

**VILLAGE OF  
PALM SPRINGS POLICE OFFICERS' PENSION FUND  
MINUTES OF MEETING HELD  
February 7, 2023**

A workshop was called to order at 10:47 A.M. at Village Hall in Palm Springs, Florida.  
Those persons present were:

**TRUSTEES**

Tim Conboy  
Jan Hansen  
Sean Grant

**OTHERS**

Bonni Jensen, Attorney  
Margie Adcock, The Resource Centers  
Jennifer Gainfort, AndCo Consulting  
Shelly Jones, Actuary  
Frank Castro, Participant  
Louis Collura, Participant  
Donald Bell, Participant

**STATUS OF EMPLOYEE TRUSTEE ELECTIONS**

It was reported that an election was recently conducted for the active member positions that were held by Mr. Grant and Mr. Hansen. It was noted that Mr. Grant was the only person that expressed an interest in his position. As such, he was re-elected to the Board for another term. It was noted that two members expressed an interest in the position that was held by Mr. Hansen. As such a mail ballot election was done. However, a majority of the members did not return their ballot so the election for that position needs to be redone. There was a lengthy discussion on the process.

**PUBLIC COMMENTS**

There were a few Participants attending the meeting. There was discussion on the ability to provide electronic access to the DROP and Share Accounts. Ms. Adcock explained that they could provide Participants to view the DROP and Share Account Statements that are mailed to the members. It was noted that there would be a \$500 set up fee. There was a lengthy discussion. A motion was made, seconded and carried 3-0 to authorize the Administrator to work on allowing Participants access to view their DROP and/or Share Statements electronically.

**MINUTES**

The Board reviewed the minutes of the meeting held December 14, 2022. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held December 14, 2022.

**ACTUARY REPORT**

Shelly Jones appeared before the Board. Ms. Jones presented the Actuarial Valuation as of October 1, 2022. She noted that the Valuation sets forth the contribution requirements for the fiscal year ending September 30, 2024. She reviewed the total contribution requirement. She stated that the total contribution requirement stayed fairly flat from the

prior year. The total minimum required contribution for fiscal year beginning October 1, 2023 is \$468,354, with \$285,402 from the Village, \$110,894 from the State, and \$72,058 from the members.

Ms. Jones stated that the assets gained 4.99% on a smoothed basis and lost 13.37% on a market value basis. She stated that there were no assumption changes and no Plan provision changes. She reviewed the cost data comparison from last year. She stated that the active employees decreased by 25%. Active employee payroll decreased by about 21%. The total membership remained unchanged. Ms. Jones stated that there was a net actuarial loss of \$1,148,467. She noted that the funded ratio was 96.1% compared to 120.1% last year. She reviewed the unfunded actuarial accrued liabilities. Ms. Jones reviewed the salary scales. She stated that they assumed a 4.8% salary increase and the actual average salary increase was 6.9% which was a source of the actuarial loss.

Mr. Jones reviewed the summary of assets. She reviewed the revenues and expenditures. She reviewed the reconciliation of DROP Account balances. The DROP Account balance was \$631,346 as of September 30, 2022. Ms. Jones reviewed the development of the smoothed value of pension plan assets. There was discussion on the assumed investment rate of return. There was discussion on the market and the impact on future Valuations. She reviewed the amortization of the unfunded actuarial accrued liability noting that it should reach zero with the October 1, 2037 Valuation. She stated that if the Board wanted to lower the investment return she could perform an actuarial cost study. She stated that the Board looked at this in 2019 when an experience study was done. She recommended an experience study be done every five years. However, it could be done sooner especially because this is a closed plan with fewer active employees. She stated that there were still a lot of years left in this Plan. A motion was made, seconded and carried 3-0 to approve the Actuarial Valuation as of October 1, 2022.

Ms. Jones provided the Share Account Allocations as of October 1, 2022. A motion was made, seconded and carried 3-0 to approve the Share Account Allocations as of October 1, 2022.

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 6.75% in the Valuation. Ms. Gainfort stated that it was reasonable to assume that the assets would return 6.75% over the short term, mid-term and long term. A motion was made, seconded and carried 3-0 to determine the expected rate of return using the rate of 6.75%. Ms. Gainfort stated that she would prepare the letter to be sent to the State.

### **INVESTMENT MONITOR REPORT**

Jennifer Gainfort appeared before the Board. She provided an update on the firm. She stated that the firm has \$90 billion in client assets under advisement as of December 31, 2022. The firm has had 22 straight years of revenue growth. They have reinvested 100% of the net profits back into the organization. They have 93 team members. In 2022 and added three more partners. She reviewed their organizational chart.

Ms. Gainfort reviewed the market environment for the period ending December 31, 2022. She stated that US equities moved higher during the quarter despite concerns regarding inflation, potential for higher interest rates, and a slowing GDP growth. Large cap value was the best performing asset class and large cap growth was the worst. Value outperformed growth. The Fed increased rates during the quarter by 75 basis points in November and 50 basis points in December. The labor market continued to show its resiliency. The unemployment rate was 3.5%, which is the lowest it has been in years. All asset classes were positive for the quarter while being negative for the year.

