

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
May 2, 2023

A meeting was called to order at 2:03 P.M. at Village Hall in Palm Springs, Florida.
Those persons present were:

TRUSTEES

Bev Smith
Jane Worth
Kimberly Glas-Castro
Ed Horton

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Jennifer Gainfort, Monitor
Chad Little, Actuary (2:15 P.M.)
Gregory Pittenger, Principal Real Estate

WELCOME NEW TRUSTEE

It was noted that Bev Smith has been appointed to the Board to replace Patti Waller. The Board welcomed Ms. Smith.

ELECTION OF CHAIR AND VICE CHAIR

It was noted a new Chair needed to be elected since Ms. Waller had been the Chair. A Vice Chair was needed as well. A motion was made, seconded and unanimously carried to elect Jane Worth as the Chair. A motion was made, seconded and unanimously carried to elect Ed Horton as the Vice Chair.

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held February 7, 2023. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held February 7, 2023.

INVESTMENT MANAGER REPORT – PRINCIPAL

Gregory Pittenger appeared before the Board. Mr. Pittenger provided a brief introduction. He stated that he is the institutional sales and relationship manager. He provided a brief overview of the firm. He noted that they have 475 employees in 11 countries. They have \$97.9 billion in assets under management, with \$48.8 billion in private real estate. They have 550 institutional clients from 31 countries. The total market value of the Fund's portfolio as of March 31, 2023 was \$3,238,589.

Chad Little entered the meeting.

Mr. Pittenger discussed the US Property Account. He stated that it is a core real estate investment strategy. It is a daily valued, open ended commingled portfolio. There have been no changes to the investment team. They have a very consistent team. It is a strong team that has been through many market cycles together. He reviewed the account

profile. They have 160 investments across the US and are 24.3% leveraged. The occupancy rate is 94.3%. The contribution queue balance is \$569.4 million. The withdrawal limitation balance is \$1.1 billion. Mr. Pittenger reviewed the 2023 strategic themes. He reviewed their investment strategy; discussed how they monitor and mitigate risk; and discussed their operations. He stated that their focus has been to be defensive to make sure they are properly positioned given the recessionary outlook.

Mr. Pittenger discussed the diversification of the portfolio. The asset allocation by region is 23% in the South; 51% in the West; 22% in the East; and 4% in the Mid-West. He noted that they were overweight in the South and West. He discussed their four main areas of investments. With respect to industrial, they still feel there are strong opportunities here and it has come back in the last two quarters. They have a 33% weighting versus the 31% weighting of the benchmark. With respect to residential, they are overweight at 34% versus the benchmark at 29%. It is primarily multi-family space. This space has been their focus the last several years. They have a strong conviction in this area. With respect to office, they have continued to reduce their allocation and are still slightly underweight at 20% versus the benchmark at 22%. This is the most challenged area. They are focused on writing down the property valuations aggressively. With respect to retail, they are even at 10% with the benchmark. They have no mall exposure in the portfolio. They own primarily necessity-based formats.

Mr. Pittenger reviewed the property sector diversification. He reviewed the 2023 acquisition and disposition activity as of March 31, 2023. He reviewed the top ten properties and the leverage highlights. He stated that they have 12% in alternative property subsectors such as data centers, life science, self-storage and student housing. He noted that the portfolio was down 3.18% for the quarter ending March 31, 2023 and up 6.91% since inception of January 30, 1982. He noted that a vast majority of the trailing underperformance is because of their write down of 25% of office whereas the index only wrote down 15%. The Board expressed concern with real estate given the current market.

Bonni Jensen discussed House Bill 3 which passed the House and the Senate, and she expects the Governor will sign the Bill. She stated that the Bill limits what the Plan will be able to look at for the purpose of investments. The Board will only be able to look at pecuniary factors and not any ESG issues. The Board will need to file some sort of report each December acknowledging that they followed all the rules included in this new law. She stated that she was bringing this issue up now because she expects the Board may need information from Mr. Pittenger and the other managers.

Gregory Pittenger departed the meeting.

ACTUARY REPORT

Chad Little appeared before the Board. Mr. Little presented an experience study proposal. He stated that it is time to do such a study to see what has happened in the last five years and to see if any assumptions need to be adjusted. He discussed the fee structure, noting that it would be the same cost as the Valuation, which is \$8,000. The study would include all major experience categories, including the assumed rate of return assumption. He noted that last year the assumed rate of return was not adjusted due to the market. Mr. Little stated that typically he recommends an experience study to be done every five years although he noted that it has been longer than five years here. He stated that it was time to do it for this Plan as they are trying to get a grip on behavior going forward. A

