

**VILLAGE OF
PALM SPRINGS POLICE OFFICERS' PENSION FUND
MINUTES OF MEETING HELD
August 4, 2015**

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
Darrell Diez
Gene Hall
Robert Perez

OTHERS

Bonni Jensen, Attorney
Margie Adcock & Vanessa Rodriguez, The Resource Centers
Tyler Grumbles, Bogdahn Consulting
Larry Wilson, Actuary

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held May 5, 2015. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held May 5, 2015.

ACTUARY REPORT

Larry Wilson appeared before the Board. He presented the October 1, 2014 Chapter 112.664 Compliance Report. He discussed the four sets of assumptions used in the Report: the valuation assumptions; 112.664 (1)(a) assumptions; 112.664 (1)(b) assumptions; and 112.664 (1)(a) plus 2% on investment return assumptions. He reviewed the Report in detail. He stated that the Report needs to be filed with the State electronically, which has already been done. He stated that the Report also needs to be on the Village and Plan websites, which has already been done as well.

Mr. Wilson presented an engagement letter to conduct an experience study. He reminded the Board that at the January 30, 2015 meeting he recommended that an experience study be done. He discussed what the experience study would entail. He stated that he would look at mortality, noting that legislation was recently passed requiring the Fund to use the same morality tables that are used by FRS. Mr. Wilson stated that it is his understanding that this change is required to be made no later than the October 1, 2016 Valuation, although the Board may want to discuss implementing the change with the next Valuation. He discussed the FRS mortality tables compared to the mortality table that the Plan currently uses. He stated that the FRS mortality tables would increase Plan costs. Mr. Wilson stated that in conducting the experience study he would also look at the investment return assumption. He stated that the Plan is currently at 7.5% which is pretty good. It was noted that 79% of plans are at 7.5% or higher so this Plan is clearly in the majority. However, since this is a closed plan he recommends that the Plan become even more conservative. Mr. Wilson stated that in conducting the experience study he would

be looking at updating the salary assumption, as well as looking at the termination rates and retirement rates. It was noted that the cost for the experience study would not exceed \$9,842 and would take 60 days to complete. There was a lengthy discussion. A motion was made, seconded and carried 4-0 based on the recommendation of the Actuary, to approve the Experience Study at a cost not to exceed \$9,842.

Mr. Wilson presented an updated Summary Plan Description. He stated that it includes the updated financial information as well as a few additional updates regarding the investment managers and fund information. The Board reviewed the updated Summary Plan Description. A motion was made, seconded and carried 4-0 to approve the updated Summary Plan Description for distribution to the active members.

Mr. Wilson discussed his letter dated July 17, 2015 regarding the October 1, 2015 COLA. He stated that unfortunately there would be no COLA this year. The Ordinance prescribes when a COLA can be provided and there is a specific CPI formula that is used to determine if a COLA can be provided and what the amount will be. He stated that the CPI formula used to determine the COLA for October 1, 2015 showed decrease of -.4%. The Plan does not provide for a decrease in the benefits paid when the CPI formula results in a negative number but rather provides that there will be no increase in the benefits paid.

INVESTMENT MONITOR REPORT

Tyler Grumbles appeared before the Board. He reviewed the market environment for the period ending June 30, 2015. He stated that international did better than domestic equity for the quarter. He noted that since the end of the quarter into August China and Greece have driven the market down a little. It was noted that fixed income was down for the quarter. Garcia Hamilton thought interest rates would go down, but interest rates actually went up so they underperformed the benchmark. It was noted that health care was the best performing sector for the quarter, which industrials and utilities were the worst performing sectors for the quarter.

Mr. Grumbles reported on the performance of the Fund for the quarter ending June 30, 2015. The total market value of the Fund as of June 30, 2015 was \$20,473,627. The asset allocation was 57.9% in domestic equities; 9.1% in international; 28.3% in domestic fixed income; 4.3% in global fixed income; and .4% in cash. The total portfolio was down .19% net of fees for the quarter ending June 30, 2015 while the benchmark was down .07%. The total equity portfolio was up .22% while the benchmark was up .24%. The total domestic equity portfolio was up .09% for the quarter while the benchmark was up .14%. The total fixed income portfolio was down .97% for the quarter while the benchmark was down .68%. The total domestic fixed income portfolio was down 1.09% for the quarter while the benchmark was down .67%. The total international portfolio was up 1.12% for the quarter while the benchmark was up .72%. The total global fixed income portfolio was down .14% for the quarter while the benchmark was down .57%.

