

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
February 10, 2015

The meeting was called to order at 2:01 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
Keith Heasley

OTHERS

Bonni Jensen, Fund Counsel (2:20 P.M.)
Margie Adcock, Administrator
Tyler Grumbles, Monitor
Chad Little, Actuary
Dan Doucette, Investment Manager
Ed Horton, Participant

WELCOME NEW TRUSTEE KEITH HEASLEY

The Board welcomed new Trustee Keith Heasley. It was noted that Mr. Heasley replaced Vicki Van Fossen who resigned from the Board on July 22, 2014. He was elected to fill the unexpired term of Ms. Van Fossen, which term will expire on November 1, 2015.

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held October 28, 2014. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held October 28, 2014.

ACTUARY REPORT

Chad Little appeared before the Board. He presented the Actuarial Valuation as of October 1, 2014. He stated that the assumed investment rate was lowered from 7.75% to 7.50%. He reviewed the required contributions. He stated that the employer minimum funding contribution would be \$948,927 for fiscal year ending September 30, 2016. It was noted that the decrease in the funding amount was due in large part to good investment returns. Additionally salary increases were less than expected. Salary increases were expected to increase 5.9% but the actual increase was only about 4%. Mr. Little stated that the investment return on the market value of assets was 8.4% and 9.2% on the smoothed actuarial value of assets versus the assumed investment rate of 7.75%. It was noted that there were no significant changes to the Plan provisions during the fiscal year ending October 1, 2014. Mr. Little stated that the mortality table was revised to the RP-2000 Combined Mortality Table using Scale AA. It is a very conservative table. It was noted that there is proposed legislation that will require all pension plans in Florida to use a specific mortality table. If the proposed legislation passes the mortality table the Fund would be required to use would not be as conservative so the cost would go down.

Mr. Little reviewed the reconciliation of change in the Village minimum required contribution. It was noted that the required contribution dropped about \$15,000. It could have dropped more but they decided to put in other things that will help position the Plan better going forward. Mr. Little stated that the State released a new set of proposed rules last week. He reviewed the new disclosure requirements by the State. A motion was made, seconded and carried 4-0 to approve the Actuarial Valuation as of October 1, 2014 with changes to the assumed rate and mortality table.

Bonni Jensen entered the meeting.

Mr. Little reviewed the GASB 67 supplement as of September 30, 2014. He reviewed the statement of fiduciary net position and assets of the Plan at market value. He reviewed the statement of changes in fiduciary net position. He reviewed the net pension liability. The total pension liability as of September 30, 2014 was \$21,023,303. The plan fiduciary net position was \$19,337,346. The net pension liability was \$1,685,957. Mr. Little reviewed and discussed the projection of contributions and benefit payments. It was noted that next year there will be additional requirements under GASB 68. The GASB 67 reporting requirements pertain to the Plan while the GASB 68 reporting requirements pertain to the City. Mr. Grumbles discussed the expected rate of return as required by the State. A motion was made, seconded and carried 4-0 to set the expected rate of return at 7.75%. Mr. Grumbles stated that he would prepare the appropriate letter for the State.

Mr. Little departed the meeting.

INVESTMENT MANAGER: ANCHOR CAPITAL

Dan Doucette appeared before the Board. Mr. Doucette reported on performance for the period ending December 31, 2014. He stated that the portfolio has performed as hoped and expected. The total market value of the equity account as of December 31, 2014 was \$5,845,728.38. The total portfolio was up 4.05% net of fees for the quarter ending December 31, 2014 while the Russell 1000 Value was up 4.98%. Mr. Doucette stated that he expected active managers will be able to do a little better than passive managers at least in the short term. In general, they are happy with the portfolio's performance from inception to the present. He stated that they will continue to focus on good free cash flow and stable earnings. Mr. Doucette reviewed the portfolio summary as of December 31, 2014. He stated that they added some holdings in energy, oil and industrials. The outlook for the domestic economy is stable and steady. The issue abroad will continue to push up domestic economy. He stated that they think things look better than they did 2 to 3 years ago.

INVESTMENT MONITOR REPORT

Mr. Grumbles appeared before the Board. He reviewed the market environment for the period ending December 31, 2014. He stated that they saw the US dollar appreciate a lot versus international currency. They have seen a decline in interest rates. It was noted that international markets were down for the quarter and the year. Domestic equities did very well for the quarter.

