

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
August 23, 2022

A meeting was called to order at 2:27 P.M. 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

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held May 3, 2022. It was noted that Ms. Jensen had some changes she wanted in the language under her Report concerning the Davis matter. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held May 3, 2022 as amended.

ACTUARY REPORT

Chad Little appeared before the Board. He stated that he believes the asset return will not be anywhere it needs to be to reach the 6% assumed rate of return. He thinks the Fund will have a loss on the asset side but a surplus position as the assumed rate is low and the funding is solid. He is hopeful the combination will offset the impact of the market. He is hopeful that there will just be a one year drop and it will be back up next year, with the smoothing will do what it is supposed to do. He stated that tools are in place to help dampen the loss but he still thinks the Village contribution will go up. He thinks every plan in the State will have a negative year.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board. She reviewed the market environment for the period ending June 30, 2022. She stated that it was a tough quarter. There were a lot of challenges in the quarter. Inflation is still very high which led to the Fed continuing to raise rates. There were two additional rate hikes with a 50 basis point increase in May and a 75 basis point increase in June. There was also another 75 basis point increase in July. The Fed is very aggressive as inflation is still high. Unemployment is still low so that is why the market is not technically in a recession. There is still some strength in the overall market. Ms. Gainfort stated that small cap fared the worst for the quarter. International outperformed domestic equities in the quarter. Europe continues to be negatively impacted with the ongoing war between Russia and Ukraine. Value significantly outperformed growth across the board in the quarter. July was a strong market. Things have come back in the last month but there is still a lot of volatility.

Ms. Gainfort reviewed the performance of the Fund for the period ending June 30, 2022. The total market value of the Fund as of June 30, 2022 was \$30,167,967. The asset allocation was 48.1% in domestic equities; 7.7% in international; 24.1% in domestic

fixed income; 3.9% in global fixed income; 11.8% in real estate; and 4.4% in cash. Ms. Gainfort stated that the portfolio is a little underweight to equities but there is no need to rebalance as everything is pretty close to the targets.

Ms. Gainfort reviewed the portfolio as of June 30, 2022. The total portfolio was down 9.78% net of fees for the quarter ending June 30, 2022 while the benchmark was down 10.37%. The total equity portfolio was down 15.52% for the quarter while the benchmark was down 16.17%. The total domestic equity portfolio was down 15.65% for the quarter while the benchmark was down 16.70%. The total international portfolio was down 14.65% for the quarter while the benchmark was down 13.54%. The total fixed income portfolio was down 3.03% for the quarter while the benchmark was down 3.75%. The total domestic fixed income portfolio was down 1.98% for the quarter while the benchmark was down 2.93%. The total global fixed income portfolio was down 9.10% for the quarter while the benchmark was down 6.97%. The total real estate portfolio was up 2.98% while the benchmark was up 4.37%.

Ms. Gainfort reviewed the performance of the managers. The Anchor All Cap Value portfolio was down 9.91% for the quarter while the Russell 3000 Value was down 12.41%. Ms. Gainfort stated that Anchor was still on their watch list even though they outperformed the benchmark in the quarter. MFS Growth Fund was down 19.36% while the Russell 1000 Growth was down 20.92%. The Vanguard Mid Cap portfolio was down 16.96% for the quarter while the Russell Mid Cap was down 16.85%. The Vanguard Total Stock portfolio was down 16.85% for the quarter while the Russell 3000 was down 16.70%. The Garcia Hamilton Fixed Income portfolio was down 1.98% for the quarter while the benchmark was down 2.93%. The Europacific Growth portfolio was down 14.65% for the quarter while the benchmark was down 13.54%. The Principal portfolio was up 7.25% for the quarter while the benchmark was up 7.77%. The PIMCO Diversified Fund was down 9.10% for the quarter while the benchmark was down 6.97%. Ms. Gainfort stated that PIMCO underperformed but she still feels very comfortable with this strategy.

Ms. Gainfort stated that long term she thinks the portfolio looks good. There is no reason to panic. She recommends her clients remain patient. Long term the portfolio is still in a good position. The market is going to see some more volatility. She thinks long term the markets will come back.

Ms. Gainfort presented a Large Cap Value Manager Search. She stated that the purpose of the search is to evaluate a potential replacement for Anchor due to their performance issues. Ms. Gainfort presented five other large cap value managers in addition to Anchor: Allspring C&AB Large Cap Value; Brandywine Dynamic Large Cap Value; Dodge & Cox; Newton US Dynamic Large Cap Value; and Vanguard Equity Income Admiral. She stated that she does not have a lot of all cap managers that are a good fit so she is just looking at the large cap mandate. She stated that it tends to be a little lower risk because it does not really include small cap which is more volatile. She reviewed the vehicle, fees and minimum investment for each candidate. She stated that everything is pretty competitively priced. She reviewed each firm and the investment option information. All are very well established firms. She reviewed the strategy information, investment team information and portfolio construction information. She reviewed the portfolios in terms of composition, characteristics, and market capitalization. Ms. Gainfort stated that Dodge & Cox does not tend to protect on the downside but does seem to do better in up markets. Newton's performance can be a little more uncertain. Vanguard has the best downside protection but does not tend to keep up as well in up markets. She reviewed performance. All performed above the benchmark in all time periods, except Brandywine and Dodge & Cox for the one year. From a risk perspective, Vanguard paints the best picture and

protects best in down markets. Dodge & Cox takes the most risk with not necessarily the best returns. Ms. Gainfort stated that she would lean toward Vanguard. They have the lowest risk with the lowest cost. Their returns are not much off the others and they paint the clearest picture. She stated that this was not a fire sale where the Board needed to make a decision today. There was a lengthy discussion. The Board decided to not take any action today but to discuss this further at the next meeting.

Ms. Gainfort discussed the Village funding needs. She stated that the Village has not requested any funds at this time to pay benefits and expenses.

ATTORNEY REPORT

Ms. Jensen provided an update on the Davis matter. She stated that she received communication from the Attorney for Mr. Davis that the appeal has been withdrawn because they have no objection to the numbers. She will be sending a letter to the Attorney for Mr. Davis to figure out a way for Mr. Davis to repay the Fund.

Ms. Jensen provided the Board with the final IRS-RMD Ordinance. She stated that Ordinance 2022-04 was passed by the Village.

Ms. Jensen provided a draft Summary Plan Description. She reviewed the changes that were made. A motion was made, seconded and carried 3-0 to approve the updated Summary Plan Description.

ADMINISTRATIVE REPORT

Ms. Adcock presented the Board with the benefit calculations and election approvals for Dennis Stevenson and Karen Mihelich. A motion was made, seconded and carried 3-0 to approve the benefit calculations and election approvals for Dennis Stevenson and Karen Mihelich.

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

Ms. Adcock advised that the Fiduciary Liability Insurance is due to expire on November 1, 2022. A motion was made, seconded and carried 3-0 to renew the Fiduciary Liability Insurance not to exceed \$5,000.

There was discussion on the status of the Trustee vacancies. It was noted that there are currently two employee vacancies. Now that the David appeal is over, the Board decided it would be time to send out a notice of intent to try to fill the vacancies.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Kimberly Glas-Castro
Secretary