

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
May 7, 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
Tina Henderson

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Jennifer Gainfort, Monitor
Chad Little, Actuary
Bridget Lechtenberg, Principal

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held February 12, 2019. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held February 12, 2019.

ACTUARY REPORT

Chad Little appeared before the Board. He stated that he had nothing to report. He stated that he attends quarterly meetings for all of his clients as part of his fee. He appreciates the leniency the Board has given him in the past when requested.

INVESTMENT MANAGER REPORT: PRINCIPAL GLOBAL INVESTORS

Bridget Lechtenberg appeared before the Board. She provided a brief update on the firm. She stated that Principal Global Investors has \$79.4 billion in assets under management. She discussed the Principal US Property Fund. She reviewed the account profile as of March 31, 2019. The account had \$10.3 billion in gross asset value with 135 investments. The leverage ratio is at 18.6%. She discussed the 2019 strategic themes which include execute in operations; monitor risk profile; and selective pruning of non-strategic assets. She reviewed the diversification of the portfolio. They are heavily weighted to the South and West. They are underweight the East and Midwest by about 8%. She reviewed the main four property sectors. They are overweight in office but are moving more toward a neutral weight. They are underweight in retail and expect to maintain the underweight as there has been a disruption with online retailing and shipping centers. They are underweight in multifamily which has helped as multifamily has underperformed for 25 consecutive quarters. They are overweight in industrial which has helped as industrial has outperformed for 25 quarters. Ms. Lechtenberg reviewed the top ten assets by asset value as of March 31, 2019. She reviewed the performance, noting they have had strong performance for the 1, 3, 5, 10 and since inception time periods. The gross return for the one year was 4.5%. The total market value as of March 31, 2019 was \$2,514,904. She stated that they were forecasting another strong year of growth for 2019. Ms. Lechtenberg stated that Principal Financial Group, its affiliates and employees have over

\$405 million invested in the US Property Account as of March 31, 2019. She stated that this is important because they are clearly aligned with the interests of their investors.

Bridget Lechtenberg departed the meeting.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board. She reviewed the market environment for the period ending March 31, 2019. She stated that after a quite difficult 4th Quarter 2018, the markets rebounded nicely. Higher risk assets did well. The markets reacted favorably with global trade concerns. She noted that Brexit is still on the table, having been pushed to October 2019. The slowing down of growth is a concern. Domestic equities did better than international equities.

Ms. Gainfort reported on the performance of the Fund for the quarter ending March 31, 2019. The total market value of the Fund as of March 31, 2019 was \$26,175,518. The asset allocation was 53.5% in domestic equities; 10.9% in international; 21.5% in domestic fixed income; 4.5% in global fixed income; 9.6% in real estate; and .0% in cash. The total portfolio was up 9.88% net of fees for the quarter while the benchmark was up 9.41%. The total equity portfolio was up 14.13% for the quarter while the benchmark was up 13.21%. The total domestic equity portfolio was up 14.43% for the quarter while the benchmark was up 14.04%. The total fixed income portfolio was up 2.01% for the quarter while the benchmark was up 2.82%. The total domestic fixed income portfolio was up 1.93% for the quarter while the benchmark was up 2.28%. The total international portfolio was up 13.26% for the quarter while the benchmark was up 10.44%. The total global fixed income portfolio was up 1.94% for the quarter while the benchmark was up 4.97%. The total real estate portfolio was up 1.62% while the benchmark was up 1.68%.

Ms. Gainfort reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 11.83% for the quarter while the Russell 3000 Value was up 11.93%. MFS Growth Fund was up 17.77% and PRIMECAP Odyssey Growth Fund was up 12.47% while the Russell 1000 Growth was up 16.10%. The Vanguard Mid Cap portfolio was up 16.76% for the quarter while the Russell Mid Cap was up 16.54%. The Vanguard Total Stock portfolio was up 14.04% for the quarter while the Russell 3000 was up 14.04%. The Garcia Hamilton Fixed Income portfolio was up 1.93% for the quarter while the benchmark was up 2.28%. The Templeton Global Fixed Income portfolio was up 1.94% for the quarter while the benchmark was up 4.97%. The Europacific Growth portfolio was up 13.20% for the quarter while the benchmark was up 10.44%. The Principal portfolio was up 1.62% for the quarter while the benchmark was up 1.68%. Ms. Gainfort stated that overall it was a strong quarter. It was a much better quarter than the last quarter. She stated that she anticipates volatility going forward.