motion was made, seconded and carried 4-0 to authorize the Actuary to move forward with an experience study. Mr. Little stated that he would be using the October 1, 2022 Valuation information and expected to present the experience study at the next meeting.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board. She reviewed the market environment for the period ending March 31, 2023. She stated that there was a lot of volatility along the way but it ended up being a good quarter. The Fed continued to raise interest rates two more times during the quarter by 25 basis points each time. She noted that there was a little turmoil due to the collapse of the Silicon Valley Bank, which failed more due to the risk of assets they were holding. It was targeted to specific banks and did not impact the larger banks. Ms. Gainfort stated that all asset classes were positive for the quarter while all asset classes were negative for the year. There was a big shift in style this quarter with growth significantly outperforming value in the quarter. She reviewed the treasury yield curve. There are still concerns of a potential downturn in the market with an expected recession in the second part of the year. One key indicator of a recession is an inverted yield curve, which is now present. The odds are leaning towards a recession. There were only two times in the past where there was an inverted yield curve and no recession. She stated that they are hoping for a soft recession.

Ms. Gainfort reported on the performance of the Fund for the quarter ending March 31, 2023. The total market value of the Fund as of March 31, 2023 was \$30,934,421. The asset allocation was 49.9% in domestic equities; 8.3% in international; 23.1% in domestic fixed income; 4.0% in global fixed income; 10.5% in real estate; and 4.3% in cash. Ms. Gainfort stated that she was not recommending any rebalancing. The total portfolio was up 3.27% net of fees for the quarter ending March 31, 2023 while the benchmark was up 4.65%. The total equity portfolio was up 4.89% for the quarter while the benchmark was up 7.15%. The total domestic equity portfolio was up 4.41% for the quarter while the benchmark was up 7.18%. The total international portfolio was up 7.86% for the quarter while the benchmark was up 7.00%. The total fixed income portfolio was up 3.02% for the quarter while the benchmark was up 2.50%. The total domestic fixed income portfolio was up 3.09% for the quarter while the benchmark was up 2.39%. The total global fixed income portfolio was up 2.60% for the quarter while the benchmark was up 2.97%. The total real estate portfolio was down 3.24% while the benchmark was down 3.48%.

Ms. Gainfort reviewed the performance of the managers. The Vanguard Value Fund was down 2.10% while the Russell 1000 Value was up 1.01%. MFS Growth Fund was up 10.75% while the Russell 1000 Growth was up 14.37%. The Vanguard Mid Cap portfolio was up 3.87% for the quarter while the Russell Mid Cap was up 4.06%. The Vanguard Total Stock portfolio was up 7.16% for the quarter while the Russell 3000 was up 7.18%. The Garcia Hamilton Fixed Income portfolio was up 3.09% for the quarter while the benchmark was up 2.39%. The EuroPacific Growth portfolio was up 9.87% for the quarter while the benchmark was up 7.00%. The Principal portfolio was down 3.24% for the quarter while the benchmark was down 3.48%. The PIMCO Diversified Fund was up 2.60% for the quarter while the benchmark was up 2.97%. It was noted that Dimensional Fund Advisors was added at the last meeting. Ms. Gainfort stated that being diversified will help mitigate any downturn.

Ms. Gainfort discussed the status of the Village's funding needs. She stated that she did not receive any funding request from the Village.

ATTORNEY REPORT

Ms. Jensen reminded the Board that the Annual Form 1 needed to be filed by July 1, 2023.

Ms. Jensen provided a proposed updated Professional Services Agreement for the Board to consider. She stated that she is asking for a raise. She stated that she is under a retainer with a 3% COLA. She is asking to increase the quarterly retainer from \$1,738.90 to \$1,867.46 effective June 1, 2023 with a 3% COLA every January. She stated that fees were also increasing for work done outside of the retainer. She stated that she is asking to be brought in line with the market. She stated that the annual 3% COLA she has been receiving did not cover that. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to accept the proposed updated Professional Services Agreement increase the quarterly retainer to \$1,867.46 effective June 1, 2023 with a 3% COLA every January.

ADMINISTRATIVE REPORT

Ms. Adcock presented the Board with the benefit calculation and election approval for Carol Beebe. A motion was made, seconded and carried 4-0 to approve the benefit calculation and election approval for Carol Beebe.

Ms. Adcock presented the disbursement list. A motion was made, seconded and carried 4-0 to approve and pay all listed disbursements.

Ms. Adcock provided an updated authorized signer list for the Board to complete given the change in Trustees on the Board.

Ms. Adcock noted that at the last meeting there was discussion on Ms. Jensen's suggestion that a third party be used to do a death search on retirees in pay status on an ongoing basis. Ms. Adcock stated that her firm uses a company that does electronic death searches on the members that they issue pension checks to for other pension plans they administer. She stated that they could include the members that are currently paid by the Village for this Plan in their death searches. It would be a more manual set up as the members would need to be added as they are not being paid through the Administrator's office. She stated that they could offer such a death search for a fee of \$100 a month. There was a lengthy discussion. Ms. Jensen stated that this would be a worthwhile expenditure and would limit the exposure of a possible overpayment due to a death. The Board decided to hold off on any decision until the next meeting.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Kimberly Glas-Castro
Secretary