

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
May 1, 2018

A meeting was called to order at 2:07 P.M. in the Council Chambers on the First Floor of Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Patti Waller
Rebecca Morse
Ed Horton

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Tyler Grumbles & Jennifer Gainfort, Monitor
Chad Little, Actuary
Darren Kleis & James Lange, Principal Global
Richard Reade, Village Manager
Lara Donlon, Village Attorney
Sandra Davis, Spouse of William F. Davis, Jr.

PUBLIC COMMENTS

There were no public comments.

STATUS OF TRUSTEE ELECTIONS

It was reported that Ed Horton was the only one that submitted his name for the general employees' pension representative position that was previously held by Steven Loughrey. As such, Mr. Horton will fill the unexpired term of Mr. Loughrey, which term will expire on November 1, 2019.

It was noted that there is now a vacancy of the 5th Trustee position. It was noted that the Ordinance provides that the person holding this position cannot be connected with the municipal government but must be a resident. There was an inquiry as to whether a retiree could sit on the Board as the 5th Trustee. Ms. Jensen opined that a retiree receiving a check has a connection with the municipal government. If any Board Member knows of someone interested in the 5th Trustee position, they should have them contact the Administrator.

MINUTES

The Board reviewed the minutes of the meeting held February 6, 2018. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held February 6, 2018.

ACTUARY REPORT

Chad Little appeared before the Board. He stated that this was the first year they did the electronic filing of for Actuarial Valuation. He stated that everything has been submitted on time.

Mr. Little stated that he is putting together information on the expected returns. He stated that he would discuss this at the next meeting.

INVESTMENT MANAGER REPORT – PRINCIPAL GLOBAL INVESTORS

James Lange and Darren Kleis appeared before the Board. Mr. Lange provided a brief introduction noting that he was part of the investment relationship team. Mr. Kleis stated that he was part of the portfolio management team. He has been with the firm since 1992. The firm is headquartered in Des Moines, Iowa. They have \$77 billion in assets under management and over 375 institutional clients. He reviewed the management team. Mr. Kleis reviewed the account profile as of March 31, 2018. He stated that the account had \$10.13 billion in gross assets value with 143 holdings. He reviewed the diversification of the portfolio. He discussed the 2018 strategic themes which include increasing same-property net operating income; decreasing leverage; reducing office allocation; and selective pruning of non-strategic assets. The asset allocation as of March 31, 2018 was 40% in office; 15% in retail; 25% in multifamily; and 17% in industrial. He noted that they are overweight in office and are trying to bring that allocation down to the target. With respect to retail, he stated that they do not have exposure in any malls within the portfolio. Rather, most of the retail portfolio is in grocery anchored strip centers. Their underweight in retail has helped performance. Mr. Kleis reviewed the top ten assets in the portfolio, which made up just under 30% of the portfolio. He reviewed performance of the Fund's portfolio. The total market value as of March 31, 2018 was \$2,335,564.

James Lange and Darren Kleis departed the meeting.

INVESTMENT MONITOR REPORT

Tyler Grumbles and Jennifer Gainfort appeared before the Board. Mr. Grumbles introduced Ms. Gainfort. He stated that he just had his second child and asked his firm to reduce his overnight stays for family reasons. He stated that effective October 1, 2018 Ms. Gainfort would be taking over this relationship.

Mr. Grumbles discussed the fees they charge the Fund. He stated about five years ago they put into place a 5% increase every year to get them up to their standard rate. He stated that they feel they can reduce that annual increase from 5% to 2.5%. A motion was made, seconded and carried 3-0 to reduce the annual COLA in the agreement with the Investment Monitor from 5% to 2.5%.

