

**VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND**  
**MINUTES OF MEETING HELD**  
**February 7, 2023**

A meeting was called to order at 2:08 P.M. at Village Hall in Palm Springs, Florida.  
Those persons present were:

**TRUSTEES**

Patti Waller  
Bruce Gosman  
Kimberly Glas-Castro  
Jane Worth  
Ed Horton

**OTHERS**

Bonni Jensen, Fund Counsel  
Margie Adcock, Administrator  
Jennifer Gainfort, Monitor  
Chad Little, Actuary  
Bev Smith, Mayor/Participant

**WELCOME NEW TRUSTEES**

It was noted that an election was held and Jane Worth and Ed Horton were elected to the Board.

**PUBLIC COMMENTS**

There were no public comments.

**MINUTES**

The Board reviewed the minutes of the meeting held December 14, 2022. A motion was made, seconded and carried 5-0 to approve the minutes of the meeting held December 14, 2022.

**ACTUARY REPORT**

Chad Little appeared before the Board. Mr. Little presented the Actuarial Valuation as of October 1, 2022. He noted that the Valuation sets forth the contribution requirements for the fiscal year ending September 30, 2024. He stated that the contribution decreased from \$514,342 to \$415,951. He stated that the Valuation reflects an assumed investment return of 6.0%. The funded ratio was 107.45%. Mr. Little reviewed the participant data. He stated that the active members decreased from 31 to 28. The inactive members remained level at 94. Pay increases were higher than expected. Payroll was 8.9% versus the expected 5.5%. However, there was a demographic gain due to the retirement death experience which was offset in part by the pay increases. There were no changes in Plan provisions that impacted the Fund.

Mr. Little reviewed the method changes. He reviewed the assessment and disclosure of risk. He reviewed the ratio of benefit payments to contributions. He reviewed the reconciliation of the market value of assets. He reviewed the historical investment returns from September 30, 1995 through September 30, 2022. 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. A motion was made, seconded and carried 5-0 to approve the Actuarial Valuation as of October 1, 2022.

It was noted that the Board needs to formally determine the expected rate of return for the short term and long term, as is required by the State. It was noted that the Board just approved the return of 6.0% in the Valuation. Ms. Gainfort stated that it was reasonable to assume that the assets would return 6.0% over the short term, mid-term and long term. A motion was made, seconded and carried 5-0 to determine the expected rate of return using the rate of 6.0%. Ms. Gainfort stated that she would prepare the letter to be sent to the State.

Mr. Little stated that he was going to bring a proposal to perform an experience study to the next meeting for the Board to consider.

### **INVESTMENT MONITOR REPORT**

Jennifer Gainfort appeared before the Board. She provided an update on the firm. She stated that the firm has \$90 billion in client assets under advisement as of December 31, 2022. The firm has had 22 straight years of revenue growth. They have reinvested 100% of the net profits back into the organization. They have 93 team members. In 2022 and added three more partners. She reviewed their organizational chart.

Ms. Gainfort reviewed the market environment for the period ending December 31, 2022. She stated that US equities moved higher during the quarter despite concerns regarding inflation, potential for higher interest rates, and a slowing GDP growth. Large cap value was the best performing asset class and large cap growth was the worst. Value outperformed growth. The Fed increased rates during the quarter by 75 basis points in November and 50 basis points in December. The labor market continued to show its resiliency. The unemployment rate was 3.5%, which is the lowest it has been in years. All asset classes were positive for the quarter while being negative for the year.

Ms. Gainfort reported on the performance of the Fund for the quarter ending December 31, 2022. The total market value of the Fund as of December 31, 2022 was \$29,943,921. The asset allocation was 49.5% in domestic equities; 7.9% in international; 23.4% in domestic fixed income; 4.0% in global fixed income; 11.2% in real estate; and 4.1% in cash. Ms. Gainfort stated that she was not recommending any rebalancing. The total portfolio was up 4.70% net of fees for the quarter ending December 31, 2022 while the benchmark was up 5.15%. For the fiscal year the total portfolio was down 13.98% while the benchmark was down 12.67%. The total equity portfolio was up 8.62% for the quarter while the benchmark was up 8.44%. The total domestic equity portfolio was up 7.83% for the quarter while the benchmark was up 7.18%. The total international portfolio was up 13.78% for the quarter while the benchmark was up 14.37%. The total fixed income portfolio was up 2.55% for the quarter while the benchmark was up 2.04%. The total domestic fixed income portfolio was up 2.18% for the quarter while the benchmark was up 1.72%. The total global fixed income portfolio was up 4.78% for the quarter while the benchmark was up 3.31%. The total real estate portfolio was down 6.28% while the benchmark was down 5.06%.

