

**VILLAGE OF
PALM SPRINGS POLICE OFFICERS' PENSION FUND
MINUTES OF MEETING HELD
November 7, 2023**

A meeting was called to order at 10:35 A.M. at Village Hall in Palm Springs, Florida.
Those persons present were:

TRUSTEES

Tim Conboy
Frank Castro
Sean Grant (10:44 A.M.)
Donald Bell
Tom Gehrman

OTHERS

Bonni Jensen, Attorney
Margie Adcock, The Resource Centers
Jennifer Gainfort, AndCo Consulting
Janna Hamilton & Benjamin Monkiewicz, Garcia Hamilton

PUBLIC COMMENTS

There were no public comments,

MINUTES

The Board reviewed the minutes of the meeting held August 1, 2023. A motion was made, seconded and carried 4-0 to approve the minutes of the meeting held August 1, 2023.

INVESTMENT MANAGER REPORT: GARCIA HAMILTON & ASSOCIATES

Janna Hamilton and Benjamin Monkiewicz appeared before the Board. Ms. Hamilton provided a brief introduction. She stated that she was the client services manager and Mr. Monkiewicz was a senior portfolio manager. She stated that they underperformed quite a bit which impacted their fiscal year, 2, 3, 4 and 5 year numbers. They are still ahead for the 10-year period and since inception. She discussed the performance. The total market value of the portfolio as of September 30, 2023 was \$6,789,787.47. The portfolio was down 3.71% for the quarter while the benchmark was down 1.89%. For the fiscal year, the portfolio was up .31% while the benchmark was up 1.42%. Ms. Hamilton stated that they still expect a recession, so they are holding their own with respect to positioning. They buy A or better bonds. When lower quality bonds do better, they will underperform.

Mr. Monkiewicz stated that there has been a significant rise in interest rates over the past year. He stated that they are currently long in duration. Their view is that interest rates have topped out and the market will see a decline in rates in the future. Another factor is that corporate bonds did well in the 3rd quarter. Their view is that corporate bonds will underperform as the market goes into a recession. They are overweight in mortgage-backed securities. This is an extremely attractive area and is backed by the full guarantee of the government. Mr. Monkiewicz discussed the money supply of long-term growth. February 2020 was the peak of money supply. The Fed has increased interest rates at the fastest pace since 1982.

Sean Grant entered the meeting.

Mr. Monkiewicz stated that the market has not seen the full impact of what the Fed did in 2022, much less what has been done in 2023. He stated that he thinks the market is heading toward a slowdown and recession. If so, it is best to have more interest rate exposure than the Index. If nothing changes the yield will be about 5%. If the rates decline by 100 basis points, then they expect a high single digit total return. He stated that it is the most attractive time to be in fixed income in the last 20 years. He stated that the low money supply growth suggests lower CPI rates. He noted that cutting interest rates has always been bigger and faster than the increases. The market cannot sustain interest rates at the level they are at now. There is not going to be another big stimulus plan like everyone received in 2021. Such a stimulus plan raises inflationary pressure which is what the market is seeing now. Mr. Monkiewicz stated that the supply chain pressures are easing. Inflationary pressures are moderating. Home affordability has declined significantly. The leading economic indicators are signaling a recession. The delinquency rate is alarming despite low unemployment. There was a discussion on how fixed income could lose money or be negative. The market had 0 interest rates for several years and then went to 4.5% in a matter of 7 months. He stated that they outperformed the bond market in 2022. In 2023 they positioned the long-term duration too early. There was more stimulus money in the system than they expected. They are trying to position the portfolio in the best position for the future. They are waiting for the opportunity to put money in corporate bonds and do not think that will happen until mid-2024. He thinks, given the level of interest rates, that fixed income is the most attractive asset class right now.

Ms. Hamilton stated that all indicators are out there for a recession. They do not see a soft landing. They think they are positioned very well looking forward. They asked the Board for a little patience and think the Board will be pleased in the long term.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board. She reviewed the market environment for the period ending September 30, 2023. She stated that the Fed continued to increase interest rates with a 25-basis point increase in July and a pause in September. It was a strong fiscal year despite a negative quarter. Everything was down in the quarter while positive for the fiscal year.

Ms. Gainfort reported on the performance of the Fund for the quarter ending September 30, 2023. The total market value of the Fund as of September 30, 2023 was \$37,083,679. The asset allocation was 56.8% in domestic equities; 9.1% in international; 18.3% in domestic fixed income; 3.9% in global fixed income; 11.8% in real estate; and 0.0% in cash.

