

## **General Employees' Pension Board Regular, Quarterly Meeting** **July 26, 2018 – 8:30am**

The regular, quarterly meeting of the City of Lake Wales General Employees' Pension Board was held July 26, 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,  
James Slaton

### **BOARD MEMBERS ABSENT:**

No members absent

### **CITY REP PRESENT:**

Carla Bibby, Recording Secretary

### **OTHER ATTENDEES:**

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

### **Agenda Item 3: COMMUNICATIONS AND PETITIONS:**

No comments from the public.

### **Agenda Item 4: APPROVAL OF MINUTES:**

#### **April 25, 2018 Regular Meeting Minutes**

Linda Kimbrough made a motion to approve the minutes of the April 25, 2018 regular meeting. Sarah Kirkland seconded the motion.

#### **VOTE: All "AYE", None "NAY"**

Motion passed, 5/0 vote

### **Agenda Item 5: KLAUSNER, KAUFMAN, JENSEN & LEVINSON:**

Adam Levinson attended by phone and reviewed the memorandum dated May 08, 2018 regarding *Government in the Sunshine Law*. Almost all governmental documents or records are subject to inspection and are viewable to the public according to the Sunshine Law. This law also applies to communication between

elected officials and board trustees. The public has a right to know about discussions concerning public issues. Therefore, discussion on public matters has to take place in the public. The memo summarized an event of a city attorney acting as a conduit to communicate between elected officials. This is a violation of the Sunshine Law. Elected officials/board trustees cannot use a conduit to find out what other officials/trustees will be deciding concerning pending actions/public matters. This violation can easily occur with email. Email communication to the board may come directly from plan administrators, consultants and service providers. Do not respond to such emails with "reply all."

**Agenda Item 6: NEW BUSINESS:**

**Invoices**

Klausner, Kaufman, Jensen, Levinson	\$ 167.50
Wells Fargo	\$ 6,794.80
Highland Capital Management	\$ 12,746.48

Sarah Kirkland made a motion to approve the payment of invoices. James Slaton seconded the motion.

**VOTE: All "AYE", None "NAY"**  
 Motion passed, 5/0 vote

**Agenda Item 7: WELLS FARGO:**

**Portfolio Performance Report**

Chris Rafool presented the Portfolio Performance Report for the second quarter of 2018, period ending June 30, 2018 as shown below:

**Summary of Investment Growth this Quarter:**

Beginning Market Value	\$ 10,828,717
Deposits Minus Withdrawals	-\$43,333
Net Invested Capital	\$10,785,383
<b><u>Investment results</u></b>	<b><u>\$86,313</u></b>
Ending Market Value	\$10,871,696

**Net Money-Weighted Returns            0.80%**

	<b>Market Value on Jun 30, 2018</b>	<b>% of Assets</b>
US Large Cap Equities	\$4,544,982	41.9%
US Mid Cap Equities	\$1,042,653	9.6%

US Small Cap Equities	\$103,105	1.0%
Devlpd Mkt Ex-US Equities	\$907,656	8.4%
Emerging Mkt Equities	\$42,061	0.4%
US Taxbl Invt Grd Fxd Inc	\$3,186,716	29.4%
Devlpd Mkt Ex-US Fxd Inc	\$345,243	3.2%
Public Real Estate	\$200,652	1.9%
Cash Alternatives	\$455,410	4.2%
Other	\$16,677	0.2%
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Total Assets	\$10,845,153	100.0%
Accrued Income	\$26,543	
Ending Market Value	\$10,871,696	

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 June 30, 2018, the net money-weighted returns are 0.80% and since inception, it is at 7.88%.

Page 5 shows the time-weighted returns. The table reviews returns from this quarter, year-to-date, one year, three year, five year, ten year and since inception. Page 7 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 8.29%. Page 8 summarizes a list of the top holdings. The plan has no single equity position larger than 5%. Page 9 shows fixed income analysis. The rest of the portfolio are the actual investments and where invested.

**Agenda Item 8: HIGHLAND CAPITAL MANAGEMENT:**

**Investment Review**

Todd Wishnia mentioned volatility has calmed down in 2<sup>nd</sup> quarter from the 1<sup>st</sup> quarter. Gross stocks outperformed value stocks. Gains influenced by technology. Energy was the top performing sector with consumer discretionary as the second performing sector. Corporate earnings are strong mostly due to tax cuts. Feds are raising short-term rates.

On page 8 of handout provided, Value portfolio returns are at 1.59% outperforming the benchmark by 42 basis points. Page 9 shows the index heavy in financials. Consumer discretionary returned 13.3%. International index was down about 1%. For the fiscal year, plan is up 3.5%.

**Agenda Item 9: FOSTER & FOSTER:**

**Experience Study**

Patrick Donlan presented the dated July 25, 2018 Experience Study. It has

been 10 years since the last study. The presented study contains data experience from October 1, 1992 through September 30, 2017. The purpose of periodically doing experience studies is to review the current actuarial assumptions and methods to determine which changes, if any, are necessary in order to fund the plan at a cost that is predictable and stable.

James Slaton made a motion to approve changing the assumed rate of return from 7.75% to 7.50% and changing the salary increase assumptions to 10.0% for an employee's first year and 4.5% each year after. These changes would be effective with the 10/01/18 Valuation Report. Sarah Kirkland seconded the motion.

**VOTE: All "AYE", None "NAY"**

Motion passed, 4/0 vote

**Agenda 10:**

**NEW BUSINESS:**

**Announcements**

Chris Rafool and Ron Snyder announced they will be leaving Wells Fargo and will be working with Raymond James Financial. If the plan were to follow, there would be no increase in price or charges. Everything in the portfolio is transferable, no liquidations would have to occur in order to port over. Mr. Rafool and Mr. Snyder will pay the cost to have the plan's attorney review the Raymond James contract. In addition, the working relationship with Highland Capital Management will not change at all. Grant McMurray from Highland Capital Management, stated he is comfortable with the change and already has clients with their accounts at Raymond James Financial.

The next meeting will be on Thursday, November 08, 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