

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
December 14, 2022

A meeting was called to order at 2:00 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 (2:03 P.M.)
Janna Hamilton, Garcia Hamilton (2:03 P.M.)
Jane Worth, Participant
Ed Horton, Participant

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held August 23, 2022. A motion was made, seconded and carried 3-0 to approve the minutes of the meeting held August 23, 2022 as amended.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board. She reviewed the market environment for the period ending September 30, 2022. She provided information regarding the evolution of the S&P 500, Fed Funds Rate, and 10 year Treasury Yield for the five year period. The key takeaway is despite experiencing one of the worst year to date declines in 2022, the S&P was still up approximately 16% higher than pre-COVID.

Chad Little and Janna Hamilton entered the meeting.

Ms. Gainfort reviewed the bear markets since 2000. The market is coming off one of the longest bull markets in history. She noted that bull markets tend to be much longer than bear markets.

Ms. Gainfort reported on the performance of the Fund for the quarter ending September 30, 2022. She stated that the quarter started off strong. The market thought the Fed would slow down on interest rate increases but they did not, which made the markets quickly sell off. The total market value of the Fund as of September 30, 2022 was \$28,975,658. The asset allocation was 47.7% in domestic equities; 7.3% in international; 23.8% in domestic fixed income; 3.9% in global fixed income; 12.3% in real estate; and 4.9% in cash. Ms. Gainfort stated that everything was closely in line with the target ranges. She stated that there was no need to rebalance from an asset-based standpoint.

Ms. Gainfort reviewed the portfolio as of September 30, 2022. The total portfolio was down 3.99% net of fees for the quarter ending September 30, 2022 while the benchmark

was down 3.98%. For the fiscal year the total portfolio was down 13.98% while the benchmark was down 12.67%. The total equity portfolio was down 5.15% for the quarter while the benchmark was down 5.37%. The total domestic equity portfolio was down 4.48% for the quarter while the benchmark was down 4.46%. The total international portfolio was down 9.33% for the quarter while the benchmark was down 9.80%. The total fixed income portfolio was down 4.13% for the quarter while the benchmark was down 3.84%. The total domestic fixed income portfolio was down 4.39% for the quarter while the benchmark was down 3.84%. The total global fixed income portfolio was down 2.54% for the quarter while the benchmark was down 3.84%. The total real estate portfolio was up .38% while the benchmark was up .79%.

Ms. Gainfort reviewed the performance of the managers. The Anchor All Cap Value portfolio was down 3.54% for the quarter while the Russell 3000 Value was down 5.56%. MFS Growth Fund was down 6.09% while the Russell 1000 Growth was down 3.60%. Ms. Gainfort stated that she still feels comfortable with MFS despite their underperformance. The Vanguard Mid Cap portfolio was down 4.14% for the quarter while the Russell Mid Cap was down 3.44%. The Vanguard Total Stock portfolio was down 4.46% for the quarter while the Russell 3000 was down 4.46%. The Garcia Hamilton Fixed Income portfolio was down 4.39% for the quarter while the benchmark was down 3.84%. The Europacific Growth portfolio was down 9.33% for the quarter while the benchmark was down 9.80%. The Principal portfolio was up .38% for the quarter while the benchmark was up .79%. The PIMCO Diversified Fund was down 2.54% for the quarter while the benchmark was down 3.84%.

Ms. Gainfort discussed Anchor. She stated that they were on their watch list. She reported that her research group had another meeting with Anchor during the quarter and they are now recommending across the board to move away from this manager. She discussed the three reasons they are recommending terminating this manager. First, their performance has not been good despite their recent quarter relative outperformance. Second, they have had concerning turnover in the last couple of years. Third, there has been a shift in philosophy in managing the portfolio. They had a strong downside bias but that is not the case anymore.

Ms. Gainfort presented an updated Large Cap Value Manager Search. She stated that she reviewed this at the last meeting but updated the information. The purpose of the search is to evaluate a potential replacement for Anchor. Ms. Gainfort presented five other large cap value managers: 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 ultimately she feels the Vanguard Equity Income Admiral fund would be the best choice. They are lower risk, have a strong investment team, it is a well-known firm, their performance is strong, and it is income oriented. There was a lengthy discussion. It was noted that Anchor has been a manager with the Fund since 2005. Although there has been a long history with Anchor, their performance has been very challenged lately. Ms. Gainfort stated that she was recommending that Vanguard Equity Income Admiral replace Anchor. A motion was made, seconded and carried 3-0 to terminate Anchor and replace them with Vanguard Equity Income Admiral.

Ms. Gainfort discussed the Village funding needs. She stated that the Village has advised that they need \$400,000 for the next six months. A motion was made, seconded and carried 3-0 to raise cash for the Village funding needs as recommended by the Investment Monitor.

