

**VILLAGE OF  
PALM SPRINGS POLICE OFFICERS' PENSION FUND  
MINUTES OF MEETING HELD  
August 7, 2012**

The meeting was called to order at 10:03 A.M. in the Conference Room on the First Floor at Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Tim Conboy  
Darrell Diez  
James Gregory

**OTHERS**

Bonni Jensen, Attorney  
Margie Adcock, The Resource Centers  
Dan Johnson and Tyler Grumbles, Bogdahn Consulting  
Steve Stack, ICC

**MINUTES**

The Board reviewed the minutes of the meeting held May 8, 2012. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held May 8, 2012.

**INVESTMENT MANAGER REPORT – ICC**

Steve Stack appeared before the Board. He reported on the performance of the portfolio for the quarter ending June 30, 2012. He stated that the total market value as of June 30, 2012 was \$7,542,592. The asset allocation was 75.1% in multicap equities; 23.1% in value equities; and 1.7% in cash. The portfolio was down 7.66% for the quarter while the benchmark was down 2.61%. Value equities were down 6.38% while the benchmark was down 2.20%. Multicap equities were down 8.08% while the benchmark was down 2.75%. Mr. Stack stated that the multicap portfolio faced a lot of challenges over the last quarter and year. He stated that the challenges started with their American Airlines holding last year. He stated that the gold stocks in the portfolio have not performed well. Additionally, information technology, materials and energy were all down double digits for the quarter. He stated that they have the same investment teams and same strategies in place. He does not see any major adjustments to the portfolio. He stated that this was not an investors market.

**INVESTMENT MONITOR REPORT**

Dan Johnson and Tyler Grumbles appeared before the Board. It was noted that Mr. Grumbles was an internal consultant with their firm. Mr. Johnson reviewed the market environment for the period ending June 30, 2012. He noted that all equities were down for the quarter. Mr. Johnson reported on the performance of the Fund for the quarter ending June 30, 2012. The total market value of the Fund as of June 30, 2012 was \$13,986,685. The asset allocation was 53.2% in domestic equities; 7.9% in international; 36.5% in domestic fixed income; and 2.3% in cash. The asset allocation by manager was

41.0% with ICC Multicap; 13.1% with ICC Core Value; 37.9% with Garcia Hamilton Fixed Income; and 7.9% with Manning & Napier.

The total portfolio was down 4.59% net of fees for the quarter ending June 30, 2012 while the benchmark was down 1.85%. The total equity portfolio was down 7.82% while the benchmark was down 3.77%. The total domestic equity portfolio was down 7.60% for the quarter while the benchmark was down 3.15%. The total fixed income portfolio was up 1.38% for the quarter while the benchmark was up 1.32%. The total international portfolio was down 9.28% for the quarter while the benchmark was down 7.38%.

Mr. Johnson reviewed the performance of the individual manager portfolios. The ICC Core portfolio was down 6.36% for the quarter while the S&P 500 was down 2.75%. The ICC Multicap portfolio was down 8.0% for the quarter while the Russell 3000 was down 3.15%. The Manning & Napier portfolio was down 9.28% for the quarter while the benchmark was down 7.38%. The Garcia Hamilton portfolio was up 1.38% for the quarter while the benchmark was up 1.32%.

Ms. Jensen raised issues regarding the inception date for reporting purposes. She noted that the Investment Monitor shows ICC Multicap and Core Value with an inception date of January 1, 2010, while ICC shows an inception date of June 1, 2005. Mr. Johnson stated that they show an inception date of January 1, 2010 because that is when the portfolio was split out. He stated that he would include a footnote in his report for clarification. Ms. Jensen also advised that the Board received the proxy voting for ICC and it was available if anyone on the Board wanted to see it.

Mr. Johnson stated that at the last meeting there was a discussion on index investing. He provided the Board with a handout that showed return information if the Fund had been invested in index funds. He reviewed the trailing performance returns through June 30, 2012 for ICC Core Value and ICC Multicap as compared to Vanguard Total Stock Market Index Institutional and the Russell 3000 Index for the quarter, 1, 2, 3, 4, 5, 6, 7, 8 and 10 year time periods. Mr. Johnson stated that the ICC Core Value was brought in to complement the ICC Multicap. However, the Core Value is starting to look like the Multicap product. He noted that some of the same stocks are in both portfolios. He stated that he is not seeing a buffer like he thought he would. The Fund is not getting the non-correlation that he had hoped for. He stated that the Board could take a step to further diversify the portfolio. The Board could bring in a third component of an index fund that would give a market like return. The Board could invest 33% in the ICC Multicap; 33% in the Core Value; and 33% in the Index. Another option would be to liquidate the Core Value portfolio and put it into an index fund so there would be 75% in the ICC Multicap and 25% in the Index. He noted that fees would be lower with an index fund.