Ms. Gainfort reviewed the performance of the managers. She noted that Anchor was terminated at the end of last quarter. MFS Growth Fund was up 3.80% while the Russell 1000 Growth was up 2.20%. The Vanguard Mid Cap portfolio was up 9.02% for the quarter while the Russell Mid Cap was up 9.18%. The Vanguard Total Stock portfolio was up 7.14% for the quarter while the Russell 3000 was up 7.18%. The Garcia Hamilton Fixed Income portfolio was up 2.18% for the quarter while the benchmark was up 1.72%. The EuroPacific Growth portfolio was up 13.78% for the quarter while the benchmark

was up 14.37%. Ms. Gainfort stated that EuroPacific underperformed the benchmark because they have a growth tilt in the portfolio. She stated that she would like the Board to look to add an international value component to smooth out the returns. The Principal portfolio was down 6.28% for the quarter while the benchmark was down 5.06%. The PIMCO Diversified Fund was up 4.78% for the quarter while the benchmark was up 3.31%.

### **INTERNATIONAL VALUE MANAGER SEARCH**

Ms. Gainfort presented an international value manager search. She reviewed the four candidates: Causeway Capital Management; Dimensional Fund Advisors (DFA); Dodge & Cox; and Pear Tree Funds (subadvisor Polaris Capital Management). She stated that Causeway is a contrarian value manager with some growth so there would be some overlap with the current international manager. Dimensional Fund Advisors is a deep value manager and has no emerging market exposure. Dodge & Cox is a relative value manager with almost 69% in US equities and 17% in emerging markets. Polaris is a relative value manager with 25% in emerging markets, which might bring additional risk. Ms. Gainfort reviewed the firms and investment comparison of the managers. She reviewed their current performance comparison. She reviewed current and historical portfolio region exposure and style comparison. She stated that DFA is the top performing candidate over the ten-year period ending December 31, 2022. There was a lengthy discussion. Ms. Gainfort recommended hiring DFA and splitting the international portfolio with half remaining with EuroPacific and half moving to DFA. There was discussion regarding splitting the value part between DFA and Dodge & Cox. Ms. Gainfort stated that doing that starts to spread things real thin asset wise. She stated that it was an option but was not sure it would make a huge difference. She was not sure of the holdings of each of those managers. There would be some additional risk in the portfolio with more emerging market and domestic equity exposure. She stated that it would not be really adding any diversification. A motion was made, seconded and carried 4-1 to hire DFA and split the international portfolio with 50% to EuroPacific and 50% to DFA. Bruce Gosman opposed the motion.

Ms. Gainfort discussed the status of the Village's funding needs. She stated that the Village was good on funding at this time.

### **ATTORNEY REPORT**

Ms. Jensen provided the Board with a Memorandum Regarding Maintaining Internal Controls to Protect Against Fraud and Abuse dated December 2022. She discussed the background of why this issue came about. She stated that they had several recommendations for the Board to review to help guard against fraud and misuse of pension funds. It was noted that the Administrator does a SOC 1 Audit every year. There was a lengthy discussion. Ms. Adcock reviewed the processes in her firm. It was noted that the Village pays the pension benefits and expenses for this Plan. Ms. Jensen stated that she was recommending the Board consider whether a standalone audit should be done for this Plan. Right now, the Plan is included in the Village audit. She also suggested that a third party be used to do a death search on retirees in pay status on an ongoing basis. It was noted that the Administrator is requiring members to have any retiree changes to direct deposits or changes in addresses be notarized to ensure that the member is actually making the request. Ms. Jensen stated that she thinks setting up a conversation with the Village auditor would be helpful. She stated that she would follow up on these recommendations.

Ms. Jensen provided the Board with a Memorandum Regarding the SECURE 2.0 Act dated January 5, 2023. She stated that the Memorandum highlighted important amendments relevant to public safety officers and governmental plans. She reviewed the key amendments with the Board.

Ms. Jensen provided a Memorandum regarding the IRS Mileage Rate for 2023 dated January 2023. She noted that effective January 1, 2023 the mileage rate has been increased to 65.5 cents per mile.

### **ADMINISTRATIVE REPORT**

Ms. Adcock presented the Board with the benefit calculation and election approval for Patrick Rothenburg. A motion was made, seconded and carried 5-0 to approve the benefit calculation and election approval for Patrick Rothenburg.

Ms. Adcock presented the disbursement list. A motion was made, seconded and carried 5-0 to approve and pay all listed disbursements.

### **OTHER BUSINESS**

Ms. Waller advised the Board that she was going to be resigning as Chair/Trustee on the Board. It was noted that when Ms. Waller submits her resignation, it will be brought before the Village Council to see if there are any volunteers to fill the position. If not, Bev Smith will step up and return to the Board.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Kimberly Glas-Castro  
Secretary