

**VILLAGE OF  
PALM SPRINGS POLICE OFFICERS' PENSION FUND  
MINUTES OF MEETING HELD  
November 10, 2015**

The meeting was called to order at 3:40 P.M. in the Conference Room on the First Floor at Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Tim Conboy (3:53 P.M.)  
James Gregory  
Gene Hall

**OTHERS**

Bonni Jensen, Attorney  
Margie Adcock, The Resource Centers  
Tyler Grumbles, Bogdahn Consulting  
Larry Wilson, Actuary  
Janna Hamilton, Garcia Hamilton

It was noted that since there was not a quorum present, a workshop would be held until there is a quorum.

**INVESTMENT MANAGER REPORT – GARCIA HAMILTON & ASSOCIATES**

Janna Hamilton appeared before the Board. She reviewed their investment goals which are to preserve the principal; maintain liquidity; and provide high current income. She stated that everything in the portfolio is A rated or better. She reviewed the performance for the quarter ending September 30, 2015. The total market value of the portfolio as of September 30, 2015 was \$6,098,064.96. The asset allocation was 70.3% in fixed income and 29.7% in cash. She stated that there was a high cash allocation at September 30<sup>th</sup> because the Board asked them to raise cash for the Fund's real estate investment, which cash was moved out of their portfolio on October 1. The portfolio was up 1.7% for the quarter ending September 30, 2015 while the benchmark was up 1.1%. For the fiscal year to date, the portfolio was up 4% while the benchmark was up 2.9%. Ms. Hamilton stated that they have added value by looking at opportunistic possibilities. Their duration remains longer than the benchmark. She stated that earnings are coming down in a lot of companies and she thinks that will remain the case. She noted that oil prices are low, the dollar is strong, and unemployment is not as good as most people think. The longer duration has been a net benefit over the last year. She reviewed the current fixed income market factors. She does not see any near term concerns for inflation. She reviewed the fixed income intermediate historical sector weighting. She reviewed the portfolio characteristics.

Tim Conboy entered the meeting. A quorum was now present.

Ms. Hamilton stated that she did not think returns would go up over the next few quarters. She thinks the market will remain flat. She sees headwinds abroad. She stated that this year they received the 2015 Institutional Investor Intermediate-Term Fixed Income Manager of the Year Award.

Janna Hamilton departed the meeting.

## **PUBLIC COMMENTS**

There were no public comments.

## **MINUTES**

The Board reviewed the minutes of the meeting held August 4, 2015. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held August 4, 2015.

## **INVESTMENT MONITOR REPORT**

Tyler Grumbles appeared before the Board. He reviewed the market environment for the period ending September 30, 2015. He stated that it was not a very good quarter for the market. He noted that domestic and international equities were down for the quarter. China was a major detractor.

Mr. Grumbles reported on the performance of the Fund for the quarter ending September 30, 2015. The total market value of the Fund as of September 30, 2015 was \$20,156,809. The asset allocation was 54.5% in domestic equities; 9.8% in international; 21.2% in domestic fixed income; 4.9% in global fixed income; 9.4% in real estate; and .2% in cash. The total portfolio was down 4.47% net of fees for the quarter ending September 30, 2015 while the benchmark was down 4.69%. The total equity portfolio was down 6.90% while the benchmark was down 7.99%. The total domestic equity portfolio was down 6.45% for the quarter while the benchmark was down 7.25%. The total fixed income portfolio was up .53% for the quarter while the benchmark was up .62%. The total domestic fixed income portfolio was up 1.68% for the quarter while the benchmark was up 1.08%. The total international portfolio was down 9.81% for the quarter while the benchmark was down 12.10%. The total global fixed income portfolio was down 6.79% for the quarter while the benchmark was down 1.59%. It was noted that the Principal real estate investment was funded during the quarter. Mr. Grumbles stated that they took the entire amount all at once on October 1, 2015.

Mr. Grumbles reviewed the performance of the individual manager portfolios. The Vanguard Total Stock Market portfolio was down 7.26% for the quarter while the Russell 3000 benchmark was down 7.25%. The EuroPacific Growth portfolio was down 9.81% for the quarter while the benchmark was down 12.10%. The Garcia Hamilton portfolio was up 1.68% for the quarter while the benchmark was up 1.08%. The Templeton Global Total Return portfolio was down 6.79% while the benchmark was down 1.59%. Mr. Grumbles stated that Templeton was the worst performer for the quarter and the fiscal year because they were hit by the emerging markets. It was also noted that the Fund transitioned the domestic equity portfolio during the quarter by investing in JP Morgan, Parnassus, and Vanguard Mid Cap.

