

**VILLAGE OF  
PALM SPRINGS POLICE OFFICERS' PENSION FUND  
MINUTES OF MEETING HELD  
February 4, 2020**

The meeting was called to order at 10:02 A.M. in the Planning and Zoning Conference Room at Village Hall in Palm Springs, Florida. Those persons present were:

**TRUSTEES**

Tim Conboy  
Sean Grant  
Robert Perez

**OTHERS**

Bonni Jensen, Attorney  
Margie Adcock, The Resource Centers  
Jennifer Gainfort, AndCo Consulting  
Shelly Jones & Nicholas Lahaye, Actuary

**PUBLIC COMMENTS**

There were no public comments.

**MINUTES**

The Board reviewed the minutes of the meeting held November 5, 2020. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held November 5, 2019.

**ACTUARY REPORT**

Shelly Jones and Nicholas Lahaye appeared before the Board. Ms. Jones stated that she was taking over the Plan with Jennifer Borregard as Larry Wilson retired. She stated that she has ten years of experience with the Plan working with Mr. Wilson. She also noted that Jennifer Borregard has been working on this account with Mr. Wilson since the beginning so they have a lot of experience with the Plan. It was noted that Mr. Lahaye has over 15 years of experience and is a consultant with GRS.

Ms. Jones presented the Actuarial Valuation as of October 1, 2019. She noted that the Valuation set forth the contribution requirements for the fiscal year ending September 30, 2021. She reviewed the total contribution requirement. She stated that the total contribution requirement is down from last year. The contribution is lower than expected. The main reason the contribution is down is due to the mortality table assumption change. The total minimum required contribution for fiscal year beginning October 1, 2020 is \$497,870, with \$300,044 from the Village, \$91,693 from the State, and \$106,133 from the members.

Ms. Jones reviewed the changes in the actuarial assumptions and Plan benefits. She stated that the assumed investment return was reduced from 7.30% to 7.25%. The mortality assumption was updated to the mortality assumption used by FRS based on the July 1, 2019 FRS Valuation. She stated that it was a better assumption for the Plan as it only reflects public sector participants. The prior assumption included both public and private sector and since the assumption is that public sector does not live as long, changing the assumption lowered the liability and lowered the contribution. There were no changes in Plan benefits.

Ms. Jones reviewed the actuarial gains/losses for plan year ending September 30, 2019 and noted that there was an actuarial loss of \$343,868. She stated that the salary experience was 4.9% compared to the assumed salary increase of 4.1%, which caused an actuarial loss. There was no turnover which was an additional source of actuarial loss. The smoothed investment return of 8.66% versus the 7.30% assumption was a source of actuarial gain. Ms. Jones reviewed the cost data comparison from last year. She reviewed the development of the smoothed value of pension plan assets. She noted that the funded ratio was 98.94%. She reviewed the unfunded actuarial accrued liabilities.

Ms. Jones recommended doing an experience study. She stated that it has been five years since such a study was done. An experience study is done to realign assumptions. She stated that it seemed the salary is the most contributing factor here. After five years they are relying on older information. The Board noted that last year the active members received salary increases to be more in line with surrounding agencies, with another increase this year.

Mr. Lahaye reviewed the historical comparisons of public contribution requirements from October 1, 2000 through October 1, 2019. There was a discussion on the Village contribution. The Village funding has been the same since October 1, 2012 at \$1.422 million. It was noted that the Village contribution is more than the required amount. Ms. Jones stated that the Fund is still underfunded on a total accrued liability basis. She stated that if everything stayed the same, the Fund would be underfunded in five years. It is something that they need to monitor. It is definitely better to get more money in the Plan sooner and put it to work for the Fund. There was discussion on possibly combining liabilities for the police or shortening the amortization time frame from 20 years to the working lifetime of the remaining active employees. Ms. Jensen stated that since this is a closed plan it would make sense to try to bring the amortization period closer to the working life of the actives. Ms. Jones stated that they would look at this closer next year. Ms. Adcock noted that the funded ratio was nearing 100% and that once the Fund is fully funded the State might not provide the premium tax revenues. There was a lengthy discussion. It was noted that one way to control the issue would be to lower the rate of return. Ms. Jones stated that she would look at the assumed rate of return when they do the experience study. The Board inquired about the cost of the experience study. Ms. Jones stated that she would send a fee quote for the Board to consider at the next meeting. If the Board approves the experience study, they would present it at the August meeting and incorporate any changes in the next Valuation. A motion was made, seconded and carried 3-0 to approve the Actuarial Valuation as of October 1, 2019.

Ms. Jones provided the Share Account Allocations as of October 1, 2019. A motion was made, seconded and carried 3-0 to approve the Share Account Allocations as of October 1, 2019.

### **INVESTMENT MONITOR REPORT**

Jennifer Gainfort appeared before the Board. She provided an update on the firm. She stated that the firm is celebrating their 20 year anniversary. They have six offices with 89 employees. They have \$92 billion in client assets under advisement. In 2019 they hired nine new team members and added two more partners for a total of ten partners.

Ms. Gainfort reviewed the market environment for the period ending December 31, 2019. She stated that the year had started off in a strong fashion and ended that way too. It was

one of the best years they have seen in a strong decade. She stated that they do not anticipate any Fed rate hikes or cuts on the horizon. The US and China reached a Phase 1 trade deal which has provided clarity and the markets were happy with that. Small cap did better than large cap for the quarter. Emerging markets did better than both developed markets and domestic equities. Growth did better than value for the quarter and the one year. The economy appears to be on strong footing with wages increasing and unemployment low. There is no recession predicted. She stated that she thinks people are anticipating a recession because it has been so long but everything appears to be strong.

