

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
August 2, 2016

The workshop was called to order at 2:02 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
Rebecca Morse

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Tyler Grumbles, Monitor
Chad Little, Actuary
Mary Gregory, Brown Advisory

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held May 3, 2016. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held May 3, 2016.

INVESTMENT MANAGER REPORT: BROWN ADVISORY

Mary Gregory appeared before the Board. She stated that she was the relationship manager and has been with Brown Advisory for six years. She stated that she understood that the Board moved part of the money in this portfolio into passive investing. She noted that such a move has not been uncommon. Some funds are losing confidence in active management. She stated that they have had difficulty in outperforming although their absolute numbers have been good. Ms. Gregory provided a firm update. There have been no real changes. Their large cap growth strategy is their largest strategy. The total strategy assets are at \$14,493,000. The assets under management have come down a bit because of some outflows into passive investing. They have added one analyst and replaced an analyst that left last year. Ms. Gregory stated that momentum has been a big factor in the last five years. Dividend yields have also been a big factor in the last five years. These things have worked against them as they do not look for dividend yields.

Ms. Gregory reviewed their performance. The portfolio was up .04% net of fees for the quarter ending June 30, 2016 while the Russell 1000 Growth was up .61%. For 2015 the portfolio was up 6.87% net of fees while the Russell 1000 Growth was up 5.67%. For 2012 they were slightly ahead of the benchmark. She noted that 2013 and 2014 hurt their five year trailing number. For 2016 they have been up and down. Brexit hurt them the most as it made the markets drive back to yields. She stated that they feel they are doing the right thing in the way they invest, but it has been painful. The two main sectors that hurt performance were consumer discretionary and financials. She reviewed the top five and bottom five contributors to performance. They are continuing to manage money

prudently and believe it will eventually pan out in solid performance. She reviewed the rolling returns since the strategy inception of July 1, 1996 through March 31, 2016. For the seven year rolling period they outperformed 100% of the time. For the five year rolling period they outperformed 90% of the time. For the three year rolling period they outperformed 72% of the time. For the one year rolling period they outperformed 61% of the time. She reviewed the Russell 1000 Growth historical percentile rank versus active US large cap growth managers.

Mary Gregory departed the meeting.

ACTUARY REPORT

Chad Little appeared before the Board. He stated that the State submission has been filed and accepted. He stated that they have clarified the mortality table that FRS is using which is required to be used in the next Valuation.

INVESTMENT MONITOR REPORT

Tyler Grumbles appeared before the Board. He reviewed the market environment for the period ending June 30, 2016. He stated that Brexit occurred in the quarter where the UK elected to leave the European Union. The market had a pretty big pull back in the following days but the market snapped back after that and is on a good pace now. He stated that he is not sure if the impact of Brexit will really be known for a long time. Mr. Grumbles stated that it was a nice, strong quarter for domestic equities. Value did much better than growth for the quarter. He stated that a lot had to do with interest rates declining and people looked for higher dividend paying stocks. Energy was a good performing sector. Information technology and consumer discretion were the worst performing sectors. Mr. Grumbles provided a firm update. He stated that they have \$64 billion in assets under advisement. They have 71 employees.

Mr. Grumbles reported on the performance of the Fund for the quarter ending June 30, 2016. The total market value of the Fund as of June 30, 2016 was \$20,852,731. The asset allocation was 51.0% in domestic equities; 13.5% in international; 21.2% in domestic fixed income; 4.6% in global fixed income; 9.7% in real estate; and .0% in cash. The total portfolio was up 2.34% net of fees for the quarter while the benchmark was up 2.02%. The total equity portfolio was up 3.26% for the quarter while the benchmark was up 1.94%. The total domestic equity portfolio was up 4.25% for the quarter while the benchmark was up 2.63%. The total fixed income portfolio was up 1.16% for the quarter while the benchmark was up 2.19%. The total domestic fixed income portfolio was up 1.30% for the quarter while the benchmark was up 1.44%. The total international portfolio was down .32% for the quarter while the benchmark was down .40. The total global fixed income portfolio was up .52% for the quarter while the benchmark was up 5.21%. The total real estate portfolio was up 2.26% while the benchmark was up 2.18%.

Mr. Grumbles reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 7.21% for the quarter while the Russell 3000 Value was up 4.57%. The Brown Large Cap Growth portfolio was up .60% for the quarter while the Russell 1000 Growth was up .61%. The Garcia Hamilton Fixed Income portfolio was up 1.30% for the quarter while the benchmark was up 1.44. The Templeton Global Fixed Income portfolio

was up .52 for the quarter while the benchmark was up 5.21. The Europacific Growth portfolio was down .32% for the quarter while the benchmark was down .40%. The Principal portfolio was up 2.26% for the quarter while the benchmark was up 2.18%. It was noted that the Vanguard Mid Cap and Vanguard Total Stock were funded during the quarter. Mr. Grumbles stated that adding passive managers will take a little pressure off the active managers so they have some more time to perform. He stated that things are going well.

ATTORNEY REPORT

Ms. Jensen stated that she has not heard anything from the IRS regarding the Determination Letter that was filed. She will keep the Board apprised when she hears back from the IRS.

ADMINISTRATIVE REPORT

Ms. Adcock presented the Board with the benefit calculation for Raul DeJesus and the and election approval for Michael Snook. A motion was made, seconded and carried 4-0 to approve the benefit calculation of Raul DeJesus and the benefit election for Michael Snook.

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, 2016. A motion was made, seconded and carried 4-0 to renew the Fiduciary Liability Insurance with the cost not to exceed 3%.

Ms. Adcock noted that there is a vacancy on the board due to the separation of employment of Keith Heasley. She stated that she will conduct an election for that position.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Mariana Ortega-Sánchez, Secretary