

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND**  
**MINUTES OF WORKSHOP MEETING HELD**  
**November 7, 2017**

A workshop was called to order at 2:08 P.M. in the Conference Room on the First Floor of Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Patti Waller  
Rebecca Morse

**OTHERS**

Bonni Jensen, Fund Counsel  
Margie Adcock, Administrator  
Tyler Grumbles, Monitor  
Chad Little, Actuary  
Janna Hamilton, Garcia Hamilton

It was noted that a workshop was being held as there was not a quorum.

**PUBLIC COMMENTS**

There were no public comments.

**VILLAGE ATTORNEY: BRIAN SHUTT**

Brian Shutt was scheduled to present a refresher on the Sunshine Law. Mr. Shutt advised today that he would not be able to attend.

**ACTUARY REPORT**

Chad Little appeared before the Board. He stated that he has already received the data for the fiscal year ending September 30, 2017 and he is beginning to work on the Valuation.

The Board reviewed a letter from the Division of Retirement regarding electronic reporting compliance dated August 15, 2017. It was noted that actuarial reporting must be submitted using an online portal beginning with all valuations dated on or after September 30, 2017. Mr. Little advised that their cost to comply with the requirement for online reporting would be an additional \$1,000.

It was noted that the State sent a letter dated August 21, 2017 advising that all Valuations through October 1, 2016 have been accepted.

**INVESTMENT MANAGER REPORT: GARCIA HAMILTON**

Janna Hamilton appeared before the Board. She provided an overview of their firm. They are 100% employee owned with 31 employees. They are based in Houston and focus completely on fixed income. They have \$9.9 billion in assets under management. Ms. Hamilton reviewed the performance for the quarter ending September 30, 2017. She stated that on an absolute basis they have done a pretty good job. They did underperform the benchmark in the quarter. They were short duration and interest rates went down in the quarter. She stated that interest rates are starting to go back up. They are underweight in corporate bonds and corporate bonds have been the best performing asset class. Junk bonds have done even better but they do not hold any of those types of bonds. The total

market value of the portfolio as of September 30, 2017 was \$4,459,734.53. The portfolio was up .4% for the quarter ending September 30, 2017 while the benchmark was up .7%. The portfolio return annualized since inception of June 30, 2012 through September 30, 2017 was up 3.4% while the benchmark was up 1.9%.

Ms. Hamilton discussed the market environment. She stated that she thinks interest rates will go up. She noted that they will lengthen the durations after they see the interest rates go up. They have been maintaining a barbell position as they think the yield curve will flatten. They think the yield curve will flatten even more and once it does they will change their barbell positioning. She reviewed their sector weightings. They are keeping a conservative position. She reviewed the current fixed income market factors. They are taking a negative position on sentiment, monetary and valuation while taking a neutral position on economic and inflation factors. Ms. Hamilton reviewed the portfolio characteristics as of September 30, 2017.

### **INVESTMENT MONITOR REPORT**

Tyler Grumbles appeared before the Board. He reviewed the market environment for the period ending September 30, 2017. He stated that international continued to be the best performing asset class. That has been the case for several quarters in a row now. All asset classes were positive in the quarter. He stated that everything is on track and it was a solid fiscal year. The only concern is political and the market is not reacting to that. It has been a challenging environment for fixed income. It has been pretty much flat for the one year. Growth outperformed value for the quarter. Information technology was the best performing sector while energy was the worst performing sector.

Mr. Grumbles reported on the performance of the Fund for the quarter ending September 30, 2017. The total market value of the Fund as of September 30, 2017 was \$24,315,821. The asset allocation was 51.8% in domestic equities; 15.8% in international; 18.3% in domestic fixed income; 4.7% in global fixed income; 9.3% in real estate; and .0% in cash. The total portfolio was up 3.44% net of fees for the quarter while the benchmark was up 3.67%. The total equity portfolio was up 4.77% for the quarter while the benchmark was up 4.96%. The total domestic equity portfolio was up 4.16% for the quarter while the benchmark was up 4.57%. The total fixed income portfolio was up .66% for the quarter while the benchmark was up 1.03%. The total domestic fixed income portfolio was up .45% for the quarter while the benchmark was up .72%. The total international portfolio was up 6.86% for the quarter while the benchmark was up 6.25%. The total global fixed income portfolio was up 1.46% for the quarter while the benchmark was up 2.27%. The total real estate portfolio was up 2.04% while the benchmark was up 1.88%.

Mr. Grumbles reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 3.66% for the quarter while the Russell 3000 Value was up 3.27%. The Brown Large Cap Growth portfolio was up 4.95% for the quarter while the Russell 1000 Growth was up 5.90%. The Vanguard Mid Cap portfolio was up 3.43% for the quarter while the Russell Mid Cap was up 3.47%. The Vanguard Total Stock portfolio was up 4.54% for the quarter while the Russell 3000 was up 4.57%. The Garcia Hamilton Fixed Income portfolio was up .45% for the quarter while the benchmark was up .72%. The Templeton Global Fixed Income portfolio was up 1.46% for the quarter while the benchmark was up 2.27%. The Europacific Growth portfolio was up 6.86% for the quarter while the benchmark was up 6.25%. The Principal portfolio was up 2.04% for the quarter while the benchmark was up 1.88%.

Mr. Grumbles stated that he had a large cap growth equity manager search. He stated that he was recommending moving away from Brown. He stated that a decision could not be made today without a quorum. He stated that so far Brown is having a great quarter. He did not think it was an emergency to make a final decision on Brown and the matter could wait until the February meeting. He stated that the performance was disappointing with growth outperforming value so much. Brown should be doing better. He stated that the problem with Brown is that they are so concentrated. He stated that they would continue to monitor Brown and he would update the search for the next meeting.

### **ATTORNEY REPORT**

Ms. Jensen stated that Felecia Ryans from Comerica was available to attend the meeting via teleconference to discuss their SOC 1 Audit. She reminded the Board 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. Comerica provided her with their SOC 1 Audit which showed a qualified opinion. Ms. Jensen stated that her concern was that Comerica did not advise the Board. She stated that she spoke with Ms. Ryans at the Palm Springs Police meeting this morning. She stated that the matter involved payments that were authorized, but the stamp of the employee authorizing the client's signature was not stamped on the actual paperwork. Ms. Ryans stated that they do not typically notify clients of qualified opinions other than by releasing the reports. She stated that going forward she will let the Board know if Comerica receives a qualified opinion as soon as possible. She stated that they are working on the next SOC 1 Audit now, which should be available in late December or early January. She stated that when it becomes available, she will send it to Ms. Jensen. The Board determined that it was not necessary to have Ms. Ryans attend via teleconference.

Ms. Jensen discussed the status of the proposed Ordinance. She stated that the Ordinance passed. She stated that she will be updating the Summary Plan Description to include the changes.

Ms. Jensen provided a Memorandum dated October 24, 2017 regarding their 2018 Client Conference. She stated that they would not be holding their annual Client Conference in 2018. Hurricane Irma caused damage to the hotel that they usually hold their conference at. Rather than looking elsewhere for a venue they have decided to put on webinars in the upcoming year and make donations to the affected areas.

### **ADMINISTRATIVE REPORT**

The Board was provided with certification from the Resource Centers that they successfully completed their SSAE 16 SOC 1 Audit as of June 30, 2017. Ms. Adcock advised of a change in their policy related to employee terminations and the need for a smooth transition of accounts.

### **OTHER BUSINESS**

There being no further business, the workshop was adjourned.

Respectfully submitted,

Mariana Ortega-Sánchez, Secretary