

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
February 16, 2016

The workshop was called to order at 2:08 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
Ed Horton (2:10 P.M.)

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
John Thinnes, Monitor
Chad Little, Actuary
William Rice & Jon Boles, Anchor Capital

A workshop was called as there was not a quorum.

INVESTMENT MANAGER REPORT – ANCHOR CAPITAL

William Rice and Jon Boles appeared before the Board. Mr. Rice stated that he was the President and Founder of Anchor Capital. He stated that he has been the portfolio manager for the entire 10 plus years they have been with the Fund. He stated that the members of the investment team are the same. They have very low turnover.

Ed Horton entered the meeting. A quorum was now present.

Mr. Rice stated that they have \$8.1 billion in assets under management. They have 50 employees. He reviewed the performance of portfolio as of December 31, 2015. The total market value as of December 31, 2015 was \$4,875,866.58. The asset allocation was 89% in equities and 11% in cash. The portfolio was up 6.45% for the quarter ending December 31, 2015 while the Russell 3000 Value was up 5.41%. He stated that their overweight in health care, consumers and technology helped performance. He stated that there was a correction in the market. He stated that they have lined up a number of companies that they want to invest in and will take advantage of the current market weakness. They are comfortable with the way the portfolio is situated at the moment. They do have cash to take advantage of the turbulence in the market.

Mr. Rice reviewed the market outlook. He stated that the Fed raised rates in late 2015, which turned out to be a non-event. However, since the Fed had been saying they were going to raise rates for so long, it caused a lot of uncertainty and volatility in the market. He stated that oil prices were low and the dollar was strong. Mr. Rice discussed the domestic economy. He thinks the industrial economy is in a recession. He stated that the consumer economy is 70% of the economy and is fine. He noted that housing is strong, interest rates are very low, and auto sales remain strong. He stated that the consumer is readily liquid, with most having paid down their debts from six years ago. He stated that besides market jitters, the U.S. economy is sound. He noted that the leading indicators are strong with lower unemployment and low inflation. Mr. Rice discussed the global economy. With respect to quantitative easing, the U.S. is done, Europe is turning the corner, and Japan is just starting. China is slowing down in terms of infrastructure spending. China is still growing at 6.7 GDP a year which is not a bad growth rate. It is not 10 GDP a year, but that was unsustainable. He thinks China will continue to be a

major trade partner. He stated that China is slowing, not collapsing. Mr. Rice stated that energy prices are good for consumers and some businesses. However, energy prices are bad for domestic energy companies and some banks that made loans to energy companies. He thinks oil prices will go back up. The U.S. dollar has been too strong for too long. It just cannot go up any more but might come down. He stated that uncertainty is not a reason to panic. Historically it has paid to own stocks. He stated that 73% of the time the U.S. equity market has posted positive calendar year returns. He thinks the market is beginning to see a rotation into value stocks.

William Rice and Jon Boles departed the meeting.

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held November 3, 2015. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held November 3, 2015.

ACTUARY REPORT

Chad Little appeared before the Board. He presented the Actuarial Valuation as of October 1, 2015. He apologized to the Board stating that he inadvertently forgot to bring or send copies of the Valuation. He stated that the current contribution is \$900,000 and the Village has budgeted \$1,000,000. He stated that there was a gain from demographics so the contribution came down some, but the negative .6% on the asset return will need to be smoothed in. He stated that before another adjustment is made in the assumed rate of return he wants to see what will happen this year. He does not want to lock in something now that will be challenging down the road. The employer minimum funding contribution would be just under \$800,000 for fiscal year ending September 30, 2017. The funded ratios went from 88% to 95%. Mr. Little reviewed the demographics. He noted that there were five deaths this year, four without beneficiaries and one with a beneficiary. He stated that he views the mortality the Plan experienced this year as an anomaly. He stated that the combination of all the various factors brought down the contribution requirement. There was a lengthy discussion. Mr. Little suggested the Board approve the Actuarial Valuation at the next meeting.

INVESTMENT MONITOR REPORT

Mr. Thinnes appeared before the Board. He reviewed the market environment for the period ending December 31, 2015. He stated that all the equity markets were up for the quarter, while fixed income was down for the quarter. Emerging markets were down for the year. Mr. Thinnes reported on the performance of the Fund for the quarter ending December 31, 2015. He stated that it was a strong quarter. The total market value of the Fund as of December 31, 2015 was \$20,171,807. The asset allocation was 50.3% in domestic equities; 14.3% in international; 21.0% in domestic fixed income; 4.7% in global fixed income; 9.7% in real estate; and .0% in cash. The total portfolio was up 4.10% net of fees for the quarter while the benchmark was up 3.85%. The total equity portfolio was up 6.13% for the quarter while the benchmark was up 5.59%. The total domestic equity portfolio was up 7.06% for the quarter while the benchmark was up

6.27%. The total fixed income portfolio was down .18% for the quarter while the benchmark was down .51%. The total domestic fixed income portfolio was down .71% for the quarter while the benchmark was down .51%. The total international portfolio was up 2.97% for the quarter while the benchmark was up 3.30%. The total global fixed income portfolio was up 2.25% for the quarter while the benchmark was down .54%. The total real estate portfolio was up 2.74% while the benchmark was up 3.47%.

Mr. Thinnes reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 6.40% for the quarter while the Russell 3000 Value was up 5.41%. The Brown Large Cap Growth portfolio was up 7.67% for the quarter while the Russell 1000 Growth was up 7.32%. The Garcia Hamilton Fixed Income portfolio was down .71% for the quarter while the benchmark was down .51%. The Templeton Global Fixed Income portfolio was up 2.25% for the quarter while the benchmark was down .54%. Mr. Thinnes stated that Templeton bounced back from a weak quarter. He stated that their performance has not been ideal but it is good for diversification. The Europacific Growth portfolio was up 2.97% for the quarter while the benchmark was up 3.30%. The Principal portfolio was up 2.74% for the quarter while the benchmark was up 3.47%.

Mr. Thinnes stated that he had information on the possibility of adding a passive domestic equity option. The Board decided to wait until a full Board was present before making a decision on adding a passive domestic equity option.

ATTORNEY REPORT

Ms. Jensen stated that she filed the IRS Determination Letter. She will keep the Board apprised when she hears back from the IRS.

Ms. Jensen provided a Memorandum dated January 2015 regarding the IRS mileage rate effective January 1, 2016.

ADMINISTRATIVE REPORT

Ms. Adcock presented the Board with the benefit calculations and election approvals for Virginia Walton and Elena Romeo. A motion was made, seconded and carried 3-0 to approve the benefit elections.

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

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Mariana Ortega-Sánchez, Secretary