Ms. Gainfort reported on the performance of the Fund for the quarter ending December 31, 2022. The total market value of the Fund as of December 31, 2022 was \$36,281,221. The asset allocation was 55.5% in domestic equities; 8.7% in international; 18.6% in domestic fixed income; 3.9% in global fixed income; 13.3% in real estate; and 0.0% in cash. Ms. Gainfort stated that she was not recommending any rebalancing. The total portfolio was up 5.22% net of fees for the quarter ending December 31, 2022 while the benchmark was up 5.45%. The total equity portfolio was up 8.93% for the quarter while the benchmark was up 8.29%. The total domestic equity portfolio was up 8.21% for the quarter while the benchmark was up 7.18%. The total international portfolio was up 13.78% for the quarter while the benchmark was up 14.37%. The total fixed income portfolio was up 2.61% for the quarter while the benchmark was up 2.04%. The total domestic fixed income portfolio was up 2.14% for the quarter while the benchmark was up 1.72%. The total global fixed income portfolio was up 4.81% for the quarter while the benchmark was up 3.31%. The total real estate portfolio was down 6.28% for the quarter while the benchmark was down 5.06%.

Ms. Gainfort reviewed the performance of the individual manager portfolios. The JP Morgan Disciplines portfolio was up 7.09% for the quarter while the S&P 500 was up 7.56%. The Parnassus Core portfolio was up 9.64% for the quarter while the S&P 500 was up 7.56%. The Vanguard Mid Cap Index portfolio was up 9.01% for the quarter while the Russell Mid Cap Index was up 9.18%. The Vanguard Total Stock Market portfolio was up 7.16% for the quarter while the Russell 3000 benchmark was up 7.18%. The EuroPacific Growth portfolio was up 13.78% for the quarter while the benchmark was up 14.37%. Ms. Gainfort stated that EuroPacific underperformed the benchmark because they have a growth tilt in the portfolio. She stated that she would like the Board to look to add an international value component to smooth out the returns. PIMCO Diversified Income was up 4.78% for the quarter while the benchmark was up 3.31%. The Garcia Hamilton portfolio was up 2.14% for the quarter while the benchmark was up 1.72%. The Principal portfolio was down 6.28% for the quarter while the NCREIF was down 5.06%.

### **INTERNATIONAL VALUE MANAGER SEARCH**

Ms. Gainfort presented an international value manager search. She reviewed the four candidates: Causeway Capital Management; Dimensional Fund Advisors (DFA); Dodge & Cox; and Pear Tree Funds (subadvisor Polaris Capital Management). She stated that Causeway is a contrarian value manager with some growth so there would be some overlap with the current international manager. Dimensional Fund Advisors is a deep value manager and has no emerging market exposure. Dodge & Cox is a relative value manager with almost 69% in US equities and 17% in emerging markets. Polaris is a

relative value manager with 25% in emerging markets, which might bring additional risk. Ms. Gainfort reviewed the firms and investment comparison of the managers. She reviewed their current performance comparison. She reviewed current and historical portfolio region exposure and style comparison. She stated that DFA is the top performing candidate over the ten-year period ending December 31, 2022. There was a lengthy discussion. Ms. Gainfort recommended hiring DFA and splitting the international portfolio with half remaining with EuroPacific and half moving to DFA. A motion was made, seconded and carried 3-0 to hire DFA and split the international portfolio with 50% to EuroPacific and 50% to DFA.

Ms. Gainfort discussed the status of the Village's funding needs. She stated that the Village was good on funding at this time.

### **ATTORNEY REPORT**

Ms. Jensen provided the Board with a Memorandum Regarding Maintaining Internal Controls to Protect Against Fraud and Abuse dated December 2022. She discussed the background of why this issue came about. She stated that they had several recommendations for the Board to review to help guard against fraud and misuse of pension funds. It was noted that the Administrator does a SOC 1 Audit every year. There was a lengthy discussion. Ms. Adcock reviewed the processes in her firm. It was noted that the Village pays the pension benefits and expenses for this Plan. Ms. Jensen stated that she was recommending the Board consider whether a standalone audit should be done for this Plan. Right now, the Plan is included in the Village audit. She also suggested that a third party be used to do a death search on retirees in pay status on an ongoing basis. It was noted that the Administrator is requiring members to have any retiree changes to direct deposits or changes in addresses be notarized to ensure that the member is actually making the request. Ms. Jensen stated that she thinks setting up a conversation with the Village auditor would be helpful. She stated that she would follow up on these recommendations.

Ms. Jensen provided the Board with a Memorandum Regarding the SECURE 2.0 Act dated January 5, 2023. She stated that the Memorandum highlighted important amendments relevant to public safety officers and governmental plans. She reviewed the key amendments with the Board.

Ms. Jensen provided a Memorandum regarding the IRS Mileage Rate for 2023 dated January 2023. She noted that effective January 1, 2023 the mileage rate has been increased to 65.5 cents per mile.

Ms. Jensen noted that it came to her attention that a Police Officer in the Plan was arrested on charges related to work. She stated that she would need to monitor the criminal case to see if there is a conviction and if the forfeiture provisions of the Florida Statutes might apply.

### **ADMINISTRATIVE REPORT**

Ms. Adcock presented the Board with the benefit calculation and election approval for Jan Hansen. It was noted that since Mr. Hansen is a Trustee he cannot approve his own

benefit. This will need to be put again on the next agenda for approval when there are three other Trustees in attendance as three affirmative votes are needed.

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

Ms. Adcock stated that there are still two vacant Village positions on the Board. It was noted that Donald Bell is on the agenda for approval by the Village Council for one of the Village positions.

### **OTHER BUSINESS**

There being no further business, the meeting was adjourned.

Respectfully submitted,

Sean Grant, Secretary