

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
November 29, 2018

A meeting was called to order at 2:02 P.M. in the Multi-Purpose Room on the First Floor of Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Patti Waller
Rebecca Morse
Mariana Ortega-Sánchez
Ed Horton

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Jennifer Gainfort, Monitor
Chad Little, Actuary
Tina Henderson, Resident

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held August 7, 2018. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held August 7, 2018.

ACTUARY REPORT

Chad Little appeared before the Board. He stated that he needed to provide an actuarial perspective on the assumed rate of return. He discussed the difference between the geometric mean and the arithmetic mean. He stated that the geometric mean is the median and noted that the arithmetic mean will always be a higher number. He stated that as actuaries they focus on the geometric mean where the target funding level is 50% likely to be above or below. He reviewed the results of the survey for both the geometric and arithmetic mean. He stated that if this was an ongoing plan he would recommend being no higher than 6.8%. He stated that it looks like based on the preliminary numbers the Fund will be able to go down to 6.5%.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board. Ms. Gainfort reviewed the market environment for the period ending September 30, 2018. She stated that market returns were mixed with developed markets being positive and emerging markets being negative. She noted that there is still tension between the US and China with trade war discussions. A meeting is coming up between the US and China so hopefully there will be some progress. Ms. Gainfort stated that there were strong domestic equity returns with September 2018 having the best performance. However, October 2018 was the worst month for domestic markets since 2011. She stated that the market is anticipating a fourth rate hike later this year. Growth continues to be a leader over value. Large cap

outperformed mid and small cap. Corporate earnings are still strong and there is robust job growth.

Ms. Gainfort reported on the performance of the Fund for the quarter ending September 30, 2018. The total market value of the Fund as of September 30, 2018 was \$26,404,864. The asset allocation was 54.7% in domestic equities; 14.8% in international; 16.9% in domestic fixed income; 4.3% in global fixed income; 9.3% in real estate; and .0% in cash. The total portfolio was up 3.72% net of fees for the quarter while the benchmark was up 3.93%. The total equity portfolio was up 5.05% for the quarter while the benchmark was up 5.66%. The total domestic equity portfolio was up 6.77% for the quarter while the benchmark was up 7.12%. The total fixed income portfolio was up .35% for the quarter while the benchmark was up .21%. The total domestic fixed income portfolio was up .10% for the quarter while the benchmark was up .11%. The total international portfolio was down .84% for the quarter while the benchmark was up .80%. The total global fixed income portfolio was up 1.38% for the quarter while the benchmark was up .58%. The total real estate portfolio was up 2.46% while the benchmark was up 2.09%.

Ms. Gainfort reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 6.30% for the quarter while the Russell 3000 Value was up 5.39%. MFS Growth Fund was up 8.09% and PRIMECAP Odyssey Growth Fund was up 9.51% while the Russell 1000 Growth was up 9.17%. The Vanguard Mid Cap portfolio was up 4.67% for the quarter while the Russell Mid Cap was up 5.00%. The Vanguard Total Stock portfolio was up 7.09% for the quarter while the Russell 3000 was up 7.12%. The Garcia Hamilton Fixed Income portfolio was up .10% for the quarter while the benchmark was up .11%. The Templeton Global Fixed Income portfolio was up 1.38% for the quarter while the benchmark was up .58%. The Europacific Growth portfolio was down .84% for the quarter while the benchmark was up .80%. The Principal portfolio was up 2.46% for the quarter while the benchmark was up 2.09%. Ms. Gainfort stated that overall everything went very well and was very strong for the quarter and the fiscal year. She stated that she thinks things are moving in the right direction.

ATTORNEY REPORT

Ms. Jensen provided an Addendum to the Monitor/Consultant Agreement which reduces the annual COLA from 5% to 2.5% and updates the Agreement to be in compliance with Florida law. A motion was made, seconded and carried 4-0 to adopt the Addendum to the Monitor/Consultant Agreement.

Ms. Jensen provided an update regarding changing language in the Ordinance regarding the 5th Trustee and the requirement that there not be a connection with municipal government. She stated that she communicated with the Village to eliminate the language requirement from the 5th Trustee qualifications. She advised that she has not yet heard back from the Village regarding this matter.

Ms. Jensen provided a Proposed Records Management Liaison Officer Resolution and Designation. She stated that the State requires the Board to designate a Records Management Liaison (RMLO). She stated that she drafted a Resolution that names the Resource Centers as the RMLO. She recommended that the Board adopt the RMLO Resolution to appoint the Resource Centers as the RMLO and adopt the State of Florida General Records Schedule GS1-SL for Local Government Agencies as the records

retention schedule. A motion was made, seconded and carried 4-0 to adopt the RMLO Resolution to appoint the Resource Centers as the RMLO and adopt the State of Florida General Records Schedule GS1-SL for Local Government Agencies as the records retention schedule.

