

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

An electronic meeting was called to order at 10:07 A.M. Those persons present were:

**TRUSTEES**

Tim Conboy  
Sean Grant  
Robert Perez  
James Gregory

**OTHERS**

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

**MINUTES**

The Board reviewed the minutes of the meeting held May 5, 2020. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held May 5, 2020.

**INVESTMENT MONITOR REPORT**

Jennifer Gainfort appeared before the Board. Ms. Gainfort reviewed the market environment for the period ending June 30, 2020. She stated that it was a much better quarter than the prior one. There were strong gains across the global markets. A majority of the reversal came early in the quarter due to the economic stimulus. At the end of the quarter there was some optimism as there was a slow down with COVID cases and a resurgence of employment. She stated that it has been one of the most substantial recoveries the market has seen in history. The S&P 500 was up 20.5% which was the strongest return since 1998. Ms. Gainfort stated that growth outperformed value. There was an outperformance in technology where there was a lot of online shopping and Zoom meetings. International was strong but not as high as domestic. Interest rates stayed low and will stay low into 2021. Looking ahead it seems like a great recovery but it is too soon to tell for sure. COVID will continue to dominate headlines. What is needed is a reduction in the number of cases and a vaccine. There is definitely a lot of uncertainty involved. Another consideration is the level of support the government continues to provide. Finally, there is the election coming up in November. She stated that there are clear winners and losers along the way as the market continues to adapt to the new normal. The first quarter was rough but the recovery has been equally as strong in the second quarter.

Ms. Gainfort reported on the performance of the Fund for the quarter ending June 30, 2020. The total market value of the Fund as of June 30, 2020 was \$32,743,996. The asset allocation was 57.1% in domestic equities; 9.3% in international; 20.5% in domestic fixed income; 4.0% in global fixed income; 9.0% in real estate; and .0% in cash. Ms. Gainfort stated that there was no need to do any rebalancing. She stated that everything was in line with the target allocations. The total portfolio was up 14.29% net of fees for the quarter ending June 30, 2020 while the benchmark was up 14.21%. 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 21.56% for the quarter while the benchmark was up 22.03%. The total fixed income portfolio was up 3.34% for the quarter while the

benchmark was up 3.17%. The total domestic fixed income portfolio was up 3.94% for the quarter while the benchmark was up 2.139%. The total international portfolio was up 22.77% for the quarter while the benchmark was up 16.30%. The total global fixed income portfolio was up .36% for the quarter while the benchmark was up 7.40%. The total real estate portfolio was down 1.51% for the quarter while the benchmark was down 1.27%.

Ms. Gainfort reviewed the performance of the individual manager portfolios. The JP Morgan Disciplines portfolio was up 21.99% for the quarter while the S&P 500 was up 20.54%. The Parnassus Core portfolio was up 17.90% for the quarter while the S&P 500 was up 20.54%. The Vanguard Mid Cap Index portfolio was up 24.96% for the quarter while the Russell Mid Cap Index was up 24.61%. The Vanguard Total Stock Market portfolio was up 22.10% for the quarter while the Russell 3000 benchmark was up 22.03%. The EuroPacific Growth portfolio was up 22.77% for the quarter while the benchmark was up 16.30%. The Garcia Hamilton portfolio was up 3.94% for the quarter while the benchmark was up 2.13%. The Templeton Global Total Return portfolio was up .36% while the benchmark was up 7.40%. The Principal portfolio was down 1.51% for the quarter while the NCREIF was down 1.27%.

Ms. Gainfort stated that there was a slight underperformance on the domestic side but international was strong. She discussed Templeton. She stated that they have had a bit of a struggle. They do not manage very close to the Index but their ranking in the 100<sup>th</sup> percentile across the board is concerning. They still feel confident in the strategy over the long term but are looking at it on a client to client basis to see whether the client is comfortable with their volatility. She stated that the Fund has had this strategy since 2014. She recommended the Board take a look at other global fixed income options to see what else is out there. She stated that she would bring a manager comparison of Templeton with three other global fixed income managers to the next meeting so see if Templeton is still the best fit for the Fund. Ms. Gainfort discussed real estate. She stated that Principal is conservative and she thinks they are positioned to recover from this fairly quickly. Ms. Gainfort stated that she had no recommended changes to the portfolio other than to review Templeton further at the next meeting.

## **ACTUARY REPORT**

Shelly Jones appeared before the Board. She presented the Experience Study as of October 1, 2019. She stated that if any changes are made to the assumptions based on the recommendations in the Experience Study, those changes would be included in the next Actuarial Valuation. She stated that they looked at all of the demographic assumptions and looked at the actual experience in the last five years and based their recommendations on what they observed. She stated that they looked at the amortization periods and the investment assumption as well.

