

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
November 29, 2021

A meeting was called to order at 10:30 A.M. in the Council Chambers at Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Patti Waller
Bruce Gosman
Kimberly Glas-Castro

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Jennifer Gainfort, Monitor
Chad Little, Actuary (via teleconference)

WELCOME NEW TRUSTEE KIMBERLY GLAS-CASTRO

The Board welcomed new Trustee Kimberly Glas-Castro. It was noted that she was replacing the position that was previously held by Richard Reade who left the Village.

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meetings held May 4, 2021 and May 28, 2021. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held May 4, 2021. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held May 28, 2021.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board. Ms. Gainfort reviewed the market environment for the period ending September 30, 2021. She stated that the equity markets were volatile in the quarter, which is typical. Large cap was slightly positive while mid cap and small cap were down. International was down as well due to concerns out of China. Value underperformed growth in large and mid cap while value outperformed in small cap. Energy was the top sector for the year. Financials and health care were the best performing sectors for the quarter. The concerns are inflation, the Delta virus and fiscal policies. Overall, from a fiscal year perspective, the markets have been fantastic and very strong.

Ms. Gainfort reviewed the performance of the Fund for the period ending September 30, 2021. The total market value of the Fund as of September 30, 2021 was \$34,182,471. The asset allocation was 54.0% in domestic equities; 9.8% in international; 20.9% in domestic fixed income; 3.0% in global fixed income; 8.6% in real estate; and 3.7% in cash. She stated that the Fund is most underweight in domestic fixed income and below the minimum allocation. The Fund is a little underweight in global fixed income. She recommended rebalancing back to the targets by moving 3% out of domestic equity and putting 2% in domestic fixed income and 1% in global fixed income.

Ms. Gainfort reviewed the portfolio as of September 30, 2021. The total portfolio was down .11% net of fees for the quarter ending September 30, 2021 while the benchmark was up .42%. The total equity portfolio was down .82% for the quarter while the benchmark was down .57%. The total domestic equity portfolio was down .54% for the quarter while the benchmark was down .10%. The total international portfolio was down 2.35% for the quarter while the benchmark was down 2.88%. The total fixed income portfolio was up .17% for the quarter while the benchmark was up .05%. The total domestic fixed income portfolio was up .18% for the quarter while the benchmark was up .05%. The total global fixed income portfolio was up .12% for the quarter while the benchmark was up .08%. The total real estate portfolio was up 4.94% while the benchmark was up 6.95%.

Ms. Gainfort reviewed the performance of the managers. The Anchor All Cap Value portfolio was down 1.49% for the quarter while the Russell 3000 Value was down .93%. Ms. Gainfort stated that Anchor struggled during the rapid recovery where low quality names have been outperforming and they have higher quality names. She stated that she is still comfortable with their strategy. She understands what drove their underperformance in the quarter. MFS Growth Fund was up 1.27% and PRIMECAP Odyssey Growth Fund was down 2.72% while the Russell 1000 Growth was up 1.16%. The Vanguard Mid Cap portfolio was flat at 0.00% for the quarter while the Russell Mid Cap was down .93%. The Vanguard Total Stock portfolio was down .07% for the quarter while the Russell 3000 was down .10%. The Garcia Hamilton Fixed Income portfolio was up .18% for the quarter while the benchmark was up .05%. The Europacific Growth portfolio was down 2.35% for the quarter while the benchmark was down 2.88%. The Principal portfolio was up 4.94% for the quarter while the benchmark was up 6.95%. The PIMCO Diversified Fund was up .12% for the quarter while the benchmark was up .08%.

Ms. Gainfort discussed PRIMECAP. She stated that they manage less closely to the benchmark. They had no meaningful exposure to large technology. Their fiscal year was positive but their long term numbers are quite challenged. The strategy is struggling. AndCo has been meeting with their team to see what is going on. At the most recent meeting, AndCo's research team downgraded them and now they are recommending stepping away from this strategy. PRIMECAP has drifted to a more core approach versus growth as they were hired to do. There are some liquidity concerns with some of their holdings. They have some very large holdings in some specific companies that would make them hard to trade. She stated that she recommends moving funds from PRIMECAP to the other large cap growth manager MFS Growth Fund.

There was further discussion on rebalancing the portfolio. Ms. Gainfort stated that she does not expect to see great returns in fixed income but fixed income is a necessary piece in the Policy. She stated that she also wanted to update the Investment Policy Statement to reflect a 3% or 4% cash target. She stated that she would bring a revised Investment Policy Statement to the next meeting. A motion was made, seconded and carried 3-0 to rebalance the portfolio by moving 3% out of domestic equity and putting 2% in domestic fixed income and 1% in global fixed income. There was further discussion on PRIMECAP. A motion was made, seconded and carried 3-0 to move funds from PRIMECAP to the MFS Growth Fund.