Mr. Grumbles reviewed the market environment for the period ending March 31, 2018. He stated that returns have been good for domestic equity. He stated that they have seen continuing flattening of the yield curve. Mr. Grumbles reported on the performance of the Fund for the quarter ending March 31, 2018. The total market value of the Fund as of March 31, 2018 was \$25,374,175. The asset allocation was 52.8% in domestic equities;

16.0% in international; 17.5% in domestic fixed income; 4.5% in global fixed income; 9.2% in real estate; and .0% in cash. The total portfolio was up .59% net of fees for the quarter while the benchmark was down .40%. The total equity portfolio was up .63% for the quarter while the benchmark was down .74%. The total domestic equity portfolio was up .51% for the quarter while the benchmark was down .64%. The total fixed income portfolio was down .05% for the quarter while the benchmark was down .74%. The total domestic fixed income portfolio was down .48% for the quarter while the benchmark was down 1.05%. The total international portfolio was up 1.03% for the quarter while the benchmark was down 1.08%. The total global fixed income portfolio was up 1.64% for the quarter while the benchmark was up .49%. The total real estate portfolio was up 1.87% while the benchmark was up 2.15%.

Mr. Grumbles reviewed the performance of the managers. The Anchor All Cap Value portfolio was down .77% for the quarter while the Russell 3000 Value was down 2.82%. Mr. Grumbles stated that Brown was terminated during the quarter and MFS Growth Fund and PRIMECAP Odyssey Growth Fund were added. The Vanguard Mid Cap portfolio was up .01% for the quarter while the Russell Mid Cap was down .46%. The Vanguard Total Stock portfolio was down .60% for the quarter while the Russell 3000 was down .64%. The Garcia Hamilton Fixed Income portfolio was down .48% for the quarter while the benchmark was down 1.05%. The Templeton Global Fixed Income portfolio was up 1.64% for the quarter while the benchmark was up .49%. The Europacific Growth portfolio was up 1.03% for the quarter while the benchmark was down 1.08%. The Principal portfolio was up 1.87% for the quarter while the benchmark was up 2.15%. He stated that the Fund had a fairly good quarter.

Mr. Grumbles provided a Revised Investment Policy Statement. He stated that the revision was to reflect the change in the expected rate of return to 6.75% effective October 1, 2018. A motion was made, seconded and carried 3-0 to accept the Revised Investment Policy Statement.

DISCUSSION ON BENEFIT FORFEITURE

Bonni Jensen appeared before the Board. Ms. Jensen provided the Board with an updated Memorandum dated May 1, 2018 regarding Forfeiture Discussion – Consideration of Application of Florida Statutes 112.3173 to Guilty Plea of W. Davis. She stated that the Memorandum is an update to her original Memorandum from the last meeting. She also provided documents that were provided to her regarding Mr. Davis’ plea, Sections 112.3173 and 838.016 of the Florida Statutes, the Probable Cause Affidavit and the calculation of Mr. Davis’ pension benefit. She stated that Sections 838.15 and 838.16 of the Florida Statutes are both excluded as a “specified offense”. However, Mr. Davis was charged under Section 838.016 for unlawful compensation which is a “specified offense”. Ms. Jensen provided a Benefit Forfeiture Checklist. She reviewed Section 112.3173 which is the forfeiture provision. She stated that the questions that follow are: 1. Did Mr. Davis plead guilty to a violation of Section 838.016; and 2. Were the offenses committed before retirement. She stated that those were the questions the Board needed to answer. There was a lengthy discussion.

Ms. Morse stated that her understanding is that the Court withheld judgment. She does not believe he is a convicted felon and he has all the rights of someone who is not a

convicted felon. The Court has made an agreement with him and as long as he upholds his end of the agreement, there will not be any conviction. Additionally, Ms. Morse noted that the Village makes settlements all the time and she does not believe that the Village is admitting guilt by making such settlements. Likewise, she expressed her concern that the Village has made settlements with employees that have stolen from the Village and watched inappropriate websites while at work, and these individuals are still able to receive a pension. Ms. Morse stated that Mr. Davis took a settlement to end a long, drawn out battle. He based his plea on the advice of an attorney that said he would not lose his pension. The Court is withholding a finding of a felony because of that settlement.