Ms. Jones reviewed the summary of their findings. With respect to the salary assumption, it was noted that salaries were higher than anticipated over the last five years. As such, they are recommending an increase in the salary assumption based on age. They would use a salary assumption of 4.25% to 4.5% for those members that are 40 to 50 years old and would use a higher salary assumption for those over the age of 50. The cost of this change would be \$24,256. With respect to the assumption regarding retirements, they found that not as many left as was anticipated. As such, they are recommending lowering the retirement assumption. The cost of this change would be \$10,569. With respect to the

assumption regarding withdrawals, they found that only one person left in the last five years. Additionally everyone in the Plan is age 40 with ten years of service so they assume everyone will stay in the Plan to receive a benefit. As such, they are recommending lowering the assumption to .6. The cost of this change would be \$38,344. Ms. Jones noted that the amortization period now is 20 years; the gain/loss is 15 years; and the duration of the Plan is 14 years. As such, they are recommending 15 years on all basis recognizing that the Plan is closed and the duration is about that time. She stated that they are recommending essentially combining all amortization periods which is 10 years for police and 7 years for fire. Going forward any new basis would be amortized over 15 years. The cost of this change would be \$25,829. With respect to the investment assumption, it was noted that the assumption is currently at 7.25%. They are recommending lowering it to 6.75%. The cost of this change would be \$209,123.

Ms. Jones stated that all of the changes were more costly to the Plan. If all of the recommended changes are made, the combined effect is \$357,412. If the Board wanted to be a little more conservative and do all of the changes but reduce the investment assumption to 6.5% versus 6.75%, the combined effect would be \$497,752. Ms. Jones noted that the Village is contributing more than is required so that is why she wanted to show the 6.5% investment assumption. If the Board wanted to be a little less conservative and do all of the changes but reduce the investment assumption to 7.0% versus 6.75%, the combined effect would be \$235,037. There was a lengthy discussion on the investment return assumption. She explained why they were recommending the change. She noted that it was the biggest cost assumption. Ms. Gainfort agreed that lowering the investment assumption is a move to make now. If the Board was able to lower it to 6.75% she thought that would be great. Ms. Jones stated that with the investment assumption they do not want to really look at the past but want to look to the future. They looked at 13 different consultants and their forecasts using the Fund's allocation. In doing that, in the short term, on average, they got an assumption of 6.6% so that is why they are recommending changing the assumption from 7.25% to 6.75%. She noted that the Village has been over contributing by about that amount. Ms. Jensen stated that she thinks the demographic assumptions need to be as close as possible to what is actually happening. The flexibility is in the investment return assumption. The future is unknown. The Village has been over contributing but has been doing so to the Village's benefit to bring down the unfunded liability. At the moment it is unlikely that the Fund will meet the actuarial investment assumption this year. There was further discussion. The Board felt that an investment assumption rate of 6.75% was more realistic going forward. Looking at the long term forecasts 20 to 30 years there is a 50% projection that 6.79% is an accurate return. A motion was made, seconded and carried 4-0 to accept the recommendation to lower the actuarial investment return to 6.75%. A motion was made, seconded and carried 4-0 to accept the recommended changes set out by the Actuary in the Experience Study.

Ms. Jones presented the Board with a letter dated July 14, 2020 regarding the cost of living amount effective October 1, 2020. It was noted that the retirees will receive a .5% cost of living adjustment effective October 1, 2020.

### **CUSTODIAN REPORT**

It was noted that Comerica advised that they were unable to attend the meeting today. They will be added to the November meeting.

## **ATTORNEY REPORT**

Ms. Jensen updated the Board on the Governor's Executive Orders. She stated that the allowance for electronic meetings is set to expire November 1, 2020. If there is no extension, the Board will need to meet in person in a room large enough to allow for social distancing. A quorum will need to be present in the room although the Board could allow for others to appear electronically. She stated that it was a quorum issue, not a Sunshine Law issue.

Ms. Jensen provided a proposed Amendment to the Ordinance required by the SECURE Act. She stated that she added discretionary language that will allow the Fund to keep the Plan in compliance via Policy rather than having to keep amending the Ordinance. A motion was made, seconded and carried 4-0 to send the proposed Ordinance to the Village.

## **ADMINISTRATIVE REPORT**

Ms. Adcock advised that the 2019 Annual Report was approved.

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

Ms. Adcock presented a draft administrative expense budget for fiscal year 2021 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 as amended and provide the budget to the Village in compliance with Section 175.061(8)(a)2, Florida Statutes.

Ms. Adcock advised that the Fiduciary Liability Insurance is due to expire on November 1, 2020. A motion was made, seconded and carried 4-0 to renew the Fiduciary Liability Insurance with the cost not to exceed \$2,500.

## **OTHER BUSINESS**

It was noted that the term of the 5<sup>th</sup> Trustee held by Tim Conboy expired on September 30, 2019. A motion was made, seconded and carried 3-0 to re-appoint Tim Conboy as the 5<sup>th</sup> Trustee for another term due to expire on September 30, 2021.

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

## **PUBLIC COMMENTS**

There were no public comments.

There being no further business, the meeting was adjourned.

Respectfully submitted,

James Gregory, Secretary