

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
August 1, 2017

The meeting was called to order at 2:02 P.M. in 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 (2:05 P.M.)
Steve Loughrey

OTHERS

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

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held May 2, 2017. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held May 2, 2017.

ACTUARY REPORT

Chad Little appeared before the Board. He stated that he had nothing to report.

Rebecca Morse entered the meeting.

INVESTMENT MANAGER REPORT: GARCIA HAMILTON

Mary Gregory and Kevin Osten appeared before the Board. Ms. Gregory provided a brief introduction. She stated that year to date the portfolio is ahead of the benchmark which is strong. The total market value of the portfolio was \$3,088,384 as of June 30, 2017. She provided a firm update. She stated that there was nothing new to report regarding the firm. They have \$56 billion in assets under management. The largest strategy is the large cap growth strategy which the Fund is in. She reviewed the equity research team. She discussed the team principles: performance driven approach; high standards of ethics, transparency and professionalism; shared responsibility and invest in professional and personal growth. She reviewed their investment philosophy. Ms. Gregory reviewed the performance of the portfolio. The portfolio was up 5.42% net for the quarter ending June 30, 2017 while the Russell 1000 was up 4.67%.

Mr. Osten stated that this strategy has been around since July 1, 1996. They have had strong outperformance for the 3, 5 and 7 year rolling returns. They have outperformed 94% of the rolling 7 year periods since inception. He reviewed the attribution detail by sector. He reviewed the yield quartiles for 2016-2017 of the Russell 1000 Growth return. He stated that most of the return was generated in the 3rd and 4th quartile and those are the types of companies they own. He reviewed the equity correlation since January 1, 2016. They have seen a pretty dramatic decline in equity correlations. Mr. Osten reviewed the

contribution to return. He reviewed the top five contributors (such as PayPal Holdings, Inc.) and bottom five contributors (such as Under Armour, Inc.) to performance. It was noted that this has been a long bull market. They do well in down markets in terms of protection. He stated that he would not be surprised if there is a down market in the next couple of years. They have not changed their stripes but have made some mistakes. He stated that on average they are getting the fundamentals right.

Mary Gregory and Kevin Osten departed the meeting.

Mr. Grumbles stated that active managers are starting to see a much better market. He stated that Brown has had two quarters of outperformance but not to the magnitude he would like to see. He stated that if they have another big miss again, he thinks the Board will need to look for another manager.

INVESTMENT MONITOR REPORT

Tyler Grumbles appeared before the Board. He reviewed the market environment for the period ending June 30, 2017. He stated that international did better than domestic equities. There were not a lot of surprises out there in the US domestic market. Growth oriented stocks did better than value. Financials and information technology did well while telecom and energy were negative. With respect to fixed income, the Fed raised the short term rates while the longer term rates went down. Overall the result was that the interest rates went down. Corporate bonds did better than government bonds.

Mr. Grumbles reported on the performance of the Fund for the quarter ending June 30, 2017. The total market value of the Fund as of June 30, 2017 was \$23,680,947. The asset allocation was 51.9% in domestic equities; 15.2% in international; 18.7% in domestic fixed income; 4.8% in global fixed income; 9.3% in real estate; and .0% in cash. The total portfolio was up 3.06% net of fees for the quarter while the benchmark was up 2.91%. The total equity portfolio was up 4.20% for the quarter while the benchmark was up 3.70%. The total domestic equity portfolio was up 3.22% for the quarter while the benchmark was up 3.02%. The total fixed income portfolio was up .50% for the quarter while the benchmark was up 1.30%. The total domestic fixed income portfolio was up .89% for the quarter while the benchmark was up .92%. The total international portfolio was up 7.69 for the quarter while the benchmark was up 5.99%. The total global fixed income portfolio was down .99% for the quarter while the benchmark was up 2.79%. The total real estate portfolio was up 2.04% while the benchmark was up 1.79%.

Mr. Grumbles reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 1.52% for the quarter while the Russell 3000 Value was up 1.29%. The Brown Large Cap Growth portfolio was up 5.60% for the quarter while the Russell 1000 Growth was up 4.67%. The Vanguard Mid Cap portfolio was up 2.77% for the quarter while the Russell Mid Cap was up 2.70%. The Vanguard Total Stock portfolio was up 3.03% for the quarter while the Russell 3000 was up 3.02%. The Garcia Hamilton Fixed Income portfolio was up .89% for the quarter while the benchmark was up .92%. The Templeton Global Fixed Income portfolio was down .99% for the quarter while the benchmark was up 2.79%. Mr. Grumbles stated that interest rates declined but Templeton thought they would go up. The Europacific Growth portfolio was up 7.69% for the quarter while the benchmark was up 5.99%. The Principal portfolio was up 2.04% for the quarter while the benchmark was up 1.79%. Mr. Grumbles stated that the Fund had a nice quarter and nice fiscal year so far.

Ms. Morse stated that she made a request last week to withdraw \$800,000 back to the Village. She stated that there have been a series of exits of highly paid employees which

has significantly decreased the amount of employee contributions being made. She will need to schedule regular withdrawals and wanted the Board to be aware of that.

ATTORNEY REPORT

Ms. Jensen discussed the Custodian's security measures. She stated that she requested information from the Custodian regarding the security protections that they have in place for the Plan in terms of their internal controls as directed at the meeting before last. She stated that Comerica provided her with their SOC 1 Audit and noted that pages 32-36 of the Audit describe the process for internal controls. When she looked further at the Audit it showed that there was a qualified opinion, which is not good. It shows that Comerica had a procedure that they did not follow, which had to do with a going back and doing reauthorizations. Apparently there were 4 issues out of the 26 samples reviewed. Out of the 4 samples, 2 were done by an employee no longer at Comerica. Ms. Jensen stated that her concern is that Comerica did not advise the Board. If she had not asked for the Audit, she would not have known there was a problem. She is concerned and is going to ask Comerica to come in and discuss this with the Board at the November meeting. She stated that the bigger issue is the fact that Comerica did not communicate the exception.

Ms. Jensen stated that she provided the proposed Amendment to the Ordinance to the Village. She was just advised that the Amendment is legally sufficient so the Village is moving forward to pass the Ordinance.

Ms. Jensen provided a Memorandum dated June 19, 2017 regarding the 2017 Legislative Update. She stated that there was nothing directly related to public sector pension plans. She reviewed the six bills that were passed: public records pre-suit written notice; public records exemption for retired firefighters; omnibus FRS bill; disabled public safety property tax exemption; body camera bill; and proposed additional \$25,000 homestead exemption. She also provided an additional Memorandum dated July 14, 2017 regarding Disabled Public Safety Ad Valorem Tax Exemption which had more detail about the disability tax.

ADMINISTRATIVE REPORT

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, 2017. A motion was made, seconded and carried 4-0 to renew the Fiduciary Liability Insurance with any increase not to exceed 3%.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Mariana Ortega-Sánchez, Secretary