum dated August 2014 advising that she would be moving to a full time partner with Klausner, Kaufman, Jensen & Levinson effective October 1, 2014. She stated that since 2011 she has had a joint venture relationship with that firm. She stated that she would draft a new assumption of contract effective October 1, 2014. She stated that it would just be an assumption of the current agreement. She stated that nothing else would change and the fee would remain the same. A motion was

made, seconded and carried 4-0 to approve the Chair executing the appropriate assumption of contract between Board meetings.

ADMINISTRATIVE REPORT

Ms. Adcock presented the Board with the benefit calculations and election approvals for Phillip Ralya, Bette Lowe, and Donald Ray. A motion was made, seconded and carried 4-0 to approve the benefit elections.

Ms. Adcock presented the disbursements. A motion was made, seconded and approved 4-0 to pay the listed disbursements.

Ms. Adcock advised that the Fiduciary Liability Insurance is due to expire on November 1, 2014. A motion was made, seconded and carried 4-0 to renew the Fiduciary Liability Insurance with the cost not to exceed 3% of the premium last year.

Ms. Adcock stated that an election needed to be done to fill the vacancy that was left due to the resignation of Vicki Van Fossen. It was also noted that the term for Mariana Ortega-Sánchez was due to expire on November 1, 2014. She advised that she would begin the election process for both positions. Ms. Ortega-Sánchez stated that he was interested in remaining on the Board.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patrick Rothenburg, Secretary