

**VILLAGE OF  
PALM SPRINGS POLICE OFFICERS' PENSION FUND  
MINUTES OF MEETING HELD  
January 30, 2015**

The meeting was called to order at 9:03 A.M. in the Conference Room on the First Floor at Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Tim Conboy  
James Gregory  
Gene Hall  
Robert Perez (9:18 A.M.)  
Darrell Diez

**OTHERS**

Bonni Jensen, Attorney  
Margie Adcock, The Resource Centers  
John Thinnes, Bogdahn Consulting  
Larry Wilson, Actuary (9:10 A.M.)

**PUBLIC COMMENTS**

There were no public comments.

**MINUTES**

The Board reviewed the minutes of the meeting held November 4, 2014. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held November 4, 2014.

**INVESTMENT MONITOR REPORT**

Mr. Thinnes appeared before the Board. He reviewed the market environment for the period ending December 31, 2014. He stated that international markets continue to struggle and were down for the quarter and the year. He noted that domestic markets were up for the quarter and the year. It was noted that small cap did better than large cap this quarter. He reported on the performance of the Fund for the quarter ending December 31, 2014. The total market value of the Fund as of December 31, 2014 was \$20,118,343. The asset allocation was 57.8% in domestic equities; 8.7% in international; 28.7% in domestic fixed income; 4.4% in global fixed income; and .4% in cash. Mr. Thinnes stated that they were still very comfortable with how the portfolio was allocated.

Larry Wilson entered the meeting.

The total portfolio was up 2.82% net of fees for the quarter ending December 31, 2014 while the benchmark was up 2.75%. The total equity portfolio was up 3.69% while the benchmark was up 3.85%. The total domestic equity portfolio was up 5.22% for the quarter while the benchmark was up 5.24%. The total fixed income portfolio was up 1.15% for the quarter while the benchmark was up .78%. The total domestic fixed income portfolio was up 1.58% for the quarter while the benchmark was up 1.20%. The

total international portfolio was down 5.38% for the quarter while the benchmark was down 3.81%. The total global fixed income portfolio was down 1.62% for the quarter while the benchmark was down 1.63%.

Mr. Thinnes reviewed the performance of the individual manager portfolios. The Vanguard Total Stock Market portfolio was up 5.22% for the quarter while the Russell 3000 benchmark was up 5.24%. The Garcia Hamilton portfolio was up 1.58% for the quarter while the benchmark was up 1.20%. The Templeton Global Total Return portfolio was down 1.62% while the benchmark was down 1.63%. It was noted that the Vanguard Total International Stock Market Fund was funded during the quarter from the termination of Manning & Napier. Mr. Thinnes stated that they were pleased with the performance of the Fund.

Mr. Thinnes provided an international equity strategy review as of December 31, 2014. He stated that if the Board was not comfortable making a decision today it could wait until the next meeting. He stated that there was not a drastic need to go to active management because the Fund has exposure with the Vanguard Total International Stock Market Fund. Mr. Thinnes reviewed the candidates: American Funds Europacific Growth R6; Pear Tree Polaris Foreign Value Institutional; Transamerica International Equity; and Manning & Napier Overseas.

Robert Perez entered the meeting.

Mr. Thinnes noted that Europacific is the largest fund in the world, is the most diversified, and had the least expensive fee. It is more Index-like so it has less volatility quarter to quarter. It has good exposure to the entire intentional market and is the most conservative. Pear Tree Polaris is more volatile, and the most expensive and the most concentrated. Transamerica International Equity (TSW) is in the middle of the road. Mr. Thinnes reviewed the performance of all of the options. He noted that over the last 3 year period TSW and Polaris have done the best. Europacific has done the best over the last 10 years. Mr. Thinnes stated that they would recommend Europacific. There was a lengthy discussion. A motion was made, seconded and carried 5-0 to follow the recommendation of the Investment Monitor to move the international assets from the Vanguard Total International Stock Market Fund to Europacific Growth.

Mr. Thinnes discussed a change of internal control regarding his firm. He stated that Joe Bogdahn and Mike Welker were the majority shareholders of the firm. In January 2015 Mr. Bogdahn sold a majority of his interest in the firm to Mr. Welker. He stated that this is an exciting time for the employees as this change will allow the employees an option to become owners of the firm. He stated that the firm is going from a family owned business to an employee owned business. He stated that this change in internal control would not change their relationship with the Fund. He presented a Consent Form for the Board to approve the change in internal control. A motion was made, seconded and carried 5-0 to consent to the change in internal control at Bogdahn Consulting.