Ms. Gainfort presented an asset allocation analysis. She stated that the analysis reduces international from 15% to 10% and shows how to utilize those funds in different ways. She stated that asset allocation is a tool to manage a portfolio's risk. She discussed the models, limitations and projections. She reviewed the long term asset allocation model inputs. She reviewed the asset class historical performance versus assumptions. She reviewed the model asset allocation with four different mixes, with all including reducing international. The mixes were to add to core fixed income; add to domestic equities; add GTAA; or add core fixed income, GTAA and a bank loan strategy. She compared the single year expected returns and risk of the four mixes compared to the current mix. She stated that the goal was to lower overall risk, noting that adding to domestic equities and adding GTAA did not do that. She stated that for this Plan she likes GTAA as the Plan

would be getting into an asset class that it not currently represented in the portfolio. There was a lengthy discussion. There was concern that if more managers are added, there will be more administrative costs as well. Ms. Jensen stated that it would allow something of value to be added to the portfolio. These managers make opportunistic calls by looking at the market in a different way. The fees would be higher but the returns are expected to be higher as well. There was more discussion. The Board asked Ms. Gainfort to bring a manager search to the next meeting.

The Board reviewed the cash flow that was prepared after the last meeting. It was noted that at the last meeting it was reported that the Fund is cash flow negative at this point. Mr. Little stated that adjustments will need to be made. Perhaps dividends should be paid out rather than reinvested. It was noted that the Board made a change at the last meeting to no reinvest dividends. Ms. Jensen stated that this is a longer term conversation. It was noted that stopping the reinvestment should cover the additional cover needed.

ATTORNEY REPORT

Ms. Jensen provided a Memorandum dated February 2019 regarding the IRS Mileage Rate for 2019. She noted that effective January 1, 2019 the mileage rate has been increased to 58.0 cents per mile.

Ms. Jensen provided a Memorandum dated April 2019 regarding Senate Bill 426 and House Bill 857. She stated that this related to certain benefits for firefighters who receive a cancer diagnosis when specific conditions are met. The law was passed on Friday.

Ms. Jensen provided a Memorandum regarding Changes in Tax Rules for Alimony dated April 2, 2019. She reviewed the changes noting that alimony and separate maintenance payments are no longer deductible for any divorce or separation agreement executed after December 31, 2018. She recommended information be added to the Summary Plan Description as well as have the memorandum given to employees if they are going through a divorce.

Ms. Jensen provided a Memorandum regarding the Annual Form 1 Filing dated April 2019. She reminded the Board that the Form 1 is due prior to July 1, 2019.

Ms. Jensen stated that the proposed HB 265, which 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, did not pass. She stated that part of what the Bill brought up though was ADA compliance. She stated that there is a discussion happening pretty much everywhere about ADA exposure related to items on various municipal websites. She stated that she thinks the Board needs to embark on discussions on whether the Fund should continue to maintain its website set up by the Administrator as a public site or perhaps make it private with passwords for members. She noted that the website does now include website accessibility information which adds some level of protection. There was a lengthy discussion.

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 the Village Attorney is working on it.

Ms. Jensen provided an update on the matter involving Mr. Davis. She provided an Order Setting an Evidentiary Hearing for May 21, 2019.

Ms. Jensen provided an update regarding the issue regarding Comerica receiving a qualified SOC 1 Audit as of September 30, 2018. She stated that she has not heard from Ms. Ryan at Comerica as of yet. She stated that this does not impact the Plan so it is not a huge deal. However, what bothers her is that Comerica is not being responsive about it and is not following up. A motion was made, seconded and carried 4-0 to send Comerica a letter that the Board wants information in a forthcoming way and if a lack of information happens again the Board will go out for a RFP.

ADMINISTRATIVE REPORT

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

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. She stated that there is only one retiree that has not yet returned their documentation. It was noted that someone at the City might be in touch with the retiree. A motion was made to turn the deposit into a check for June 1 and if there is no response, to stop payment from the July check run.

OTHER BUSINESS

There being no further business, the workshop was adjourned.

Respectfully submitted,

Mariana Ortega-Sánchez, Secretary