

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
November 13, 2020

A meeting was called to order at 2:03 P.M. in the Commission Chambers at Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Patti Waller
Ed Horton
Richard Reade

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Jennifer Gainfort, Monitor
Chad Little, Actuary
Felecia Ryans, Comerica
Ben Monkiewicz, Garcia Hamilton
Rebecca Morse, Finance Director

MINUTES

The Board reviewed the minutes of the meeting held October 13, 2020. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held October 13, 2020.

ACTUARY REPORT

Chad Little appeared before the Board electronically. He discussed the assumed rate of return. He stated that last time the assumed rate of return was lowered it was lowered by 25 basis points which increased the contribution cost by \$250,000. Mr. Little stated that the assumed rate of return is now 6.25% and he wanted to talk to the Board about lowering the rate down to 6%. The Plan is closed and it is expected that over time there will be a shift to a more conservative investment profile. He recommended the Board lower the assumed rate by 25 basis points. He stated that it would increase the contribution cost by about \$250,000. Going forward it is not an unreasonable rate and he thinks the Plan will hit that return. There was a lengthy discussion. The Board was uncomfortable lowering the rate this year since things are uncertain with the pandemic and things are tight. Mr. Little stated that the Board does not need to lower it this year. However, if the Board wanted to lower it, now would be the time as he will be presenting the Valuation at the next meeting. He stated that he can prepare the next Valuation at the current rate and then at the May meeting talk about possibly lowering it for the following Valuation. The Board agreed that this would be a better option, especially since the Village puts their budget together about that time.

Chad Little departed the meeting.

INVESTMENT MANAGER REPORT: GARCIA HAMILTON & ASSOCIATES

Ben Monkiewicz appeared before the Board electronically. He reported on the performance for the quarter ending September 30, 2020. He stated that they outperformed

in every time period for the quarter, fiscal year, 3, 5, 7 and since inception. The total market value of the portfolio as of September 30, 2020 was \$6,871,096.27. The portfolio was up .58% for the quarter while the benchmark was up .48%. For the fiscal year, the portfolio was up 5.81% while the benchmark was up 5.66%. He noted that they did well in the 2nd quarter with sector rotation. Mr. Monkiewicz discussed the market. He stated that there is a gigantic race for a vaccine. He thinks it will be here sooner than later. At that time, he thinks the market will rally. 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. They are overweight in credit. 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. Monkiewicz 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.

Ben Monkiewicz departed the meeting.

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. 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 \$28,941,135. The asset allocation was 52.0% in domestic equities; 9.7% in international; 23.8% in domestic fixed income; 3.5% in global fixed income; 8.9% in real estate; and 2.1% in cash.

The total portfolio was up 4.93% net of fees for the quarter ending September 30, 2020 while the benchmark was up 5.63%. The total equity portfolio was up 8.13% for the quarter while the benchmark was up 8.73%. The total domestic equity portfolio was up 7.85% for the quarter while the benchmark was up 9.21%. The total international portfolio was up 9.66% for the quarter while the benchmark was up 6.36%. The total fixed income portfolio was up .56% for the quarter while the benchmark was up 1.02%. The total domestic fixed income portfolio was up .72% for the quarter while the benchmark was up .48%. 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% while the benchmark was up .57%.

Ms. Gainfort reviewed the performance of the managers. Ms. Gainfort noted that the returns from the growth side were significantly better than value, but both growth

managers underperformed. The Anchor All Cap Value portfolio was up 5.56% for the quarter while the Russell 3000 Value was up 5.42%. MFS Growth Fund was up 10.91% and PRIMECAP Odyssey Growth Fund was up 6.14% while the Russell 1000 Growth was up 13.22%. The Vanguard Mid Cap portfolio was up 7.93% for the quarter while the Russell Mid Cap was up 7.46%. The Vanguard Total Stock portfolio was up 9.19% for the quarter while the Russell 3000 was up 9.21%. The Garcia Hamilton Fixed Income portfolio was up .72% for the quarter while the benchmark was up .48% The Templeton Global Fixed Income portfolio was down .55% for the quarter while the benchmark was up 3.64%. The Europacific Growth portfolio was up 9.66% for the quarter while the benchmark was up 6.36%. The Principal portfolio was up .01% for the quarter while the benchmark was up .57%. Ms. Gainfort stated that Principal's biggest toll was multi-family as they have some college housing which took a hit with students not returning to campus.

Ms. Gainfort discussed Templeton. She stated that they are a big weak spot in the portfolio. They were down 4.58% for the fiscal year while the benchmark was up 4.68%. She stated that her firm put this manager on watch and has since taken them off their approved strategy list. She stated that she thinks it will be difficult for them to make up their loss. Ms. Gainfort recommended that Board move away from Templeton.

GLOBAL FIXED INCOME MANAGER SEARCH

Ms. Gainfort presented a global fixed income manager search to replace Templeton. She discussed the three candidate funds: Loomis Sayles Bond; PIMCO Diversified; and Templeton Global Return. She stated that the two other global bond manager candidates would do well from a return perspective. The clear standout is PIMCO. It is one of the largest managers in the world and very consistent. Ms. Gainfort recommended selling Templeton and investing in PIMCO. A motion was made, seconded and carried 3-0 to sell the Templeton Global Return fund and invest in PMCO Diversified fund.

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 \$26,561,604.69 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. The Board asked for information on the SOC 1 Audits for the last 2 years. Ms. Ryans stated that she would provide that information to the Board. Ms. Morse stated that the SOC was reviewed by the Village auditors and was not an impact to the Village. She stated that it was concerning but not impactful.

Felecia Ryans departed the meeting.

ADMINISTRATIVE REPORT

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

Ms. Adcock presented the Board with the benefit calculation and election approval for Libby McIntyre. A motion was made, seconded and carried 3-0 to approve the benefit election.

There was discussion on the status of the Trustee vacancies. It was noted that an election was conducted for the position that was previously held by Mariana Ortega-Sánchez but no one put in to run for that position. Ms. Adcock stated that she will need to send out another notice. The Board asked to review the notice and provide comments prior to it being sent to the active members. There was then discussion on the position of the 5th Trustee. It was noted that perhaps the Clerk's office might be able to help if they receive any residents that have expressed an interest in serving on a board.

Ms. Adcock stated that she had an updated Authorized Signers List that she needed completed for Comerica. There was a discussion on who would be the authorized signers. It was noted that the authorized signers would be two Trustees.

ATTORNEY REPORT

Ms. Jensen provided an update on the Davis matter. She stated that a hearing will be held via Zoom on December 4th and 7th. The Board felt it would be helpful if some or all of the Trustees would listen to the arguments and testimony. Ms. Jensen stated that she would provide the information to the Board. Ms. Jensen stated that the Village has moved to intervene in the case. The Motion was granted and David Miller will be representing the Village. She stated that the attorneys for the Village, Board and Mr. Davis will need to work on the stipulation of facts to be presented to the hearing officer.

PUBLIC COMMENTS

There were no public comments.

OTHER BUSINESS

It was noted that the matter of the Election of Vice-Chairperson and Secretary would be moved to a future meeting when there is a full Board.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patti Waller, Chair