

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
February 11, 2021

A meeting was called to order at 2:02 P.M. in the Multi-Purpose Room at Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Patti Waller
Ed Horton
Richard Reade

OTHERS

Bonni Jensen, Fund Counsel (via electronic)
Margie Adcock, Administrator
Jennifer Gainfort, Monitor (via electronic)
Chad Little, Actuary (via electronic)
John Boles, Anchor (via electronic)

MINUTES

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

ACTUARY REPORT

Chad Little appeared before the Board electronically. Mr. Little presented the Actuarial Valuation as of October 1, 2020. He noted that the Valuation sets forth the contribution requirements for the fiscal year ending September 30, 2022. He stated that the contribution decreased from \$928,740 to \$429,329. He stated that the Valuation reflects an assumed investment return of 6.25%. Payroll was similar to what was expected. Payroll increased 5.6% versus the expected 5.6%. There were four deaths which was more than anticipated. This took a lot of liability off the table and caused the contribution to drop. The funded ratio was 92.40% compared to 92.87% last year. The net return on the market value of assets was 8.07% in comparison to the 6.25% assumed rate of return such that there was an actuarial investment gain. The only assumption that was changed was the FRS mortality table, which helped reduce the contribution. There were no changes in Plan provisions that impacted the Fund.

Mr. Little reviewed the assessment and disclosure of risk. He reviewed the ratio of benefit payments to contributions. He stated that in the last four years the Fund is paying out more in benefit payments than it is bringing in. He reviewed the reconciliation of the market value of assets. He reviewed the historical investment returns from September 30, 1995 through September 30, 2020. He reviewed the amortization of the unfunded accrued liability. He reviewed the cash flow derived by asset and the reconciliation of change in the Village minimum required contribution. The three drivers that reduced the Village's contribution were the investment return; demographics; and the mortality table.

Mr. Little stated that the Finance Director would like the Board to consider reducing the assumed investment return from 6.25% to 6.0%. He stated that last year there was a .25% reduction which increased the contribution by about \$250,000. He stated that reducing the assumed investment return would increase the contribution amount by about \$250,000 to \$300,000. He stated that he has not run the exact numbers but would be happy to do that if the Board so desired. The Board asked Mr. Little for his opinion. He stated that most plans are at 7%. However, this Plan is a closed Plan and should

eventually be below 6%. He recommended the Board consider lowering the rate further. Ms. Gainfort stated that 6.25% is still reasonable. She thinks the Board should look at lowering the rate as the Plan ages and also change the asset allocation to reduce risk. There was a lengthy discussion. There was concern whether the Village could support a higher contribution when the revenues are down right now. There was discussion on possibly lowering the rate in smaller increments. Mr. Little stated that in the past the rate has always been lowered in 25 basis point increments. However, it is common in other plans to reduce it in 5 or 10 basis point increments. He stated that he could provide a study on reducing the rate to 6.0% and 6.15% for the Board to consider. He stated that the Board could hold off on approving the Valuation today and make a decision at the May meeting whether to revise the Valuation to reduce the assumed investment return or keep it at 6.25%. A motion was made, seconded and carried 3-0 to authorize the Actuary to prepare a study reducing the assumed investment return to 6.0% and 6.15%.

INVESTMENT MANAGER REPORT – ANCHOR CAPITAL

John Boles appeared before the Board electronically. Mr. Boles stated that he was the Director of Institutional Marketing and Client Service. He stated that 2020 was exceptionally challenging on a lot of fronts, and the 4th Quarter was no exception. Small cap had the best rally it has ever had. The turning point was the vaccine. Mr. Boles provided an overview of the firm. He stated that everyone is still working remotely. They have hired several people this year. The assets of the firm remain very stable. The total firm assets are \$8.8 billion. They have \$3.0 billion in assets under management and \$5.7 billion in assets under advisement.

Mr. Boles provided a market overview. He reviewed the balance of risk and return. He reviewed the risk and return analysis. Mr. Boles reviewed the performance of the portfolio. The total market value as of December 31, 2020 was \$4,220,946.12. The portfolio was up 2.75% in 2020 while the Russell 3000 Value was up 2.87%. Since inception of March 3, 2010 through December 31, 2020 the portfolio was up 10.28% while the Russell 3000 Value was up 10.87%. Mr. Boles reviewed the 2020 purchases and sales. Mr. Boles reviewed the market outlook. They believe the portfolio is very well positioned. They think going forward there will be a weaker dollar, inflation will be increasing, and there will be higher unemployment. They believe this will reinforce value stocks.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board electronically. She provided an update on the firm. She stated that the firm has \$100 billion in client assets under advisement. They have 91 team members. In 2020 they added two more partners for a total of eleven partners.

