

**VILLAGE OF
PALM SPRINGS POLICE OFFICERS' PENSION FUND
MINUTES OF MEETING HELD
November 6, 2018**

The meeting was called to order at 1:01 P.M. in the Multi-Purpose Room on the First Floor at Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Tim Conboy
James Gregory
Robert Perez

OTHERS

Bonni Jensen, Attorney
Margie Adcock, The Resource Centers
Jennifer Gainfort, AndCo Consulting

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held August 7, 2018. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held August 7, 2018.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board. Ms. Gainfort reviewed the market environment for the period ending September 30, 2018. She stated that market returns were mixed with developed markets being positive and emerging markets being negative. She noted that there is still tension between the US and China with trade war discussions. She stated that there were strong domestic equity returns with September 2018 having the best performance. However, October 2018 was the worst month for domestic markets since 2011. Ms. Gainfort stated that the market is anticipating a fourth rate hike later this year. Growth continues to be a leader over value. Large cap outperformed mid and small cap.

Ms. Gainfort reported on the performance of the Fund for the quarter ending September 30, 2018. The total market value of the Fund as of September 30, 2018 was \$29,533,573. The asset allocation was 57.7% in domestic equities; 9.8% in international; 18.5% in domestic fixed income; 4.5% in global fixed income; 9.5% in real estate; and .0% in cash. The total portfolio was up 4.12% net of fees for the quarter ending September 30, 2018 while the benchmark was up 3.42%. The total equity portfolio was up 5.70% while the benchmark was up 6.17%. The total domestic equity portfolio was up 6.90% for the quarter while the benchmark was up 5.91%. The total fixed income portfolio was up .39% for the quarter while the benchmark was up .21%. The total domestic fixed income portfolio was up .13% for the quarter while the benchmark was up .11%. The total international portfolio was down .84% for the quarter while the benchmark was up .80%. The total global fixed income portfolio was up 1.38% for the quarter while the benchmark was up .67%. The total real estate portfolio was up 2.46% for the quarter while the benchmark was up 2.08%.

Ms. Gainfort reviewed the performance of the individual manager portfolios. The JP Morgan Disciplines portfolio was up 7.93% for the quarter while the S&P 500 was up 7.71%. The Parnassus Core portfolio was up 7.90% for the quarter while the S&P 500 was up 7.71%. The Vanguard Mid Cap Index portfolio was up 4.67% for the quarter while the Russell Mid Cap Index was up 5.00%. The Vanguard Total Stock Market portfolio was up 7.09% for the quarter while the Russell 3000 benchmark was up 7.12%. The EuroPacific Growth portfolio was down .84% for the quarter while the benchmark was up .80%. Ms. Gainfort noted that the EuroPacific Growth portfolio was overweight to emerging markets which was negative for the quarter and the year. She noted that their long term performance was still great. The Garcia Hamilton portfolio was up .13% for the quarter while the benchmark was up .11%. The Templeton Global Total Return portfolio was up 1.38% while the benchmark was up .67%. The Principal portfolio was up 2.46% for the quarter while the NCREIF was up 2.08%. Ms. Gainfort stated that overall everything went very well and was very strong for the quarter and the fiscal year. She stated that she thinks things are moving in the right direction.

ATTORNEY REPORT

Ms. Jensen provided an updated Special Tax Notice. She stated that the IRS updated the Notice, which is a very informative document. It needs to be provided to members taking lump sum distributions, such as a refund or a DROP Distribution.

Ms. Jensen provided a Proposed Records Management Liaison Officer Resolution and Designation. She stated that the State requires the Board to designate a Records Management Liaison (RMLO). She stated that she drafted a Resolution that names the Resource Centers as the RMLO. She recommended that the Board adopt the RMLO Resolution to appoint the Resource Centers as the RMLO and adopt the State of Florida General Records Schedule GS1-SL for Local Government Agencies as the records retention schedule. A motion was made, seconded and carried 3-0 to adopt the RMLO Resolution to appoint the Resource Centers as the RMLO and adopt the State of Florida General Records Schedule GS1-SL for Local Government Agencies as the records retention schedule.

Ms. Jensen provided an Addendum to the Monitor/Consultant Agreement which reduces the annual COLA from 5% to 2.5% and updates the Agreement to be in compliance with Florida law. A motion was made, seconded and carried 3-0 to adopt the Addendum to the Monitor/Consultant Agreement.

ADMINISTRATIVE REPORT

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

The Board was provided with certification from the Resource Centers that they successfully completed their SSAE 16 SOC 1 Audit as of June 30, 2018.

Ms. Adcock provided a Notice of Trustee Elections that was sent out to all of the active members of the Plan. It was noted that the election is for the two police officer representatives on the Board. The one position is a vacancy for the position that was

previously held by Darrell Diez and the other position is for the position currently held by James Gregory.

Ms. Adcock stated that an Affidavit for the Confirmation of Receipt of Retirement Benefits was sent to all retirees. It was noted that she was still waiting on two retirees to return their documentation. .

INVESTMENT MANAGER REPORT – GARCIA HAMILTON & ASSOCIATES

Jeff Detwiler and Alina Lockhart appeared before the Board via teleconference Mr. Detwiler stated that he was a partner and portfolio manager and Ms. Lockhart was a client relations associate. He provided an overview of their firm. They are 100% employee owned with 34 employees. He stated that about one-third of the employees are in marketing; one-third are on the investment team; and one-third are in operations. They are based in Houston and focus completely on fixed income. They recently passed \$12 billion in assets under management. Mr. Detwiler reviewed their investment goal. Their core principals are to preserve principal, maintain liquidity, and provide higher current income. Their key tools are sector rotation, controlled interest rate anticipation, and yield curve positioning.

Mr. Detwiler reviewed the performance for the quarter ending September 30, 2018. The total market value of the portfolio as of September 30, 2018 was \$5,471,345.13. The portfolio was up .13% for the quarter ending September 30, 2018 while the benchmark was up .11%. For the fiscal year the portfolio was up .22% while the benchmark was down .93%. Mr. Detwiler stated that they achieved their goal without taking any unnecessary risk.

Mr. Detwiler discussed the market environment. He stated that the Fed raised rates again in September and they expect another rate hike by the end of the year. It was noted that the yield curve has flattened. They have been shorter than the Index since mid-2016. He stated that they are maintaining a shorter duration position because they think the market is underestimating the Fed activity, like the Fed rate hikes. As the Fed has increased rates, LIBOR has adjusted significantly with it. At the beginning of the year the market expectation for the Fed funds rate hikes was at a 62% probability of just two or fewer rate hikes this year. There is now a 71.2% probability of a fourth rate hike this year. He stated that they believe that there is a 100% probability of a fourth rate hike this year and three next year. Mr. Detwiler thinks the market is complacent to future Fed activity and future Fed rate hikes. He stated that they do not feel fixed rate corporate bonds offer value right now. He reviewed fixed income portfolio characteristics as of September 30, 2018. He stated that the asset allocation is 56% in Treasuries; 19% in corporates; 15% in agencies; 8% in mortgages; and 2% in cash.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

James Gregory, Secretary