Ms. Jensen provided an update on the matter involving Mr. Davis. She stated that the Court issued an Order Directing the State to Respond Mr. Davis' Motion for Post-Conviction Relief. She recommended the Board continue to wait on the outcome of the matter before the Court. She stated that the Attorney for the Village agreed.

Ms. Jensen provided an updated Special Tax Notice. She stated that the IRS updated the Notice, which is a very informative document. It needs to be provided to members taking lump sum distributions, such as a refund of contributions.

Ms. Jensen discussed an Amendment to the Florida Constitution that may affect decisions regarding victim rights. She stated that Amendment 6 changes the standard of review on appeal. There is a deference level of review until the end of the year. The new standard is effective January 1, 2019 which is a de novo review, where the Court will substitute its judgement for the Board's. She stated that she thinks it will only affect the Board in areas where the Board is interpreting State law.

ADMINISTRATIVE REPORT

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

Ms. Adcock presented the Board with the benefit calculation and election approval for Rebecca Morse. A motion was made, seconded and carried 3-0 to approve the benefit election. Rebecca Morse abstained from voting due to a conflict of interest.

The Board was provided with certification from the Resource Centers that they successfully completed their SSAE 16 SOC 1 Audit as of June 30, 2018.

Ms. Adcock advised that an election was conducted for the Trustee position held by Mariana Ortega-Sánchez. It was noted that she was re-elected to the Board for another term.

Ms. Adcock stated that an Affidavit for the Confirmation of Receipt of Retirement Benefits was sent to all retirees. It was noted that she was still waiting on four retirees to return their documentation. It was noted that one has had documentation being returned to the Village for two years. Ms. Adcock stated that she would run a death search on the four outstanding retirees. A motion was made, seconded and carried 4-0 that if no result was found from the death search to change from a direct deposit to a check for Victor Perez.

OTHER BUSINESS

There was discussion on the vacancy of the 5th Trustee position. It was noted that an Application was submitted by Tina Henderson for the 5th Trustee position. Ms. Henderson addressed the Board. She stated that she has lived in the Village for over 20 years. She would like to be a member on the Board. Her husband owns a business in the

Village and she would like to help the community. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to appoint Tina Henderson as the 5th Trustee.

INVESTMENT MANAGER REPORT – GARCIA HAMILTON & ASSOCIATES

Janna Hamilton and Benjamin Monkiewicz appeared before the Board via teleconference. Ms. Hamilton provided an overview of their firm. They are 100% employee owned with 34 employees. They have added two new partners to the firm. They are based in Houston and focus completely on fixed income. They recently passed \$12 billion in assets under management. Ms. Hamilton reviewed the performance for the quarter ending September 30, 2018. The total market value of the portfolio as of September 30, 2018 was \$4,469,823.27. The portfolio was up .10% for the quarter ending September 30, 2018 while the benchmark was up .11%. For the fiscal year the portfolio was up .16% while the benchmark was down .93%. Ms. Hamilton stated that they achieved their goal without taking any unnecessary risk.

Rebecca Morse departed the meeting.

Mr. Monkiewicz discussed the market environment. He stated that the Fed raised rates again in September and they expect another rate hike by the end of the year. It was noted that the yield curve has flattened. They have been shorter than the Index since mid-2016. He stated that they are maintaining a shorter duration position because they think the market is underestimating the Fed activity, like the Fed rate hikes. As the Fed has increased rates, LIBOR has adjusted significantly with it. At the beginning of the year the market expectation for the Fed funds rate hikes was at a 62% probability of just two or fewer rate hikes this year. There is now a 71.2% probability of a fourth rate hike this year. He stated that they believe that there is a 100% probability of a fourth rate hike this year and three next year. Mr. Monkiewicz stated that fixed rate corporates are no worth owning right now. The portfolio is very defensive at the moment. He reviewed the fixed income portfolio characteristics as of September 30, 2018.

Janna Hamilton and Benjamin Monkiewicz departed the meeting.

It was noted that the Board would like to encourage the service providers to attend the meetings in person rather than by teleconference, although it was understood that problems arise every now and then that make attending in person difficult. Ms. Gainfort stated that the issue arose when the Board rescheduled the meeting date which made them unable to attend in person.

OTHER BUSINESS (CONTINUED)

There being no further business, the workshop was adjourned.

Respectfully submitted,

Mariana Ortega-Sánchez, Secretary