Ms. Gainfort reviewed the performance for the quarter ending September 30, 2023. The total portfolio was down 3.43% net of fees for the quarter ending September 30, 2023 while the benchmark was down 2.77%. For the fiscal year, the total portfolio was up 10.78% while the benchmark was up 12.37%. The total equity portfolio was down 3.46% for the quarter while the benchmark was down 3.31%. The total domestic equity portfolio was down 3.53% for the quarter while the benchmark was down 3.25%. The total international portfolio was down 3.08% for the quarter while the benchmark was down 3.68%. The total fixed income portfolio was down 3.19% for the quarter while the

benchmark was down 1.77%. The total domestic fixed income portfolio was down 3.67% for the quarter while the benchmark was down 1.89%. The total global fixed income portfolio was down 1.09% for the quarter while the benchmark was down 1.32%. The total real estate portfolio was down 3.94% for the quarter while the benchmark was down 2.14%.

Ms. Gainfort reviewed the performance of the individual manager portfolios. The JP Morgan Disciplines portfolio was down 2.66% for the quarter while the S&P 500 was down 3.27%. The Parnassus Core portfolio was down 3.24% for the quarter while the S&P 500 was down 3.27%. The Vanguard Mid Cap Index portfolio was down 5.07% for the quarter while the Russell Mid Cap Index was down 4.68%. The Vanguard Total Stock Market portfolio was down 3.29% for the quarter while the Russell 3000 benchmark was down 3.25%. The EuroPacific Growth portfolio was down 6.33% for the quarter while the benchmark was down 3.68%. The Dimensional Fund Advisors portfolio was up .26% for the quarter while the benchmark was up .68%. The PIMCO Diversified Income was down 1.09% for the quarter while the benchmark was down 1.32%. The Garcia Hamilton portfolio was down 3.67% for the quarter while the benchmark was down 1.89%. The Principal portfolio was down 3.94% for the quarter while the NCREIF was down 2.14%. Ms. Gainfort stated that the portfolio for the fiscal year was very strong. Despite some pullback in the quarter, the fiscal year was fantastic.

Ms. Gainfort discussed the funding needs of the Village. She stated that she was not advised that the Village had any funding needs at this time. She noted that the Fund transferred \$500,000 to the Village after the last meeting. There was discussion on stopping the reinvestment of dividends and putting that money in a money market account which is currently yielding a little over 5%. A motion was made, seconded and carried 5-0 to direct the Monitor to make arrangements so dividends are put into a money market account rather than having the dividends reinvested.

ATTORNEY REPORT

Ms. Jensen provided the Board with Memorandums regarding House Bill 3 and the required comprehensive state report. She stated that her office has worked with other public pension attorneys in the State and it was determined that all of the plans would file the same cover sheet and attach the IPS to fulfill the comprehensive report requirement. The report has to be filed with the State by December 15. Ms. Adcock advised that her office registered as the contact for the Fund and will file the required report on time.

Ms. Jensen stated that she periodically checks on the case regarding Robert Hite. She stated that the matter has been scheduled and re-scheduled. She stated that a hearing is scheduled for later this week.

ADMINISTRATIVE REPORT

Ms. Adcock presented the Board with the benefit calculation and election approval, as well as Share Account distribution for Franklin Taft, 50% beneficiary of Adam Taft. A motion was made, seconded and carried 5-0 to approve the benefit calculation and election, as well as the Share Account distribution for Franklin Taft.

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

The Board was provided with a 2024 conference schedule.

It was noted that Donald Bell was reappointed to the Board for another term.

Ms. Adcock advised that the DROP and Share Account Statements are now able to be accessed electronically. She provided the Board with a letter to forward to the members advising them of the electronic access.

OTHER BUSINESS

It was noted that the DROP period for FRS was increased to 8 years. There was discussion on whether the DROP period under this Plan could likewise be increased. Ms. Jensen stated that the Village would have to change that as a matter of collective bargaining. She stated that some municipalities have extended the DROP period to 8 years, but it is not automatic just because FRS extended their DROP period.

Janna Hamilton and Benjamin Monkiewicz departed the meeting.

There was a lengthy discussion on the performance of Garcia Hamiton and other possible options for fixed income managers. Ms. Gainfort stated that if interest rates come down, she expects to see bonds pop up. If interest rates do not come down, bonds should yield about 5%. She stated that moving out of fixed income should not be the discussion. The Fund has about 20% in fixed income. She noted that they are finally seeing yields in fixed income, where for so long returns were flat. She does not think indexing in fixed income is worthwhile. With passive investing in fixed income, the quality of corporates is the biggest issue. With active investing, there is more selective access to quality and issuers as well. She thinks active investing is better in fixed income. She thinks active managers have more ability to outperform the index, especially on the quality side of corporates. Ms. Jensen stated that there is no minimum or maximum on bonds. There is a maximum of 80% in equities. She stated that the Fund is at the bottom of where it needs to keep money in fixed income. From a level of prudence and the Ordinance, the Fund has to keep about 20% in fixed income. She stated that she would not recommend going lower in fixed income. The Fund would not want to go more aggressive at this stage in the Plan. Ms. Gainfort stated that she could bring information on other fixed income managers for the Board to consider. She stated that she was still comfortable with Garcia Hamilton but could do a search for other possible fixed income managers. She stated that she would bring a fixed income manager search to the next meeting.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Sean Grant, Secretary