Mr. Grumbles reported on the performance of the Fund for the quarter ending December 31, 2014. The total market value of the Fund as of December 31, 2014 was \$19,774,339. The asset allocation was 56.4% in domestic equities; 10.4% in international; 26.8% in domestic fixed income; 4.3% in global fixed income; and 2.2% in cash. The total portfolio was up 2.47% net of fees for the quarter while the benchmark was up 2.09%. The total equity portfolio was up 3.06% for the quarter while the benchmark was up 3.11%. The total domestic equity portfolio was up 4.59% for the quarter while the benchmark was up 5.29%. The total fixed income portfolio was up 1.21% for the quarter while the benchmark was up .72. The total domestic fixed income portfolio was up 1.67% for the quarter while the benchmark was up 1.20%. The total international portfolio was down 4.73% for the quarter while the benchmark was down 3.81%. The total global fixed income portfolio was down 1.62% for the quarter while the benchmark was down 1.61%.

Mr. Grumbles reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 4.19% for the quarter while the Russell 3000 Value was up 5.31%. The Brown Large Cap Growth portfolio was up 5.00 for the quarter while the Russell 1000 Growth was up 4.78%. The Manning & Napier portfolio was down 4.73% for the quarter while the EAFE was down 3.81%. Mr. Grumbles noted that Manning & Napier continue to struggle ranking in the 84th percentile. The Garcia Hamilton Fixed Income portfolio was up 1.67% for the quarter while the benchmark was up 1.20%. The Templeton Global Fixed Income portfolio was down 1.62% for the quarter while the benchmark was down 1.61%.

Mr. Grumbles reviewed the asset allocation versus the target allocation. He stated that domestic equities are at 58.3% while the target is 50%. He recommended the Fund rebalance back to the targets. He stated that the most conservative approach is to balance back to the targets. There was a lengthy discussion. A motion was made, second and carried 4-0 to rebalance back to the targets.

Mr. Grumbles provided a portfolio review. He provided investment manager comparisons. He discussed international equity and indexing options for domestic and international equities. With respect to international equity, Mr. Grumbles provided information on the following options: Europacific Growth; Pear Tree Polaris; and Transamerica International Equity compared to Manning & Napier. He noted that Europacific is the largest fund in the world, is the most diversified, and has the cheapest fee. It is more Index-like so it has less volatility quarter to quarter. Pear Tree Polaris is more volatile, and the most expensive and the most concentrated. Transamerica International Equity (TSW) is in the middle of the road. Mr. Grumbles reviewed the performance of all of the options. He noted that over the last 3 year period TSW and Polaris have done the best. Europacific has done the best over the last 10 years. Mr. Grumbles stated that he recommended Europacific. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to follow the recommendation of the Investment Monitor and terminate Manning & Napier and transfer the monies to Europacific Growth. It was decided to delay the discussion on indexing. It was noted that this is a longer term decision that does not need to be made today.

Mr. Grumbles discussed a change of internal control regarding his firm. He stated that Joe Bogdahn and Mike Welker were the majority shareholders of the firm. In January

2015 Mr. Bogdahn sold a majority of his interest in the firm to Mr. Welker. He stated that this is an exciting time for the employees as this change will allow the employees an option to become owners of the firm. He stated that the firm is going from a family owned business to an employee owned business. He stated that this change in internal control would not change their relationship with the Fund. He presented a Consent Form for the Board to approve the change in internal control. A motion was made, seconded and carried 4-0 to consent to the change in internal control at Bogdahn Consulting.

Rebecca Morse departed the meeting.

Mr. Grumbles stated that he would draft an updated Investment Policy Statement to reflect the change in the assumed rate of return from 7.75% to 7.5.

ATTORNEY REPORT

Ms. Jensen provided a Legislative update. She reviewed a Memorandum regarding SB 242 dated January 2015. She stated that the proposed Bill will require all governmental pension plans to use the mortality table being used by FRS. She stated that she would continue to monitor this issue.

Ms. Jensen discussed an updated Special Tax Notice. She stated that the IRS issued a new Special Tax Notice effective January 1, 2015. This Notice explains rollover options. She stated that she thought the new updated Notice was a little more confusing than the prior Notice. She recommended the Plan use the safe harbor language even if it is somewhat confusing.

Ms. Jensen provided a Memorandum dated December 2014 regarding the IRS mileage rate effective January 1, 2015.

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 calculation and election approval for Paulette Bragel. A motion was made, seconded and carried 3-0 to approve the benefit election.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patrick Rothenburg, Secretary