ACTUARY REPORT

Chad Little appeared before the Board. He stated that he received all of the information needed to prepare the Actuarial Valuation. He stated that he is not going to recommend lowering the assumed rate of return below 6%. He stated that there will already be an increase in the contribution amount due to the negative returns. He stated that he will keep the assumed rate of return at 6% and it can be revisited for the 2023 Valuation.

INVESTMENT MANAGER REPORT: GARCIA HAMILTON & ASSOCIATES

Janna Hamilton appeared before the Board. Ms. Hamilton provided a brief introduction. She stated that they have been managing the Fund's fixed income portfolio for ten years. They manage a high-quality, intermediate fixed income portfolio. She stated that the markets have been pretty terrible. This has been the worst fixed income market in history. She discussed the performance. The total market value of the portfolio as of September 30, 2022 was \$6,902,647.92. The portfolio was down 4.26% for the quarter while the benchmark was down 3.84%. Ms. Hamilton stated that their longer duration detracted from performance for the quarter. For the fiscal year, the portfolio was down 9.75% while the benchmark was down 11.49%.

Ms. Hamilton stated that things are getting better. Inflation is slowing and the economy is stabilizing. The Fed was slow to act on this and now the Fed is throwing too much at the market, too fast. She stated that there will likely be another interest rate increase this week. She stated that they are positioning the portfolio for a recession, which recession they believe will likely be seen in 2023. Inflation numbers are down. They are still high but lower than expected. She provided an update on the performance of the portfolio. The portfolio was up 4.27% for the quarter to date as of yesterday while the benchmark was up 3.03%. It is nice outperformance relative to the benchmark. Ms. Hamilton discussed the historical fiscal stimulus. The money the government threw in the market was a result of COVID. She reviewed the rate hikes priced into the market on a twelve month forward basis. Inflationary pressures were substantial. Housing prices, gas prices, car and food prices are all starting to moderate. Home affordability has declined significantly. She showed the year over year change in mortgage rates versus home prices. Consumer sentiment is dropping and remains extraordinarily depressed. Small business owners' expectations are near a record low. Low quality underperformed this year. She stated that it was not worth it to own BBB in the portfolio which turned out to be a big positive for performance. Ms. Hamilton stated that they were overweight in mortgage backed securities, those that are 100% backed by the government. They are getting extra yield there. They are very mature holdings and very attractive holdings. She reviewed the fixed income portfolio characteristics. They are starting to see signs of a recession. They do not think the recession will be horrible, but they are positioned for it. They are gaining some ground relative to the benchmark. Rates are starting to come back to more normal levels.

Janna Hamilton departed the meeting.

ATTORNEY REPORT

Ms. Jensen provided an update on the Davis matter. She stated that she sent a letter to the Attorney for Mr. Davis but did not hear back as of yet. She stated that she can file the Order in Court to obtain a Judgment but she did not see any property that Mr. Davis owned. She stated that the Statue provides that the Fund "shall" request the money back

and “may” bring an action in court. There was a lengthy discussion. The Board decided that they will never be able to collect the monies owed and they do not want to move forward. A motion was made, seconded and carried 3-0 to not file a case in court in order to recover funds from Mr. Davis.

Ms. Jensen provided the Board with a Memorandum Regarding Delaware Law Change Permits Companies to Insulate Corporate Officers from Liability for Reckless Conduct dated November 2022. She also provided the Board with a Memorandum Regarding SEC Proxy Voting Disclosure Rules dated November 2022. She stated that both memorandums relate to SEC proxy voting, one making proxy voting more transparent for commingled funds and one allowing Delaware companies by charter change to insulate corporate officers from personal liability for reckless conduct.

Ms. Jensen provided a Memorandum Regarding RMD Final Regulations dated October 2022. She stated that it clarifies the timing of distributing RMDs.

ADMINISTRATIVE REPORT

Ms. Adcock presented the Board with the benefit calculations and election approvals for Vicki Webber and Kaitlyn Morgan, beneficiary of Tina Hanna. A motion was made, seconded and carried 3-0 to approve the benefit calculations and election approvals for Vicki Webber and Kaitlyn Morgan, beneficiary of Tina Hanna.

Ms. Adcock presented two disbursement lists, one for the Accounts Payable as of September 30, 2022 and the other for invoices after the close of the fiscal year. A motion was made, seconded and carried 3-0 to approve and pay all listed disbursements.

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, 2022.

The Board was provided with the 2023 upcoming conference list.

There was discussion on the status of the Trustee vacancies. It was noted that there are currently two employee vacancies. A Notice of Intent was sent to the active members; however, no one responded by the deadline. Jane Worth and Ed Horton were in attendance and expressed a desire to fill the vacancies. Another Notice of Intent will be sent to the active members so a proper election can be completed.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Kimberly Glas-Castro
Secretary