

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
February 12, 2019

A meeting was called to order at 2:00 P.M. in the Council Chambers at Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Patti Waller
Rebecca Morse
Mariana Ortega-Sánchez
Ed Horton
Tina Henderson

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Jennifer Gainfort, Monitor
Chad Little, Actuary
John Boles and Will Hickey, Anchor Capital

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held November 29, 2018. A motion was made, seconded and carried 5-0 to approve the minutes of the meeting held November 29, 2018.

ACTUARY REPORT

Chad Little appeared before the Board. He presented the Actuarial Valuation as of October 1, 2018. He stated that the Valuation includes reducing of the assumed investment return from 6.75 to 6.50%. He stated that the contribution increased from \$809,354 to \$887,452. He stated that the funded ratio was 92.40% compared to 92.10% last year. Active members decreased from 39 to 34 and inactive members increased from 94 to 99. Mr. Little stated that there was a small demographic gain primarily due to the vested termination of two members during the year. The net return on the market value of assets was 9.38% in comparison to the 6.75% assumed rate of return such that there was an actuarial investment gain. He stated that the fresh start on the unfunded liability is down to 5.7 years. Future changes in the unfunded accrued liability are going to be set up over a five year period. Mr. Little reviewed the historical investment returns since September 30, 1995. He reviewed the reconciliation of the market value of assets. He noted that in terms of contributions and deductions, the Fund is sending out more than it is bringing in. He noted that investments have produced returns. Mr. Little reviewed the historical contributions and benefit payments. He reviewed the amortization of the unfunded accrued liability. He reviewed the reconciliation of change in the Village's minimum required contribution. The vast majority of the change is due to the decrease in the assumed rate of return and the demographic experience. A motion was made, seconded and carried 5-0 to approve the Actuarial Valuation as of October 1, 2018.

Ms. Jensen stated that the Board needs to formally determine the expected rate of return for the short term and long term, as is required by the State. The Board stated that they would like to see it match the Valuation, which is 6.5%. A motion was made, seconded and carried 5-0 to determine the expected rate of return using the rate of 6.50%. Ms. Gainfort stated that she would prepare the letter to be sent to the State.

Chad Little departed the meeting.

INVESTMENT MANAGER REPORT – ANCHOR CAPITAL

Jon Boles and Will Hickey appeared before the Board. Mr. Boles stated that he was the Director of Institutional Marketing and Client Service and Mr. Hickey was the portfolio manager that leads the All Cap Value Team. Mr. Boles provided an overview of the firm. He provided a market overview. He stated that the 4th quarter was a turmoil time for the market. However, their value offerings held up very well. He stated that is attributable to their process. They look for good quality companies that are dividend yielding and dividend paying. He stated that they manage a total of \$8.1 billion in assets. He noted that the total amount decreased from \$9 billion previously due to the market. He stated that firm assets have been relatively stable. He reviewed the investment team and the promotions within the firm. He noted that their office also moved locations.

Mr. Hickey stated that he thinks 2018 was a real turning point. He thinks the next ten years will be a value market. He thinks the turn took place in the 3rd Quarter of 2018. He believes there will be volatility but thinks they are in a really good spot going forward. Mr. Hickey discussed what has helped their portfolio. He stated that they owned a lot of healthcare and healthcare tends to do great in times of volatility. He stated that owning financials also helped. They did not own a lot of banks but owned REITs, which were positive. Mr. Hickey reviewed the quarterly purchases and sales as of December 31, 2018. He stated that they do not believe interest rates are going to be as high as people think. It is tough to make money in fixed income unless a lot of risk is taken.

Jon Boles and Will Hickey departed the meeting.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board. She reviewed a letter from the CEO/President of AndCo. She stated that they monitor over \$90 billion in client assets. They have 89 employees with 15 professionals on their research team.

Ms. Gainfort reviewed the market environment for the period ending December 31, 2018. She stated that the market was pretty negative for the quarter and the year. There was no real safe place in the quarter. All equity classes were negative for the quarter and the year. She stated that the trade war is on a little pause, which will be ending March 31st. Hopefully the market will see a resolution to this. Ms. Gainfort stated that despite the negative, there is still positive information. The GDP is strong, there is wage growth and the unemployment is low. She stated that she thinks there is still some room for growth in the market.

Ms. Gainfort reported on the performance of the Fund for the quarter ending December 31, 2018. The total market value of the Fund as of December 31, 2018 was \$23,908,212. The asset allocation was 51.6% in domestic equities; 14.3% in international; 19.0% in domestic fixed income; 4.8% in global fixed income; 10.4% in real estate; and .0% in cash. The total portfolio was down 9.46% net of fees for the quarter while the benchmark was down 8.50%. The total equity portfolio was down 14.26% for the quarter while the benchmark was down 13.62%. The total domestic equity portfolio was down 14.71% for the quarter while the benchmark was down 14.30%. The total fixed income portfolio was up 1.66% for the quarter while the benchmark was up 1.17%. The total domestic fixed income portfolio was up 1.50% for the quarter while the benchmark was up 1.80%. The total international portfolio was down 12.59% for the quarter while the benchmark was

down 11.41%. The total global fixed income portfolio was up 2.26% for the quarter while the benchmark was down 1.30%. The total real estate portfolio was up 1.21% while the benchmark was up 1.62%.