Mr. Grumbles reviewed the performance of the individual manager portfolios. The Vanguard Total Stock Market portfolio was up .09% for the quarter while the Russell 3000 benchmark was up .14%. The EuroPacific Growth portfolio was up 1.12% for the quarter while the benchmark was up .72%. The Garcia Hamilton portfolio was down

1.09% for the quarter while the benchmark was down .67%. The Templeton Global Total Return portfolio was down .14% while the benchmark was down .57%. Mr. Grumbles stated that Templeton has done a good job protecting on the downside.

Mr. Grumbles presented information on adding active management on the domestic equity side. He stated that he thinks it is a good time to look at managers that can protect on the downside. He provided information on four candidates for domestic equity mutual funds: Dana; JP Morgan; Parnassus; and Vanguard Mid Cap. He suggested adding one of these managers to supplement what the Fund already has. He reviewed all of the candidates. He stated that Dana has 59 holdings and tends to be more on the value side with a fee of 73 basis points. JP Morgan has 144 holdings and tends to be more on the growth side with a fee of 35 basis points. Parnassus is more concentrated with 41 holdings and tends to protect very good on the downside and tends to be more on the growth side with a fee of 67 basis points. Vanguard Mid Cap is an index fund that tends to capture a lot more of the up market with a fee of 9 basis points. He stated that Vanguard Mid Cap has more risk than large cap stocks, but the reward is worth it. Mr. Grumbles reviewed performance for the quarter, 1, 2, 3, 5, 7 and 10 year periods ending June 30, 2015. He reviewed the fiscal year performance as of June 30, 2015 since 2005. He reviewed the risk and return analysis. He stated that Parnassus has the most return with the least amount of risk while Vanguard has added the most risk but still added good return. He reviewed the up and down market capture ratio for the 10 year period ending June 30, 2015. Mr. Grumbles stated that he liked Parnassus but noted that Parnassus is not the most consistent manager so maybe it would be best to add a combination of managers. He reviewed information on different blends of managers. Mr. Grumbles recommended a combination of JP Morgan, Parnassus, Vanguard Mid Cap and Vanguard Total Stock Market, with 25% of domestic equity in each manager. He stated that it would add a lot of value but would not take a lot of risk. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to follow the recommendation of the Investment Monitor and put 25% of the domestic equity portfolio with each of the following managers: JP Morgan, Parnassus, Vanguard Mid Cap and Vanguard Total Stock Market.

ATTORNEY REPORT

Ms. Jensen provided a Memorandum dated May 28, 2015 regarding SB 172. She stated that it was signed by the Governor and requires the sharing of premium tax monies between the Village and the Plan, and the establishment of a Share Account. She advised that there has to be mutual agreement on how to spend the money and if there is not, then the default provisions in the law will govern. Ms. Jensen stated that this seems to be a good solution for the Plan as the Plan already has a Share Account that can just be reactivated. There was a lengthy discussion.

Ms. Jensen provided a Memorandum dated May 2015 Regarding New Florida Pension Reporting Under 112.664. She stated that there is new legislation that requires the Board to submit a budget to the Plan Sponsor by October 1, 2015.

Ms. Jensen provided a Memorandum dated June 12, 2015 regarding HB 1309 and the requirement to use one of the FRS mortality tables. She noted that Mr. Wilson already covered this issue.

ADMINISTRATIVE REPORT

Ms. Adcock provided an update on the status of new compliance reporting requirements. She stated that new laws required certain information to be posted on the Fund's website, as well as the Village website. It was reported that the information had to be posted by June 29, 2015. Ms. Adcock advised that all of the required information was posted timely on their website for the Fund. Additionally, the Village was asked to establish a link on the Village website to the Fund's website.

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

Ms. Adcock advised that the Fiduciary Liability Insurance is due to expire on November 1, 2015. A motion was made, seconded and carried 4-0 to renew the Fiduciary Liability Insurance with the cost not to exceed \$5,000.

Ms. Adcock presented a draft administrative expense budget for fiscal year 2016 that is required by Section 175.061(8)(a)2, Florida Statutes. The Board reviewed the draft budget. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to adopt the administrative expense budget and provide the budget to the Village in compliance with Section 175.061(8)(a)2, Florida Statutes.

Ms. Adcock noted that the term of the 5th Trustee held by Tim Conboy was due to expire on September 30, 2015. A motion was made, seconded and carried 3-0 to reappoint Tim Conboy as the 5th Trustee for another term.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

James Gregory, Secretary