

**VILLAGE OF  
PALM SPRINGS POLICE OFFICERS' PENSION FUND  
MINUTES OF MEETING HELD  
May 7, 2013**

The meeting was called to order at 10:00 A.M. in the Conference Room on the First Floor at Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Tim Conboy  
Robert Perez  
James Gregory  
Gene Hall

**OTHERS**

Bonni Jensen, Attorney  
Margie Adcock, The Resource Centers  
Tyler Grumbles, Bogdahn Consulting  
Chris Long and Greg Woodard, Manning & Napier

**MINUTES**

The Board reviewed the minutes of the meeting held February 5, 2013. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held February 5, 2013.

**INVESTMENT MANAGER: MANNING & NAPIER**

Chris Long and Greg Woodard appeared before the Board. Mr. Long provided a brief background. He introduced Mr. Woodard from the portfolio strategist group. He discussed the current market environment. He stated that the international markets continue to do very well. He noted that the numbers are strong and they are adding a lot of value. Mr. Woodard provided an update on the European investment environment. He noted that Europe has basically been in a recession and it looks like it is bottoming out now. He stated that a lot of their position in Europe was done last year. From an economic view, it will continue to be very messy in Europe and they think there will be headwinds. However, there are still good multi national companies over there. He reviewed the portfolio characteristics as of December 31, 2012. The top three sector allocations were consumer staples, consumer discretionary and energy. They had an underweight in telecommunications and financials. He stated that they see some difficulties with growth but there have been improvements in the market. Growth is still slow but they are encouraged by what opportunities they are seeing in the market. Mr. Woodward reported that the portfolio was up 5.89% while the benchmark was up 5.85%. For the calendar year 2012 the portfolio was up 19.28% while the benchmark was up 16.83%. He reviewed the portfolio characteristics as of December 31, 2012. He reviewed the top ten holdings. He reviewed country allocation. He stated that about 8% to 9% of the portfolio is in emerging markets. They are underweight the Index which is about 20%. They have a positive view of emerging markets so they think that exposure could increase to 11%. It was noted that they are underweight in Japan. They are finding some opportunity but have not really added to any positions in Japan.

Mr. Woodard reported that the total market value of the portfolio as of March 31, 2013 was \$1,723,453. The portfolio was up 5.15% for the quarter while the benchmark was up 3.17%. He stated that there were strong equity markets this past quarter. He reviewed the portfolio characteristics. He stated that there were no dramatic shifts in the portfolio. They are overweight in consumer staples, energy and industrials. He discussed the drivers of performance. He stated that their overweight to Europe really helped, as did their weighting in the materials and industrial sectors. Their underweight to Japan contributed negatively to performance.

## **INVESTMENT MONITOR REPORT**

Tyler Grumbles appeared before the Board. Mr. Grumbles discussed the service team responsible for this Fund. He reviewed the market environment for the period ending March 31, 2013. He reported on the performance of the Fund for the quarter ending March 31, 2013. The total market value of the Fund as of March 31, 2013 was \$16,563,660. The asset allocation was 53.8% in domestic equities; 10.4% in international; 33.1% in domestic fixed income; and 2.7% in cash. The asset allocation by manager was 40.8% with ICC Multicap; 33.5% with Garcia Hamilton Fixed Income; 10.4% with Manning & Napier; and 15.3% with the Vanguard Total Stock Market.

The total portfolio was up 5.80% net of fees for the quarter ending March 31, 2013 while the benchmark was up 6.381%. The total equity portfolio was up 8.80% while the benchmark was up 9.88%. The total domestic equity portfolio was up 9.50% for the quarter while the benchmark was up 11.07%. The total fixed income portfolio was up .60% for the quarter while the benchmark was up .15%. The total international portfolio was up 5.15% for the quarter while the benchmark was up 3.27%.