Ms. Gainfort reviewed the performance of the managers. The Anchor All Cap Value portfolio was down 11.86% for the quarter while the Russell 3000 Value was down 12.24%. MFS Growth Fund was down 15.28% and PRIMECAP Odyssey Growth Fund was down 18.73% while the Russell 1000 Growth was down 15.89%. The Vanguard Mid Cap portfolio was down 15.46% for the quarter while the Russell Mid Cap was down 15.37%. The Vanguard Total Stock portfolio was down 14.26% for the quarter while the Russell 3000 was down 14.30%. The Garcia Hamilton Fixed Income portfolio was up 1.50% for the quarter while the benchmark was up 1.80%. The Templeton Global Fixed Income portfolio was up 2.26% for the quarter while the benchmark was down 1.30%. The Europacific Growth portfolio was down 12.59% for the quarter while the benchmark was down 11.41%. The Principal portfolio was up 1.21% for the quarter while the benchmark was up 1.62%.

There was discussion on the performance of the Fund. The Board inquired as to why the Police Pension Plan seemed to be doing better. Ms. Gainfort stated that this Plan has more growth exposure while the Police Plan has more of a core exposure. Additionally, this Plan has the PRIMECAP Odyssey Growth Fund which caused a pretty major drag on performance, ranking in the 97th percentile. There was discussion on the cash flow of the Fund. It was discussed that perhaps the Fund should take the dividends rather than reinvesting. A motion was made, seconded and carried 5-0 to have dividends revert back to the Plan rather than being reinvested. There was further discussion on investments in international. The international allocation was at 14.3% for the quarter ending December 31, 2018. It was noted that international took a beating and the Board felt it could not wait another quarter to do something about that. A motion was made, seconded and carried 5-0 to reduce international to 10% and reallocate the excess to fixed income, which fixed income should go to Garcia Hamilton. There was discussion on having the Monitor do an allocation study. A motion was made, seconded and carried 5-0 to direct the Investment Monitor to prepare an asset allocation study and make recommendations for the next meeting.

ATTORNEY REPORT

Ms. Jensen provided a Memorandum regarding proposed HB 265 dated January 30, 2019. She stated that HB 265 is currently pending before the Florida Legislature. It would require adaptation to such requirements as putting meeting agenda packets online at least 72 hours in advance of the meeting, and written responses to members of the public if their questions cannot be answered at the meeting. If the Florida Legislature adopts House Bill 265 the Fund will need to comply.

Ed Horton departed the meeting.

Ms. Jensen provided a Memorandum regarding Power of Attorney – Florida Statute 709 dated January 2019. She stated that if the Fund receives a Power of Attorney it needs to be reviewed to confirm that the document is valid prior to disclosing information or taking any particular action. She stated that it is a complicated area and there are a lot of things to look at to make sure a Power of Attorney is valid.

Ms. Jensen provided a Memorandum regarding Florida's Public Records Law for General Employees' Pension Funds dated January 2019. She stated that it includes a helpful list of things that need to be redacted. She reviewed the items that need to be redacted.

Ms. Jensen provided a Memorandum regarding Data in the Division of Retirement's Annual Report dated February 6, 2019. She stated that the memorandum is from Keith Brinkman of the Division of Retirement to the Legislature. She stated that there was no recommendation to the Legislature but the memorandum had meaningful data in it. It was noted that the most common actuarial investment assumption is 7.5%.

Ms. Jensen provided an update on the matter involving Mr. Davis. She stated that the Court has granted a hearing on Mr. Davis' Motion for Post-Conviction Relief.

Ms. Jensen also stated that she would be following up on Keith Heasley's Pre-Trial Intervention Agreement which deferred prosecution until February 15, 2019, to make sure he followed through with the terms of the Agreement.

Ms. Jensen reported the Comerica has advised that they completed their SOC 1 Audit as of September 30, 2018 and they have received a qualified report. She noted that this is the second year in a row where they have received a qualified report. This does not impact this Plan as it is related to their computer system and not following the proper procedures in getting things signed off. Ms. Jensen stated that she has concerns in that a qualified report is unusual, and now it has happened two years in a row. She stated that she was not able to speak with Ms. Ryan at Comerica as of yet, but will report more at the next meeting.

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 has not yet heard back from the Village regarding this matter.

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 Kenneth Allfrey. A motion was made, seconded and carried 4-0 to approve the benefit election.

Ms. Adcock provided an update on the status of the Affidavits for the Confirmation of Receipt of Retirement Benefits that was sent to all retirees. It was noted that she was still waiting on four retirees to return their documentation. She stated that she ran a death search on the four and they did not receive anything back that they are deceased. She has sent out a second request to the four retirees.

OTHER BUSINESS

There being no further business, the workshop was adjourned.

Respectfully submitted,

Mariana Ortega-Sánchez, Secretary