ACTUARY REPORT

Chad Little appeared before the Board via teleconference. He stated that at the last meeting he presented a study on lowering the assumed rate of return from 6.25% to 6.15% and 6.0%. He stated that to lower the rate to 6.15% the cost would be about \$100,000 and to lower it to 6.0% the cost would be about \$250,000. He stated that the Village Finance Director was on board with going down to a lower rate but he was not sure if she was on board with going down to 6%. The return for the fiscal year will give a lot of offset. Ms. Castro stated that the Village has already approved the budget and is not sure there is money in the budget to cover any additional cost. Mr. Little stated that if the Board is interested in lowering the assumed rate to 6%, he can run the numbers and then reach out to the Village Finance Director to see if that is palatable. If it is not palatable, he will work with the Village Finance Director on a rate that is acceptable. A motion was made, seconded and carried 3-0 to direct the Actuary to lower the assumed rate of return to 6% with the caveat that once the numbers are known, he will reach out the Village Finance Director and see if the amount is palatable.

Chad Little departed the meeting.

ATTORNEY REPORT

Ms. Jensen provided an update on the Davis matter. She stated that Mr. Davis appealed the Court's decision based on one issue. He is claiming that the Plan itself does not have a forfeiture provision specifically in the Plan Document. That is the only issue before the District Court of Appeals. What remains to be done from the original Order is the liquidating of accounts for repayment of what benefits were previously paid to Mr. Davis. The Board needs to determine how much is due to the Fund and file that in the Circuit Court records. Ms. Jensen reviewed the spreadsheets of contributions and pension paid. She stated that he collected \$325,256.01 from the Plan and contributed \$33,269.78. As such, he owes the Plan \$291,986.23. She provided a proposed Order Liquidating Amount of Repayment of Benefits in Excess of Contributions in Accordance with Florida Statute 112.3173(5)(d). She stated that it would likely be held in abeyance until the appeal is decided. It is unlikely that the Board will collect the amount but felt it was prudent to go through the process. Ms. Jensen stated that Mr. Davis has filed his initial brief on appeal and the Board's response is due today. She believes all of the other parties have responded as well. The Board has asked for oral argument and the Court has discretion to grant oral argument or not. She discussed the Court process. She stated that the Board was paying for her fees outside of the retainer. However, a claim has been filed with the fiduciary liability insurance carrier and the insurance company has accepted the claim and will be paying. There is a \$5,000 deductible. She stated that she anticipates the Board's fiduciary liability policy will increase in the future due to the claim. She noted that the Police Pension Board has decided to obtain their own separate Policy based on her recommendation. There was further discussion on the Policy. A motion was made, seconded and carried 3-0 to enter the proposed Order Liquidating Amount of Repayment of Benefits in Excess of Contributions in Accordance with Florida Statute 112.3173(5)(d).

ADMINISTRATIVE REPORT

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

Ms. Adcock presented the disbursements dated August 27, 2021 and November 29, 2021. It was noted that these disbursements have already been paid. A motion was made, seconded and carried 3-0 to ratify all of the disbursements dated August 27, 2021. A motion was made, seconded and carried 3-0 to ratify all of the disbursements dated November 29, 2021.

Ms. Adcock advised that the Fiduciary Liability Insurance needed to be renewed at the beginning of November. It was noted that the Police Pension Plan had shared insurance with the GE Pension Plan. She obtained a quote to keep the insurance together and a quote to separate the insurance based on Ms. Jensen's recommendation at the last meeting. Ms. Jensen stated that the Police Plan made the decision to separate and obtain their own policy. As such, the GE plan has to obtain their own policy. It was noted that the Chair authorized the renewal of a separate policy for the GE plan due to the fact that the policy needed to be renewed prior to this meeting. A motion was made, seconded and carried 3-0 to ratify the renewal the Fiduciary Liability Insurance as a separate policy for this Plan.

Ms. Adcock provided the Board with certification from the Resource Centers that they successfully completed their SSAE 16 SOC 1 Audit as of June 30, 2021.

Ms. Adcock stated that the Trustees needed to update the authorized signers list for Comerica Bank.

There was discussion on the status of the Trustee vacancies. It was noted that there are currently two employee vacancies. Ms. Adcock stated that she sent out another notice in October 2021 when the Village Manager separated from employment. She did not receive any notice of interest by the deadline.

It was noted that the Board needed to appoint a Secretary. Ms. Castro was appointed as the Secretary.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Kimberly Glas-Castro
Secretary