Ms. Gainfort reported on the performance of the Fund for the quarter ending December 31, 2019. The total market value of the Fund as of December 31, 2019 was \$33,380,969. The asset allocation was 58.1% in domestic equities; 9.6% in international; 19.2% in domestic fixed income; 4.1% in global fixed income; 9.0% in real estate; and .0% in cash. The total portfolio was up 5.78% net of fees for the quarter ending December 31, 2019 while the benchmark was up 6.21%. The total equity portfolio was up 8.31% for the quarter while the benchmark was up 9.09%. The total domestic equity portfolio was up 8.025% for the quarter while the benchmark was up 9.10%. The total fixed income portfolio was up .68% for the quarter while the benchmark was up .77%. The total domestic fixed income portfolio was up .42% for the quarter while the benchmark was up .47%. The total international portfolio was up 10.09% for the quarter while the benchmark was up 8.99%. The total global fixed income portfolio was up 1.88% for the quarter while the benchmark was up 1.97%. The total real estate portfolio was up 1.25% for the quarter while the benchmark was up 1.53%.

Ms. Gainfort reviewed the performance of the individual manager portfolios. The JP Morgan Disciplines portfolio was up 9.97% for the quarter while the S&P 500 was up 9.07%. The Parnassus Core portfolio was up 6.32% for the quarter while the S&P 500 was up 9.07%. Ms. Gainfort noted that JP Morgan does better in up markets while Parnassus protects better on the downside. She stated that she thinks they balance each other out nicely. The Vanguard Mid Cap Index portfolio was up 6.88% for the quarter while the Russell Mid Cap Index was up 7.06%. The Vanguard Total Stock Market portfolio was up 9.01% for the quarter while the Russell 3000 benchmark was up 9.10%. The EuroPacific Growth portfolio was up 10.09% for the quarter while the benchmark was up 8.99%. The Garcia Hamilton portfolio was up .42% for the quarter while the benchmark was up .47%. The Templeton Global Total Return portfolio was up 1.88% while the benchmark was up 1.97%. The Principal portfolio was up 1.25% for the quarter while the NCREIF was up 1.53%. Ms. Gainfort stated that she thinks the portfolio is in a good place. She stated that she had no recommended changes.

It was noted that the Board needs to formally determine the expected rate of return for the short term and long term, as is required by the State. It was noted that the Board just approved the return of 7.25% in the Valuation. A motion was made, seconded and carried 3-0 to determine the expected rate of return using the rate of 7.25%. Ms. Gainfort stated that she would prepare the letter to be sent to the State.

### **ATTORNEY REPORT**

Ms. Jensen provided a Memorandum dated November 2019 regarding the Uniformed Services Employment and Reemployment Rights Act of 1994. She stated that it was really an educational memo. It sets forth the rights and responsibilities of employers and

retirement plans to protect the rights of those who have served or will serve in the United States Armed Forces.

Ms. Jensen provided a Memorandum dated January 2020 regarding the IRS Mileage Rate for 2020. She noted that effective January 1, 2020 the mileage rate has been decreased to 57.5 cents per mile.

Ms. Jensen provided a Memorandum dated January 15, 2020 regarding the SECURE Act and IRS Limits for 2020. She stated that the law was passed at the end of the year and increases the required minimum distribution age from 70 ½ to 72 ½ effective January 1, 2020 for those that have not taken distributions. If someone has already started taking distributions, then they are subject to the old rules regarding minimum distribution requirements. It also addresses death benefits for non-spouse beneficiaries and acknowledges that there are different rules for spousal beneficiaries for lump sum distributions. Ms. Jensen stated that the other part of the memorandum dealt with the IRS limitations for the 415 limits which went up from \$225,000 to \$230,000. The amounts for 457 and 401 plans also increased to \$19,500.

Ms. Jensen provided a Memorandum dated January 2020 Regarding Changes to Florida's Notary Public Law. She stated that Florida's Public Notary Law was changed effective January 1, 2020 to permit remote online notarizations under certain circumstances. It was noted that there are certain exemptions to the new law, such as not being applicable for change of beneficiaries or change of joint survivor annuitants. She stated that certain forms that are required to be notarized will need to be revised to include the new notary acknowledgment.

Ms. Jensen provided a Memorandum dated January 2020 regarding Fiduciary Standards for Local Officers. She stated that the Florida Legislature will be considering HB 1113/SB 1270 which is bill that adds a new section to Chapter 112 of the Florida Statutes establishing a general fiduciary standard for all local officers and appointed public officials. It was noted that this new section may conflict with the fiduciary standards already applicable to public pension plans that is in Section 112.656. As trustees for public pension plans, there is already a fiduciary duty to the participants of the plan, not the governing entity. Ms. Jensen stated that her office is trying to work out this conflict with the Division of Retirement. She noted that the proposed new law would also require five hours of governance training once a term.

Ms. Jensen discussed Comerica and their annual SSAE SOC 1 Audit. She stated that they had an issue again in this Audit but noted that it is really a carryover from last year. There was a lag of time from when the issue happened to when it was brought to Comerica's attention. Comerica took care of the problem but it was after their plan year. There were no additional issues that were pointed out in the Audit.

Ms. Jensen provided a Save the Date for their Client Conference. It was noted that the Client Conference was being held May 27-29.

### **ADMINISTRATIVE REPORT**

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

**OTHER BUSINESS**

It was noted that Robert Perez was reappointed by the Village at the November 14, 2019 Council meeting. His term will expire on September 30, 2021.

It was noted that the term of the 5<sup>th</sup> Trustee held by Tim Conboy expired on September 30, 2019. This item will be placed on the Agenda for the next meeting as there were not enough Trustees to vote on the appointment at this meeting.

It was noted that there is still a vacancy for a Village appointed Trustee.

There being no further business, the meeting was adjourned.

Respectfully submitted,

James Gregory, Secretary