

General Employees' Pension Board Regular, Quarterly Meeting
January 25, 2018 – 8:30am

The regular, quarterly meeting of the City of Lake Wales General Employees' Pension Board was held January 25, 2018 in the City Administration Building, City Manager's conference room beginning at 8:30a.m. Violeta Salud, Chairperson, conducted the meeting.

Agenda Item 2: BOARD MEMBERS PRESENT: Commissioner Robin Gibson, Linda Kimbrough, Sarah Kirkland, Violeta Salud

BOARD MEMBERS ABSENT: James Slaton

CITY REP PRESENT: Carla Bibby, Recording Secretary

OTHER ATTENDEES:

Sandra Davis, City of Lake Wales;
Patrick Donlan, Foster & Foster
Chris Rafool, Wells Fargo Advisors;
Ron Snyder, Wells Fargo Advisors;
Todd Wishnia, Highland Capital Management, LLC
Grant McMurry, Highland Capital Management, LLC

Agenda Item 3: COMMUNICATIONS AND PETITIONS:

No comments from the public.

Agenda Item 4: APPROVAL OF MINUTES:

October 26, 2017 Regular Meeting Minutes

Linda Kimbrough made a motion to approve the minutes of the October 26, 2017 regular meeting.

VOTE: All "AYE", None "NAY"

Motion passed, 4/0 vote

Agenda Item 5: NEW BUSINESS:

Invoices

Klausner, Kaufman, Jensen, Levinson	\$ 570.00
Wells Fargo	\$ 6,949.20
Highland Capital Management	\$13,040.69
Foster & Foster	\$18,454.00

Sarah Kirkland made a motion to approve the payment of invoices. Linda Kimbrough seconded the motion.

VOTE: All "AYE", None "NAY"

Motion passed, 4/0 vote

Agenda Item 6: KLAUSNER, KAUFMAN, JENSEN & LEVINSON:

Legislative Update on SB 980

Adam Levinson explained that Senate Bill 980 is for actuaries to make very clear recommendations to board. If the board disagrees with the actuary's recommendation then they have 30 days to explain why they disagreed. This bill is to keep pensions transparent and is an effort to force boards to lower their expected rate of return.

The controversy with this senate bill is that the actuary is supposed to fill the valuation report with extra details that do not pertain to the plan. An example may be that actuaries have to report on the other benefits that employees receive such as discounts on gym memberships or dry cleaning. This would cause more work for the actuary.

Agenda Item 7: WELLS FARGO:

Portfolio Performance Report

Mr. Rafool presented the Portfolio Performance Report for the fourth quarter of 2017, period ending December 31, 2017 as shown below:

Summary of Investment Growth this Quarter:

Beginning Market Value	\$10,730,119
Deposits Minus Withdrawals	\$ 82,578
Net Invested Capital	\$10,647,540
<u>Investment results</u>	<u>\$471,190</u>
Ending Market Value	\$11,118,730

Net Money-Weighted Returns 4.40%

	Market Value on Dec 31, 2017	% of Assets
US Large Cap Equities	\$4,544,908	41.0%
US Mid Cap Equities	\$1,200,298	10.8%
US Small Cap Equities	\$154, 678	1.4%
Devlpd Mkt Ex-US Equities	\$960,995	8.7%
Emerging Mkt Equities	\$45,275	0.4%
US Taxbl Invt Grd Fxd Inc	\$3,237,605	29.2%

Devlpd Mkt Ex-US Fxd Inc	\$355,984	3.2%
High Yield Fxd Inc	\$15,072	0.1%
Public Real Estate	\$193, 170	1.7%
Cash Alternatives	\$384,988	3.5%
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Total Assets	\$11,092,967	100.0%
Accrued Income	\$25,763	
Ending Market Value	\$11,118,730	

Referring to the graph on page 4 of the portfolio, the maroon line being the account and the blue line showing dollars invested. For the quarter ending December 31, 2017, the net money-weighted returns are 4.40% and since inception, it is at 8.06%.

On page 6, the time-weighted returns are shown. The table shows reviews from this quarter, year-to-date, one year, three year, five year, ten year and since inception. This also gives a better overview of how the Board's money managers are doing. Page seven reports where the account is, as far as risk analysis, and it shows that the account is right under where it needs to be on the line. Our annualized return since inception on May 31, 1988 is 8.06%. The rest of the portfolio are the actual investments and where invested.

Agenda Item 8: HIGHLAND CAPITAL MANAGEMENT:

Investment Review

Todd Wishnia spoke about the market doing really well and there being little to no volatility. This was due to good fundamental data, along with good GEP growth, strong earnings. This quarter has been the ninth consecutive quarter where the market has rose. Earnings rose 6.4% and revenues rose about 6%.

Tax reform has slashed corporate taxes from 35% to 21%. This immediately added to corporations' bottom line. There is a concern about a recession in the foreseeable future due to previous years' histories.

Agenda Item 9: FOSTER & FOSTER:

October 1, 2017 Valuation Report

Patrick Donlan reviewed the latest Valuation Report. He began with the funding requirements. To maintain a defined benefit plan the city is currently required to contribute 9.9% and for the next fiscal year, it will increase to 11.8%. With employees contributing a consistent 5.0%, the city makes up the difference with currently contributing 4.9% and increasing to 6.8% for the next fiscal year.

Mr. Donlan explained that to determine the funding requirements, it is based on the assets in the pension plan. The plan has an expected rate of return of 7.75% and based on a rolling four year average, the actuarial asset rate of return is only

7.03%. Participants in the pension plan has increased by three employees from 95 to 98 employees. The plan had another loss due to only five employees being terminated, whereas thirteen were predicted to be terminated. The experience study is to be conducted this summer and that will help update some prediction values.

Commissioner Robin Gibson made a motion to approve the actuarial report. Linda Kimbrough seconded the motion.

VOTE: All "AYE", None "NAY"

Motion passed, 4/0 vote

Sarah Kirkland made a motion to declare the assumed rate of return as 7.75% for the short term, intermediate and long term future.

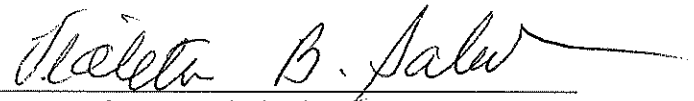
VOTE: All "AYE", None "NAY"

Motion passed, 4/0 vote

Agenda Item 9: NEW BUSINESS:

Announcements

Violeta announced that the next meeting would be on Wednesday, April 25, 2018 at the City Administration Building in the City Manager's conference room at 8:30 a.m.



Violeta B. Salud, Chairperson

ATTEST:



Prepared by: Carla Bibby for the Board of Trustees