Mr. Stack stated that there were only two stocks that were crossovers in both portfolios. He stated that the Multicap is looking more value-like. He stated that there are times where index funds are more appropriate. He stated that he was obviously not a fan of index funds but wants the Board to be comfortable with them as a manager. There was a

lengthy discussion. Mr. Johnson recommended putting a piece in the Vanguard product. He stated that the downside would be that the index would never really outperform the market. The returns would be limited because the Fund would just be getting the returns of the market. He stated that it was not necessary that the Board make a decision at this meeting if they were not ready to do so. However, he did recommend the Board take corrective action in the near future. A motion was made, seconded and carried 3-0 to liquidate the ICC Core Value portfolio; terminate that relationship with ICC; move the funds to the mutual fund account and have Comerica purchase the Vanguard Total Stock Market Index at the most favored share class that is available. Mr. Johnson also noted that by holding the Vanguard Index in the mutual fund account with Manning & Napier, the Core Value custodial account could be closed which would further save custodial fees that are charged by Comerica.

Mr. Johnson stated that there was excess cash in the cash account held by the Village for the Fund in the amount of \$350,000. He stated that the cash would be transferred to the Custodian tomorrow. He recommended using that money to rebalance the portfolio. He stated that most of the money would most likely go to the international portfolio because it is underweight and the some money would go to bring up the rest of the portfolio to target levels. A motion was made, seconded and carried 3-0 to authorize Mr. Johnson to coordinate with the Village and the Custodian to invest the \$350,000 in excess cash at strategic target weights.

### **ATTORNEY REPORT**

Ms. Jensen advised that Mark Hall resigned from the Board. Since he was a Village appointed Trustee on the Board, the Village will have to appoint someone to replace him.

Ms. Jensen stated that not too long ago the State advised that contributions had to be made on a percentage of payroll basis as opposed to a dollar basis. The State has recently changed its position on this matter. The State is now allowing the Board and the Actuary to work together to make a decision on what is the best funding method to use for the Plan.

Ms. Jensen reminded the Board of the new statutory provision that passed this year - Section 732.703, Florida Statutes. This section voids the designation of the former spouse as the death beneficiary/joint annuitant as of the date of divorce and applies to all deaths occurring on or after July 1, 2012, regardless of when the designation was made. Ms. Jensen stated that she sent a letter to the Village asking that the Village, when notified of a divorce of a Participant in the Plan, to encourage that Participant to complete a new beneficiary designation.

Mr. Gregory inquired about a previous discussion that would allow those that reach normal retirement age to begin collecting a pension while still working. Ms. Jensen stated that allowing an in-service distribution would require a change to the Ordinance. Additionally, the retirement age under the Plan would need to change. The Plan would not be able to have a 20 and out retirement provision, but would have to have a normal

retirement age of 50. She stated that there would be some other effects as well, including actuarial consequences because the Plan would be paying people for a longer time. It was noted that the Board did not want to pursue this option.

### **ADMINISTRATIVE REPORT**

Ms. Adcock presented the Board with the benefit calculations and election approval for Mark Hall and Douglas Edwards. Mr. Gregory inquired as to the backup for the calculation done for Mr. Hall. Ms. Adcock advised that she would obtain the backup for the benefit calculation done for Mr. Hall from the Actuary and forward it to the Board for review. A motion was made, seconded and carried 3-0 to approve the benefit elections subject to receipt of the backup for the calculation of Mr. Hall from the Actuary.

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

Ms. Adcock advised that the terms for James Gregory and Darrell Diez were due to expire on October 1, 2012. She noted that she would begin the election process in September for these positions.

Ms. Adcock advised that the Fiduciary Liability Insurance is due to expire on November 1, 2012. A motion was made, seconded and carried 3-0 to renew the Fiduciary Liability Insurance.

### **OTHER BUSINESS**

Mr. Conboy inquired about the actuarial fees charged by GRS. He stated that he has spoken with Rebecca Morse and she stated that she thinks the fees charged by GRS are at the high end. Ms. Morse advised him that the General Employees Pension Plan pays a lot less than the Police Pension Plan for actuarial services. Ms. Morse advised him that the General Employees Plan uses Freiman Little Actuaries. Mr. Conboy stated that he would like the Board to obtain quotes for fees for actuarial services from other actuarial firms. There was a lengthy discussion. A motion was made, seconded and carried 3-0 to authorize Ms. Jensen to prepare a request for quotes for actuarial services.

There being no further business, the meeting was adjourned.

Respectfully submitted,

James Gregory, Secretary