

**VILLAGE OF  
PALM SPRINGS POLICE OFFICERS' PENSION FUND  
MINUTES OF MEETING HELD  
August 20, 2013**

The meeting was called to order at 10:00 A.M. in the Conference Room on the First Floor at Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Tim Conboy  
Robert Perez  
Darrell Diez  
Gene Hall

**OTHERS**

Bonni Jensen, Attorney  
Margie Adcock, The Resource Centers  
Tyler Grumbles, Bogdahn Consulting

**MINUTES**

The Board reviewed the minutes of the meeting held May 7, 2013. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held May 7, 2013.

**INVESTMENT MONITOR REPORT**

Tyler Grumbles appeared before the Board. He reviewed the market environment for the period ending June 30, 2013. He stated that international markets and fixed income were down for the quarter while domestic equities were up for the quarter. He reported on the performance of the Fund for the quarter ending June 30, 2013. He noted that the transition from ICC to the Vanguard Total Stock was completed and went smoothly. He stated that the transition cost was about \$5,000 but noted that the Fund made about \$30,000 the day of the transition. The ICC portfolio sold high at the beginning of the day and the transition manager was able to buy the Vanguard Total Stock portfolio lower in the day. It worked out very well. The Fund was only out of the market for a few hours in the middle of the day.

The total market value of the Fund as of June 30, 2013 was \$16,378,620. The asset allocation was 56.2% in domestic equities; 10.4% in international; 33.0% in domestic fixed income; and .3% in cash. The total portfolio was down 1.18% net of fees for the quarter ending June 30, 2013 while the benchmark was up .29%. The total equity portfolio was down .82% while the benchmark was up 1.85%. The total domestic equity portfolio was down .80% for the quarter while the benchmark was up 2.69%. Mr. Grumbles noted that ICC was still in the portfolio for most of the quarter. He stated that ICC had a lot of underperformance at the beginning of the quarter, especially since gold was hit and ICC had an overweight in gold. The total fixed income portfolio was down 1.71% for the quarter while the benchmark was down 1.78%. The total international portfolio was down .90% for the quarter while the benchmark was down 2.90%.

Mr. Grumbles reviewed the performance of the individual manager portfolios. The Vanguard Total Stock Market portfolio was up 2.77% for the quarter while the benchmark was up 2.76%. He stated that the Fund is now paying a lower fee because it is in an Index Fund versus paying the ICC active management fee. He noted though that the performance of the Index Fund would closely match the Index. The Manning & Napier portfolio was down .90% for the quarter while the benchmark was down 2.90%. The Garcia Hamilton portfolio was down 1.71% for the quarter while the benchmark was down 1.78%.

Mr. Grumbles presented information regarding diversifying fixed income. He discussed how interest rates impact bond prices. Historically a 2% rise in interest rates caused bond prices to decrease by about 11%. He projected an impact of a 2% rise in interest rates today to result in about a negative 4.19% return over a two year time period. As such, he was suggesting a diversified bond portfolio, which would include developed foreign, emerging and high yield bonds. He stated that the opportunities of such an investment would be to increase current income, diversify interest rate risk, as well as potential total return enhancement. He stated that the risks of such an investment would be increased sensitivity to economic cycles and geo-political events, and increased volatility of returns. He reviewed the diversification benefits and currency risk. He stated that the three possible candidates were the PIMCO Diversified Fund; the Templeton Global Bond Fund; and Templeton Global Total Return Fund. He compared the three candidates with regard to hedging currency risk, sector allocation and fees. He recommended the Templeton Global Total Return Fund. He reviewed the trailing returns as of June 30, 2013 and calendar year returns as of June 30, 2013. He reviewed the risk and return analysis. He stated that the Fund would be adding slightly more risk but would be adding greater potential for return. He noted that there would be more volatility, but stated that it would not put the portfolio at risk. Mr. Grumbles recommended investing 5% in the Templeton Global Total Return Fund. He stated that the Templeton Global Total Return Fund is more volatile than what the Fund has now, but noted that the Fund will be facing a lot of headwinds with the US bond market. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to accept the recommendation of the Investment Monitor and invest 5% in the Templeton Global Total Return Fund.

### **ATTORNEY REPORT**

Ms. Jensen presented a Memorandum regarding Important Pension Disclosure Amendments to Chapter 112 (SB 534) dated June 2013. She stated that the change in the law imposes significant additional disclosure requirements that the Actuary will have to do. She reviewed the Memorandum with the Board.

Ms. Jensen presented a Memorandum regarding IRS Determination Letters dated May 13, 2013. She stated that the Fund previously received a Favorable Determination Letter, which Letter is due to expire on January 31, 2014. The IRS is allowing an extension of the effective date until January 31, 2016. Ms. Jensen recommended that the Board adopt that extension date and decide next summer if the Board should file for another IRS Determination Letter. She stated that she thinks the Board should take advantage of not

filing for another IRS Determination Letter next year and wait until January 31, 2016. The Board agreed with the Attorney's recommendation.

### **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 calculations and election approval for Robert Poitras. It was noted that Mr. Poitras was changing his joint survivor. A motion was made, seconded and carried 4-0 to approve the benefit election of Mr. Poitras.

Ms. Adcock noted that the term of the 5<sup>th</sup> Trustee held by Tim Conboy was due to expire on September 30, 2013. A motion was made, seconded and carried 3-0 to reappoint Tim Conboy as the 5<sup>th</sup> Trustee for another term.

Ms. Adcock noted that the term of Robert Perez was due to expire on September 30, 2013. Ms. Adcock stated that she would remind the Village of his termination date so that he could be reappointed.

Ms. Adcock advised that the Fiduciary Liability Insurance is due to expire on November 1, 2013. A motion was made, seconded and carried 4-0 to renew the Fiduciary Liability Insurance.

### **OTHER BUSINESS**

There being no further business, the meeting was adjourned.

Respectfully submitted,

James Gregory, Secretary