

**VILLAGE OF
PALM SPRINGS POLICE OFFICERS' PENSION FUND
MINUTES OF WORKSHOP HELD
November 5, 2020**

A workshop was called to order at 11:37 A.M. in the Commission Chambers at Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Tim Conboy
Robert Perez

OTHERS

Bonni Jensen, Attorney
Margie Adcock, The Resource Centers
Jennifer Gainfort, AndCo Consulting
Felecia Ryans, Comerica
Janna Hamilton & Jeffrey Detwiler, Garcia Hamilton

A workshop was held as there was not a quorum of Trustees present.

MINUTES

The minutes of the meeting held August 4, 2020 will be approved at the next meeting.

INVESTMENT MANAGER REPORT: GARCIA HAMILTON & ASSOCIATES

Janna Hamilton & Jeffrey Detwiler appeared before the Board electronically. Ms. Hamilton reported on the quarter ending September 30, 2020. She stated that this has been an interesting time. They have had a strain with performance in 2019. In the beginning of 2020, they had duration wrong in the portfolio. However, they have had a nice turn around in the portfolio. They have outperformed in every time period for the quarter, fiscal year, 3, 5, 7 and since inception. Everything in the portfolio is A rated or better. They have a conservative portfolio. The markets are down now but not as much as the benchmark.

Mr. Detwiler stated that things were going well and then COVID hit. They rotated the portfolio to take advantage of historically wide spreads. He stated that they saw a record number of withdrawals of \$1.1 billion. He noted that they were the only source of liquidity for clients during this time. They went from \$15.5 billion in assets under management to \$14.4 billion. Even though they saw huge withdrawals, they were able to enact trades and were able to take advantage of the market. Mr. Detwiler discussed the performance. The total market value of the portfolio as of September 30, 2020 was \$6,740,462.09. The portfolio was up .55% for the quarter while the benchmark was up .48%. For the fiscal year, the portfolio was up 5.77% while the benchmark was up 5.66%. Mr. Detwiler discussed the market. He stated that there is a gigantic race for a vaccine. There are 190 vaccines in progress with 10 in phase 3. He has a good sense that there will be multiple vaccines. It usually takes 1 to 4 years to develop a vaccine but this is only taking 4 months. He thinks the market will rally once a vaccine is developed and distributed. He noted that China had a V shaped recovery. He reviewed the progress used during a financial crisis. He reviewed the Fed Reserve balance sheet. The Fed had a massive stimulus response to COVID. The Fed Reserve balance sheet grew from \$1

trillion to \$4.5 trillion over 7 years. When the virus hit, the Fed ramped up from \$4 trillion to \$7 trillion in less than a year. He reviewed inflation during and after a crisis. He compared the information from the Great Depression to the financial crisis and COVID. He stated that there is an expectation of higher inflation. He thinks there will be a higher interest rate environment going forward. Mr. Detwiler reviewed the average option adjusted spreads and the intermediate financial bond spread ratio. He reviewed the risk tools from December 2019, June 2020, and September 2020. He stated that they are still above the Index in terms of credit exposure. There are still some opportunities they see in the market. He reviewed the fixed income portfolio characteristics. He believes the Fed will give more stimulus as is necessary and needed. There is not a lot of value in mortgage-backed securities at this point. They do not feel very strongly about mortgages right now. There are huge prepayments due to refinancing going on. They do not hold any material weighting in the sector. There is not a lot of attractiveness in this area at the moment.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board electronically. Ms. Gainfort reviewed the market environment for the period ending September 30, 2020. She noted that the 5 big stocks of Apple, Microsoft, Amazon, Alphabet and Facebook represented one-third of the benchmark as a whole. Those 5 stocks represented 22.1% of the 37.5% return of the Index. It was a difficult place to outperform if a manager was not holding a market weight in these 5 stocks. Large cap outperformed small cap and growth outperformed value. Growth maintained dominance throughout the quarter. International was strong. Ms. Gainfort reviewed the sector returns. Technology, materials, and consumer discretionary came out on top. Energy, financials, and real estate lagged. There is increased volatility due to the virus. There is concern of a second wave and Europe is going into another lockdown. The virus needs to get contained and a vaccine needs to be found so the market can stabilize.