Ms. Gainfort reviewed the market environment for the period ending December 31, 2020. The total market value of the Fund as of December 31, 2020 was \$31,769,482. The asset allocation was 53.1% in domestic equities; 10.5% in international; 21.7% in domestic fixed income; 3.2% in global fixed income; 8.3% in real estate; and 3.2% in cash. She stated that at the end of the quarter the domestic equities were at 54.5% and the maximum allowed is 55%. She stated that the Board could drift outside of the ranges if it wanted but she recommend staying inside the ranges. She recommended rebalancing \$500,000 from domestic equity to domestic fixed income. A motion was made, seconded and carried 3-0 to follow the recommendation of the Investment Monitor and rebalance

the portfolio by taking \$500,000 from domestic equity and moving it to domestic fixed income.

Ms. Gainfort reviewed the portfolio as of December 31, 2020. The total portfolio was up 9.78% net of fees for the quarter ending December 31, 2020 while the benchmark was up 9.78%. The total equity portfolio was up 15.36% for the quarter while the benchmark was up 15.09%. The total domestic equity portfolio was up 14.50% for the quarter while the benchmark was up 14.68%. The total international portfolio was up 19.95% for the quarter while the benchmark was up 17.08%. The total fixed income portfolio was up .67% for the quarter while the benchmark was up 1.30%. The total domestic fixed income portfolio was up .44% for the quarter while the benchmark was up .42%. The total global fixed income portfolio was up 2.29% for the quarter while the benchmark was up 5.64%. The total real estate portfolio was up 1.64% while the benchmark was up 1.35%.

Ms. Gainfort reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 13.78% for the quarter while the Russell 3000 Value was up 17.21%. MFS Growth Fund was up 7.96% and PRIMECAP Odyssey Growth Fund was up 16.75% while the Russell 1000 Growth was up 11.39%. The Vanguard Mid Cap portfolio was up 18.02% for the quarter while the Russell Mid Cap was up 19.91%. The Vanguard Total Stock portfolio was up 14.69% for the quarter while the Russell 3000 was up 14.68%. The Garcia Hamilton Fixed Income portfolio was up .44% for the quarter while the benchmark was up .42%. The Europacific Growth portfolio was up 19.95% for the quarter while the benchmark was up 17.08%. The Principal portfolio was up 1.64% for the quarter while the benchmark was up 1.35%. It was noted that the Fund sold out of Templeton in December and moved to the PIMCO Diversified Fund. Ms. Gainfort stated that there has been phenomenal growth in the market and the portfolio is trending in the right direction.

Ms. Gainfort provided a proposed revised Investment Policy Statement. She reviewed the changes with the Board. Ms. Jensen stated that she reviewed the Statement and is fine with the changes. A motion was made, seconded and carried 3-0 to adopt the revised Investment Policy Statement.

ATTORNEY REPORT

Ms. Jensen provided an update on the Davis matter. She stated that the transcript from the hearing has been filed. The parties are now working on proposed recommended orders to submit to the Administrative Law Judge for resolution.

Ms. Jensen presented a Memorandum regarding New Florida Law Requirement Section 448.095 – Registration and Use of E-Verify dated January 8, 2021. She stated that the law became effective January 1, 2021. It requires all public employers to register with the E-Verify System which is a federal system that verifies all employees of a public employer. She stated that even though the Fund does not have any employees, it is still considered a public employer. In addition to requiring the Fund to register as a public entity, it also requires vendors to register, and future agreements to have a provision in the contract related to E-Verify. Mr. Jensen stated that she drafted a letter that can be sent to the service providers.

ADMINISTRATIVE REPORT

Ms. Adcock presented the disbursements. A motion was made, seconded and carried 3-0 to pay all listed disbursements. There was discussion on payment of the invoices related to the Davis matter in between meetings. The Board decided to hold the invoices for payment until after approval at the Board meetings. There was discussion on the review of the invoices in general. Ms. Jensen stated that all service providers are paid on a contractual basis. Ms. Jensen stated that she would look at the bills from the attorneys related to the Davis matter for reasonableness.

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, 2020.

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. The Board reviewed a second proposed Notice of Election to be sent out. The Board requested a couple of changes and Ms. Adcock stated that she would make the changes and send out the revised Notice.

The Board was provided with information from Bruce Gosman who submitted an application of interest for the position of the 5th Member. The Board reviewed the information and noted his qualifications. A motion was made, seconded and carried 3-0 to nominate Bruce Gosman as the 5th Trustee subject to the approval of Village Council.

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.

Ms. Jensen stated that there is an issue that came up with two members that were in this Plan when they were initially hired by the Village and then transferred to the Police Plan. The Plans allow for Village vesting which provides that so long as a member has worked for the Village for ten years they are entitled to benefits from each Plan.

Ms. Jensen discussed pending legislation that would close the FRS defined benefit plan for new employees. All new members would be enrolled in the FRS investment plan. She stated that she would continue to monitor this legislation.

PUBLIC COMMENTS

There were no public comments.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patti Waller, Chair