

**VILLAGE OF  
PALM SPRINGS POLICE OFFICERS' PENSION FUND  
MINUTES OF MEETING HELD  
January 27, 2014**

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  
James Gregory  
Gene Hall  
Robert Perez

**OTHERS**

Bonni Jensen, Attorney  
Margie Adcock, The Resource Centers  
Tyler Grumbles, Bogdahn Consulting  
Larry Wilson and Kelly Adams, Actuary

**MINUTES**

The Board reviewed the minutes of the meeting held November 5, 2013. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held November 5, 2013.

**INVESTMENT MONITOR REPORT**

Tyler Grumbles appeared before the Board. He reviewed the market environment for the period ending December 31, 2013. He stated that the international developed markets did better than the emerging markets. Fixed income was negative for the quarter. He noted that a rise in interest rates had a negative impact on fixed income. Domestic equities did better than international equities. He noted that mid cap and small cap did better than large cap, and growth did a little bit better than value. He reported on the performance of the Fund for the quarter ending December 31, 2013. He reported on the performance of the Fund for the quarter ending December 31, 2013. The total market value of the Fund as of December 31, 2013 was \$18,323,516. The asset allocation was 56.4% in domestic equities; 10.7% in international; 27.2% in domestic fixed income; 4.8% in global fixed income; and 1.0% in cash.

The total portfolio was up 6.51% net of fees for the quarter ending December 31, 2013 while the benchmark was up 5.98%. The total equity portfolio was up 9.19% while the benchmark was up 9.30%. The total domestic equity portfolio was up 10.10% for the quarter while the benchmark was up 10.10%. The total fixed income portfolio was up 1.42% for the quarter while the benchmark was up .05%. The total domestic fixed income portfolio was up 1.11% for the quarter while the benchmark was down .14%. The total international portfolio was up 4.54% for the quarter while the benchmark was up 4.81%. The total global fixed income portfolio was up 3.28% for the quarter while the benchmark was up 1.13%.

Mr. Grumbles reviewed the performance of the individual manager portfolios. The Vanguard Total Stock Market portfolio was up 10.07% for the quarter while the Russell 3000 benchmark was up 10.10%. The Manning & Napier portfolio was up 4.54% for the quarter while the benchmark was up 4.81%. The Garcia Hamilton portfolio was up 1.11% for the quarter while the benchmark was down .14%. The Templeton Global Total Return portfolio was up 3.28% while the benchmark was up 1.13%.

Mr. Grumbles stated that he expects emerging markets to do better over the long haul than developed markets, but emerging markets are hitting some headwind right now. Mr. Grumbles stated that he had an asset allocation study to present, but thought it would be best to have the Actuary present the draft Actuarial Valuation first. The Board agreed.

### **ACTUARY REPORT**

Larry Wilson and Kelly Adams appeared before the Board to present the Actuarial Valuation as of October 1, 2013. Mr. Wilson noted that the Valuation set for the contribution requirements for the fiscal year ending September 30, 2015. He stated that while the contribution per dollar amount was down, there was an actuarial loss because pay increases exceeded expectation and there were no terminations for active members. He noted that the Valuation includes the new GASB accounting standards.

Mr. Wilson reviewed the total contribution requirement. The total minimum required contribution for fiscal year beginning October 1, 2014 is \$1,496,595, with \$1,378,026 from the Village and \$118,569 from the members. He stated that he assumed there would be no premium tax monies from the State. He stated that there might be a minimum amount coming from the State, but he has not determined the amount or what the usage would be. For example it might be that the monies reduce the Village contribution or they might be able to be used for extra benefits. Ms. Jensen stated that the Village passed a new levying Ordinance in December. There has been no determination of how that money is to be used as of yet. The parties will need to sit down and talk about it at collective bargaining. She stated that the first disbursement will be very small because it will represent only three weeks in December 2013. There was discussion on the Annual Report. Mr. Wilson and Ms. Jensen stated that they did not believe that the Fund had to file an Annual Report for last year.

Mr. Wilson stated that the actuarial assumptions and plan of benefits were unchanged from last year. He reviewed the cost data comparison from last year. He reviewed the actuarial gains/losses for plan year ending September 30 2013 and noted that there was an actuarial loss of \$338,738. Mr. Wilson reviewed the summary of assets at market value and actuarial value. He stated that as of September 30, 2013 the actuarial value was less than the market value by \$496,794. He reviewed the accounting disclosure information with regard to GASB 25/27. He noted that the funded ratio was 71.4%. Ms. Adams reviewed the projected September 30, 2014 GASB 67 information. She stated that they will need to replace the projection with the actual numbers once those are determined at the end of this fiscal year. Mr. Wilson reviewed the unfunded actuarial accrued liability.

A motion was made, seconded and carried 4-0 to approve the Actuarial Valuation as of October 1, 2013.

Mr. Wilson provided the Share Account allocations. A motion was made, seconded and carried 4-0 to approve the Share Account allocations and approve the distribution of the Share Account Statements to the Participants

### **INVESTMENT MONITOR REPORT (CONTINUED)**

Mr. Grumbles presented an asset allocation study as of December 31, 2013. He reviewed the historical market performance. He reviewed the forward looking capital markets assumptions and the economic forecast models. He stated that he thinks domestic core bonds are going to earn less than they have in the past. He stated that the probability of earning 8% over the next 15 years is 38%. He recommended moving 10% from fixed income and putting it into real estate, which would lower the domestic fixed income from 30% to 20%. That change would increase the probability of making the assumed rate of 8% to 42%.

Mr. Grumbles discussed core real estate. He reviewed the characteristics of real estate. He reviewed the private real estate return versus risk analysis. He reviewed the core real estate fundamentals. He reviewed the historical returns. He stated that real estate was uncorrelated to other asset classes. It would add some diversification to the portfolio and would be a very conservative investment. There was discussion on the queue to get in and out of real estate. Ms. Jensen stated that she thought the Board would need a cash flow analysis since this is a closed plan. Mr. Wilson stated that he would be able to help projecting benefit payments. Mr. Grumbles stated that if the Fund needed cash, it could choose not to reinvest the dividends. Mr. Grumbles stated that if the Board was interested in such an investment class, he stated that he would bring more information to the next meeting. He stated that there are REIT investments that are more liquid but he would not recommend that as REIT investments are correlated to equities. The Board stated that they were interested in learning more about the possibility of a real estate investment. Mr. Grumbles stated that he would bring more information to the next meeting.

Mr. Grumbles stated that the Board needed to set the expected rate of return. He stated that he believes 7.75% is reasonable for next year, the next several years and for the long term. A motion was made, seconded and carried 4-0 to set the expected rate of return at 7.5% as recommended by the Investment Monitor. Mr. Grumbles stated that he would prepare the necessary letter to the State.

### **ATTORNEY REPORT**

Ms. Jensen provided a Memorandum dated December 2013 regarding the change in the IRS mileage reimbursement rate. She advised that effective January 1, 2014 the rate was 56 cents.

Ms. Jensen stated that she filed the new levying Ordinance with the State. The Board asked Ms. Jensen to correspond with the Village to see how future premium tax monies should be used. There was a lengthy discussion.

#### **ADMINISTRATIVE REPORT**

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

#### **OTHER BUSINESS**

There being no further business, the meeting was adjourned.

Respectfully submitted,

James Gregory, Secretary