Ms. Gainfort reported on the performance of the Fund for the quarter ending September 30, 2020. The total market value of the Fund as of September 30, 2020 was \$34,857,084. The asset allocation was 58.8% in domestic equities; 9.6% in international; 19.4% in domestic fixed income; 3.7% in global fixed income; 8.5% in real estate; and 0.0% in cash. The total portfolio was up 6.43% net of fees for the quarter ending September 30, 2020 while the benchmark was up 6.06%. The total equity portfolio was up 21.73% for the quarter while the benchmark was up 21.18%. The total domestic equity portfolio was up 9.53% for the quarter while the benchmark was up 9.21%. The total fixed income portfolio was up .44% for the quarter while the benchmark was up 1.11%. The total domestic fixed income portfolio was up .63% for the quarter while the benchmark was up .48. The total international portfolio was up 9.66% for the quarter while the benchmark was up 6.38%. The total global fixed income portfolio was down .55% for the quarter while the benchmark was up 3.64%. The total real estate portfolio was up .01% for the quarter while the benchmark was up .57%.

Ms. Gainfort reviewed the performance of the individual manager portfolios. The JP Morgan Disciplines portfolio was up 9.26% for the quarter while the S&P 500 was up 8.93%. The Parnassus Core portfolio was up 11.46% for the quarter while the S&P 500 was up 8.93%. The Vanguard Mid Cap Index portfolio was up 7.95% for the quarter while the Russell Mid Cap Index was up 7.46%. The Vanguard Total Stock Market portfolio was up 9.19% for the quarter while the Russell 3000 benchmark was up 9.21%.

The EuroPacific Growth portfolio was up 9.66% for the quarter while the benchmark was up 6.36%. The Garcia Hamilton portfolio was up .63% for the quarter while the benchmark was up .48%. The Templeton Global Total Return portfolio was down .55% while the benchmark was up 3.64%. The Principal portfolio was up .01% for the quarter while the NCREIF was up .57%. Ms. Gainfort stated that it was a fantastic year as a whole.

Ms. Gainfort stated that she had prepared a revised Investment Policy Statement based on changes she thought the Board would make to the global fixed income manager. She would review the global fixed income manager search at the next meeting, as well as the revised Investment Policy Statement.

Janna Hamilton & Jeffrey Detwiler departed the meeting.

CUSTODIAN REPORT

Felecia Ryans appeared before the Board electronically. She provided a September 30, 2020 year end review. She discussed the services they provide to the Board. She noted that they started as the Custodian for the Fund back in June 2006. The net market value of the portfolio was \$32,030,995.75 as of September 30, 2020. She reviewed the transactions and their custodial duties. Ms. Jensen asked Ms. Ryans to address their SOC 1 Audit for the last two years. Ms. Ryans noted that they have received exceptions on their last two SOC 1 Audits. She stated that none of the instances affected the Plan directly. The instances had to do with the payment of benefits which Comerica does not do for this Plan. She stated that someone was utilizing the system that did not have proper user clearance. They have put in additional controls.

Felecia Ryans departed the meeting.

ATTORNEY REPORT

Bonni Jensen appeared before the Board electronically. She provided a Memorandum dated August 25, 2020 regarding Issues Relating to Disability Applications from Firefighters Utilizing the Cancer Presumption in Florida Statute Section 112.1816. She stated that this was just informational since there are no active firefighters or retirees entitled to this benefit in this Plan.

Ms. Jensen provided a Memorandum dated August 25, 2020 regarding Safeguarding America's First Responders Act of 2020 – Presumptive Benefit for COVID-19 Becomes Law. She stated that the federal benefit has been updated to include COVID for an in line of duty death. It would need to be proven that COVID was not caught off duty. The law recognized the dangers first responders are putting themselves in.

ADMINISTRATIVE REPORT

Ms. Adcock presented the disbursements. The Chair directed the Administrator to pay the disbursements, which will be ratified at the next meeting.

OTHER BUSINESS

Ms. Jensen stated that she would talk to the State to make sure that this workshop can be listed as a meeting on the Annual Report for this quarter. If there is a problem, a special meeting will need to be called.

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

There being no further business, the workshop was adjourned.

Respectfully submitted,

James Gregory, Secretary