Mr. Grumbles reviewed the performance of the individual manager portfolios. The ICC Multicap portfolio was up 9.03% for the quarter while the Russell 3000 was up 11.07%. The Manning & Napier portfolio was up 5.15% for the quarter while the benchmark was up 3.27%. The Garcia Hamilton portfolio was up .60% for the quarter while the benchmark was up .15%. The Vanguard Total Stock Market portfolio was up 11.02% for the quarter while the benchmark was up 11.02%.

Mr. Grumbles discussed ICC. He stated that for the longer-term period ICC is doing very well. However, the last few years they have been doing only okay. He stated that he recommended that ICC be replaced. He reviewed their performance numbers and showed that ICC has been trailing the benchmark for the quarter, 1 and 3 year periods. He noted that a few months ago ICC was exploring changes in their ownership. He stated that as that process moved along, his firm talked a lot to ICC and there were several red flags that emerged. He stated that while that particular potential acquisition did not materialize, ICC is looking for the potential down the road to be acquired by or acquire another company. Mr. Grumbles stated that the potential ownership change causes concern and his firm is looking at it very closely. It is hard to predict what will happen if and when ownership of ICC does eventually happen. Additionally, ICC appears to have a loose

flexibility in how they employ their investment model and can manually override the model. He stated that he does not know how much they have been doing that lately, but it is cause for concern.

Mr. Grumbles recommended moving from ICC to the Vanguard Total Stock. He stated that passive management has done well the past few years. He thinks it would be good to have a mix of passive and active management, but for now it would be a nice, easy transition to move from ICC to Vanguard Total Stock. He stated that there would also be a savings on the fees as ICC has a fee of 40 basis points and the Vanguard Total Stock has a fee of only 8 basis points. He stated that the Board has been very patient with ICC. He noted that because the long-term performance was good, the Board gave ICC more than enough time to try to turn things around. He stated that his firm has lost all faith in this ICC strategy. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to accept the recommendation of the Investment Monitor and terminate ICC and transfer the assets to the Vanguard Total Stock. There was discussion on possibly using a transition manager. Mr. Grumbles stated that it was a good option to explore. The Board directed Mr. Grumbles to use the most advantageous means to make the transition.

Mr. Grumbles provided a revised Investment Policy Statement. He stated that he updated the Statement for the change in the actuarial investment assumption rate from 8% to 7.5%. He also stated that he added language to allow for the future use of a diversified fixed income asset class. There was further discussion on the language regarding the fixed income investment grade and the need to correct that language. A motion was made, seconded and carried 4-0 to adopt the recommended revised Investment Policy Statement as corrected to make the additional changes discussed. Mr. Grumbles stated that he would present information regarding diversifying fixed income at the next meeting.

### **ATTORNEY REPORT**

Ms. Jensen presented the Actuary/Consultant Agreement with Gabriel, Roeder, Smith and Company. She stated that it reflects the new fees. She stated that it was ready to be signed. A motion was made, seconded and carried 4-0 to approve the execution of the Actuary/Consultant Agreement with Gabriel, Roeder, Smith and Company.

Ms. Jensen advised that the Legislative Session ended last week. She stated that there was one Bill that passed that would impact the Fund. The Bill provides new provisions regarding the Financial Disclosure Form as well as a requirement to add "Public Comments" to each agenda. Ms. Jensen stated that there is another Bill, SB 534, which has been passed but has not been signed into law yet. That Bill deals with reporting and would require a second Valuation to be completed separate and apart from the GASB one that is already required. It would also require the mortality table used to be the RP2000 Mortality Table.

**ADMINISTRATIVE REPORT**

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

Ms. Adcock advised that a retiree requested changing his joint survivor. The Actuary performed the necessary calculation, which would change his benefit effective May 1, 2013. It was noted that while his monthly benefit would increase, the amount of his benefit is the actuarial equivalent of the benefits due him under the Plan. There was a lengthy discussion.

**OTHER BUSINESS**

There being no further business, the meeting was adjourned.

Respectfully submitted,

James Gregory, Secretary