## **ACTUARY REPORT**

Larry Wilson appeared before the Board. He presented the experience study for the five years ending September 30, 2014. He stated that the economic factors are a forward looking process while the demographic factors more reflect history. He stated that they

need the most accurate information to systematically fund the Plan. If the assumptions are too aggressive then the current contribution will be lower and the future contributions will be higher. Alternatively, if the assumptions are too conservative then the current contributions will be higher and the future contributions will be lower. They recommend an experience study be done not less than every five years. Mr. Wilson reviewed the summary of findings. With respect to salary increases, they were much lower than they had assumed. If they make a change to the salary assumption, it will reduce the cost by 1.22%. He stated that if they update the assumed rates of future retirements to better reflect the observed retirement experience that will increase the cost by .58%. With respect to withdrawal rates, they have been quite low with not much turnover. He stated that to better align the rates with the actual experience, he would reduce the turnover assumptions which would increase the cost by 1.97%. To update the mortality tables in compliance with HB 1309 there would be an increase in cost of 1.06%. He recommended starting this change early so as to dampen the effect at October 1, 2015. Mr. Wilson reviewed the cost to reduce the investment return assumption to 7.25%. He noted that this is a closed plan so the trend is to bump the investment return assumption down. This would increase the cost by 5.44%. The combined effect of making all of the changes with the current investment return assumption of 7.5% would increase the cost by 2.01%. The combined effect of making all of the changes with the recommended investment return assumption of 7.25% would increase the cost by 7.88%.

Mr. Wilson noted that the reduction in the investment return has a fairly substantial effect on the cost. He reviewed the results for the basis of his recommendation to lower the investment return such as investment return forecasts. He noted that they used to pick investment assumptions based on what was more likely to occur than what was not to occur. However, now they are supposed to be based on a best estimate. He stated that the probability of having an investment return of 7.5% is 40.5% while the probability of having an investment return of 7.25% is 37.9%. He stated that he thinks looking at the long term making the change to 7.25% is the most appropriate thing to do. The total contribution would increase about \$80,000. Mr. Grumbles stated that the probability from 37.9% to 40.5% is not a big change. He stated that he would not change the asset allocation based on that. He stated that it is more conservative and more realistic, but he does not see a drastic increase in the probability. There was a lengthy discussion. There was discussion on the possibilities of deferring the mortality table change until next year when it is actually required to be changed. There was also discussion on reducing the investment return incrementally at .5% each year for five years. This would show that the Board has a plan in place to move in the right direction. Mr. Wilson recommended implementing all of the changes. A motion was made, seconded and carried 3-0 to approve the changes recommended by the Actuary in the Experience Study with the exception of the investment return assumption which would be reduced by .5% increments over the next five years to get from 7.5% to 7.25%. Mr. Grumbles stated that he would change the Investment Policy Statement to reflect the investment change.

### **ATTORNEY REPORT**

Ms. Jensen provided the NCPERS Code of Conduct for Public Pension Service Providers. She reviewed the Code with the Board. Schedule A to the Code identifies organizations that actively work against public pension plans. She stated that the Board could adopt the Code if they so desired. She stated that she has not had any of her other

public pension plan clients adopt the policy as of yet. She stated that no action is required.

Ms. Jensen stated that she needed a Power of Attorney for the IRS Determination Letter. She also noted that the IRS Determination Letter filing fee is \$2,500. A motion was made, seconded and carried 3-0 to authorize the payment of \$2,500 for the filing fee of the IRS Determination Letter. A motion was made, seconded and carried 3-0 to authorize the Chair to sign the Power of Attorney for the IRS Determination Letter.

There was discussion on the tax premium monies from the State. Mr. Wilson stated that he would be attending the Division of Retirement conference next week and was hoping to get some answers on this issue. Ms. Jensen stated that the applicable law is not effective until after October 1, 2015. She stated that she has asked the Village and the Union on numerous occasions on how they are going to divide the money but she has not received any response. There was a lengthy discussion.

### **ADMINISTRATIVE REPORT**

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

### **OTHER BUSINESS**

There was discussion on how the joint and survivor options work. Mr. Wilson stated that if someone elects the 75%, 66 2/3% or 50% joint and survivor annuity and either person dies, the Participant or the joint survivor, the benefit amount will decrease if either one of them dies.

There being no further business, the meeting was adjourned.

Respectfully submitted,

James Gregory, Secretary