Ms. Waller stated that according to the Benefit Forfeiture Checklist, she believes both questions are answered in the affirmative. She thinks the Board should go with an Administrative Law Judge so it is taken out of the Board's hands.

Mr. Horton stated that he felt similar to Ms. Morse. He has been with the Village a long time and seen a lot. He has seen others receive pensions that have committed a wrong against the Village. He believes there is a precedent that has been set by the Village and he does not believe Mr. Davis' pension should be forfeited.

Ms. Jensen stated that if there are others that are receiving a pension or have committed a specified offense, the Board has the responsibility to look at those individuals and their issues. However, the Board needs to deal with the situation at hand with Mr. Davis. The Statute makes two references to adjudication, but no reference to adjudication when pleading guilty. The Statute refers to pleading guilty without the qualifier of adjudication. She stated that she thinks Mr. Davis can assert this as a defense in any case going forward. However, the matter before the Board at this time is to determine whether a hearing is necessary, not whether he has forfeited his pension. Ms. Jensen stated that the Board needs three affirmative votes to go forward. Otherwise, the matter is at an impasse and it will be put on the next Agenda.

Sandra Davis appeared before the Board. She stated that they told the lawyer they did not want jail time and did not want to forfeit his pension. She stated that this matter went on for four years. He is not a convicted felon and was not proven to be guilty. He took a deal because they ran out of money. She stated that his pension is their only way to survive.

Lara Donlon appeared before the Board. She stated that she sat in the meeting today to get a sense of where the process was. She understands that the Board members are in an undesirable position. She stated that she wanted to remind the Board members of their fiduciary duty to the Plan. She stated that the Statute is clear. To that end, she would suggest the Board discuss the matter with the Board Attorney and get a better understanding of their fiduciary duty and the statutory requirements.

Ms. Davis stated that they were misrepresented by their lawyer. She stated that if this goes forward, Mr. Davis will take back his plea. He took the plea under the advisement of his lawyer that his pension was safe. She stated that they buried their son in December, he is on house arrest and they have had enough. She stated that he did a lot for the Village and just wanted this to be over.

It was noted that there has been no motion on this matter so it seems the Board is at impasse and the matter will be put on the next Agenda. There was further discussion. A motion was made and seconded to have Mr. Davis' pension remain in place and the only thing that would change that is if the Court System finds that he did not comply with the term of the agreement and the Court pulls back the withholding of the adjudication. The motion failed 2-1 with Patti Waller opposing the motion.

Tyler Grumbles, Jennifer Gainfort, Richard Reade, Lara Donlon, and Sandra Davis departed the meeting.

ATTORNEY REPORT

Ms. Jensen provided a proposed Affidavit for the Confirmation of Receipt of Retirement Benefits. She stated that she recommended that the Affidavit be provided to all retirees. A motion was made, seconded and carried 3-0 to provide the Affidavit for the Confirmation of Receipt of Retirement Benefits to all retirees annually.

Ms. Jensen provided a Memorandum dated April 2018 regarding the Annual Form 1 Filing.

Ms. Jensen provided the Board with an updated Summary Plan Description to incorporate the most current Ordinance. She reviewed the changes with the Board. There was discussion on asking the Village to better define the language in the Ordinance regarding the 5th Trustee and the requirement that there no be a connection with municipal government. There was discussion on possibly asking the Village to use some language that is less restrictive. Ms. Jensen stated that she would provide the Chair with some further information to share with the Village. A motion was made, seconded and carried 3-0 to approve the updated Summary Plan Description and have it mailed out to the active employees in the Plan.

ADMINISTRATIVE REPORT

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

Ms. Adcock stated that the Authorized Signer List with the Custodian needed to be updated. The Board executed an updated Authorized Signer List.

OTHER BUSINESS

There being no further business, the workshop was adjourned.

Respectfully submitted,

Mariana Ortega-Sánchez, Secretary