## **ACTUARY REPORT**

Larry Wilson appeared before the Board to present the Actuarial Valuation as of October 1, 2014. Mr. Wilson noted that the Valuation set for the contribution requirements for the fiscal year ending September 30, 2016. He stated that the contribution per dollar amount was down. Mr. Wilson reviewed the total contribution requirement. The total minimum required contribution for fiscal year beginning October 1, 2015 is \$1,453,625, with \$1,338,697 from the Village, \$112,038 from the members, and \$2,890 from the State. It was noted that there were no changes in actuarial assumptions, methods or Plan benefits. Mr. Wilson noted that the Valuation includes the new governmental accounting reporting requirements of GASB 68.

Mr. Wilson stated that he was recommending an experience study be done. He stated that the Fund has changed assumptions over time but an experience study has not been done. He recommended one be done every five years. He stated that the actuarial standards require they opine on reasonable assumptions. He disused the new mortality table that they will recommending moving to next year – RP 2014 Mortality Table. It was noted that there is proposed legislation that will require all pension plans in Florida to use a specific mortality table. If the proposed legislation passes the mortality table the Fund would be required to use would be the same mortality table that FRS uses. Ms. Jensen stated that the Board should wait to see if the Bill passes before changing the mortality table. There was a lengthy discussion. A motion was made, seconded and carried 5-0 based on the recommendation of the Actuary, to authorize the Actuary to prepare an experience study.

Mr. Wilson reviewed the cost data comparison from last year. He reviewed the actuarial gains/losses for plan year ending September 30 2014 and noted that there was an actuarial gain of \$80,238. He stated that based on the smoothed value of assets, the approximate gain due to investments was \$139,741. The actual salary increase was 5.7% versus the assumed rate of 4.8%. The smoothed investment return was 8.3% versus the assumed actuarial rate of 7.5%. Mr. Wilson reviewed the development of the smoothed value of pension plan assets. He reviewed the new accounting disclosure exhibits for GASB 67 and GASB 68. He noted that the funded ratio was 79.53%. It was noted that the Board had previously received information from the Actuary regarding GASB 67 and GASB 68 and the costs associated with preparing the required reporting requirements. A motion was made, seconded and carried 5-0 to approve the Actuarial Valuation as of October 1, 2014.

Mr. Wilson reviewed the Implementation Package dated October 31, 2014 regarding SB 534. It was noted that there were new reporting requirements from the State. It was noted that while the requirements including using an assumed rate of return 2% below the Plan's assumed rate, the Board may want to include the use of the assumed rate of return 2% above the Plan's assumed rate. There was a lengthy discussion. A motion was made, seconded and carried 5-0 to approve the costs of preparing the SB 534 reporting requirements which will include showing the assumed rate of return 2% above the Plan's assumed rate.

### **ATTORNEY REPORT**

Ms. Jensen provided a Memorandum dated December 2014 regarding the IRS mileage rate effective January 1, 2015.

Ms. Jensen provided a Legislative update. She reviewed a Memorandum regarding SB 172 and SB 242 dated January 2015. She reviewed the two proposed Bills that provide for changes to Chapters 112, 175 and 185 of the Florida Statutes. She stated that she would continue to monitor this issue.

Ms. Jensen stated that now that the Fund has received the 185 monies, the Actuary needs to know how to apply the monies. She stated that she has sent two letters to the Village and the Union regarding the matter but has not received any response.

Ms. Jensen discussed an updated Special Tax Notice. She stated that the IRS issued a new Special Tax Notice effective January 1, 2015. This Notice explains rollover options. She stated that she thought the new updated Notice was a little more confusing than the prior Notice. She recommended the Plan use the safe harbor language even if it is somewhat confusing.

Ms. Jensen provided an update on the DROP program. She stated that the issue of treating DROP plans like DC plans has temporality gone away. She stated that the Fund does not need to apply the limit applicable to DC plans. It was noted that the defined benefit to a DROP account is not considered an annual addition as it is not an employee or employer contribution. Rather, payments to the DROP will be measured against the defined benefit limits.

### **ADMINISTRATIVE REPORT**

Ms. Adcock presented the disbursements. A motion was made, seconded and carried 5-0 to pay all listed disbursements.

### **OTHER BUSINESS**

There being no further business, the meeting was adjourned.

Respectfully submitted,

James Gregory, Secretary