

VILLAGE OF PALM SPRINGS GENERAL EMPLOYEES' PENSION FUND
MINUTES OF MEETING HELD
May 4, 2021

A meeting was called to order at 2:10 P.M. in the Council Chambers at Village Hall in Palm Springs, Florida. Those persons present were:

TRUSTEES

Patti Waller
Bruce Gosman
Richard Reade

OTHERS

Bonni Jensen, Fund Counsel
Margie Adcock, Administrator
Jennifer Gainfort, Monitor
Chad Little, Actuary
Greg Pittenger, Principal Real Estate

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Board reviewed the minutes of the meetings held February 11, 2021 and March 30, 2021. A motion was made, seconded and carried 3-0 to approve the minutes of the meetings held February 11, 2021 and March 30, 2021.

ACTUARY REPORT

Chad Little appeared before the Board.

Mr. Little presented a study on lowering the assumed rate of return from 6.25% to 6.15% and 6.0%. He stated that this is a closed plan so the window is getting shorter and shorter. The Board on a regular basis considers lowering the assumed rate of return. He noted that reducing the assumed rate increases the required contribution. The Actuarial Valuation as of October 1, 2020 was done using the assumed rate of 6.25%. Mr. Little was requesting guidance if the Board wanted to make a change in the assumed rate for the October 1, 2021 Valuation. He reviewed the cost to lower the assumed rate of return. He noted that the Village Finance Director has encouraged the lowering of the assumed rate but the decision to do so is for the Board to consider and determine. He stated that to lower the rate to 6.15% the cost would be about \$100,000 and to lower it to 6.0% the cost would be about \$250,000. There was a lengthy discussion. It was noted that because of COVID the Village's revenues are down so they want to be cautious. This Plan is almost fully funded and it might not be the time to lower it here. There was more comfort in lowering it to 6.15% versus going to 6.0%. Mr. Little stated that he would not start working on the Valuation for the October 1, 2021 until he receives the data, which is usually right after October 1. He stated that the Board could wait until the November meeting to make a decision. A motion was made, seconded and carried 3-0 to authorize the Actuary to proceed reducing the assumed rate of return to 6.15% for the October 1, 2021 Valuation with the possibility that it could be reduced to 6.0% or kept at 6.25% at the next meeting after the budget cycle.

INVESTMENT MANAGER REPORT – PRINCIPAL

Gregory Pittenger appeared before the Board. Mr. Pittenger provided a brief introduction. He stated that he is on the client service team. He reviewed the team. He noted that they have 400 employees in 11 countries. They have \$90.3 billion in assets under management, with \$35.6 billion in private real estate. They have 550 institutional clients from 26 countries. The total market value of the Fund's portfolio as of March 31, 2021 was \$2,693,782.23.

Mr. Pittenger discussed the US Property Account. He stated that it is a core real estate investment strategy. There have been no changes to the investment team. They have a very consistent team. He reviewed the account profile. They have 132 investments across the US and are 23.1% leveraged. They have no redemptions at this point. Mr. Pittenger reviewed the 2021 strategic themes. He reviewed their investment strategy; discussed how they monitor and mitigate risk; and discussed their operations. He discussed the diversification of the portfolio. The asset allocation by region is 22% in the South; 48% in the West; 26% in the East; and 4% in the Mid-West. He discussed their four main areas of investments. With respect to industrial, that has been the strongest performing area in the last several years. They have a 23% weighting versus the 21% weighting of the benchmark. There is still an undersupply in housing, so they are focusing on this area. With respect to office, they are slightly overweight at 34% versus the benchmark at 33%. It is a transition point now as employees start to get back in the office. He noted that they have written this portion of the portfolio down quite a bit. With respect to retail, they have an equal weighting to the benchmark at 14%. They have no mall exposure in the portfolio. He noted that 80% of their exposure is in grocery-anchored centers. He reviewed the property sector diversification. He noted that the portfolio was up 2.43% for the quarter ending March 31, 2021.

Gregory Pittenger departed the meeting.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board. Ms. Gainfort reviewed the market environment for the period ending March 31, 2021. She stated that the market has had fantastic results for the quarter, fiscal year and one year. She noted that the market bottomed out last March and there has been a fantastic recovery. All equity markets are positive for the quarter and the one year. Small cap did best. The vaccine has been positive for the markets, and the additional stimulus has helped. The States are starting to open back up which is great. Domestic has done better than international. Fixed income has been slightly negative for the quarter. Interest rates rose during the quarter. As interest rates rise, bond prices fall. There has been a rotation from growth to value from the last quarter which has continued through the quarter ending March 31, 2021. It was noted that energy and financials were the top performing sectors for the quarter. Energy benefited from the higher oil prices and the reopening of many businesses, while financials benefited from the higher interest rates.

Ms. Gainfort reviewed the performance of the Fund for the period ending March 31, 2021. The total market value of the Fund as of March 31, 2021 was \$32,623,128. The asset allocation was 53.5% in domestic equities; 10.2% in international; 22.2% in domestic fixed income; 3.1% in global fixed income; 8.3% in real estate; and 2.8% in cash. She stated that overall everything is in compliance. If equities continue to rally she may recommend rebalancing next quarter.

Ms. Gainfort reviewed the portfolio as of March 31, 2021. The total portfolio was up 3.30% net of fees for the quarter ending March 31, 2021 while the benchmark was up 3.14%. The total equity portfolio was up 5.66% for the quarter while the benchmark was up 5.88%. The total domestic equity portfolio was up 6.89% for the quarter while the benchmark was up 6.35%. The total international portfolio was down .43% for the quarter while the benchmark was up 3.60%. The total fixed income portfolio was down 1.71% for the quarter while the benchmark was down 1.97%. The total domestic fixed income portfolio was down 1.59% for the quarter while the benchmark was down 1.61%. The total global fixed income portfolio was down 2.53% for the quarter while the benchmark was down 3.69%. The total real estate portfolio was up 2.37% while the benchmark was up 2.25%.

Commented [MA1]:

Ms. Gainfort reviewed the performance of the managers. The Anchor All Cap Value portfolio was up 8.61% for the quarter while the Russell 3000 Value was up 11.89%. MFS Growth Fund was up .40% and PRIMECAP Odyssey Growth Fund was up 11.34% while the Russell 1000 Growth was up .94%. Ms. Gainfort stated that PRIMECAP had a great rebound in performance in the last two quarters. Travel, which hurt last year, has benefited them the last couple of quarters. The Vanguard Mid Cap portfolio was up 7.18% for the quarter while the Russell Mid Cap was up 8.14%. The Vanguard Total Stock portfolio was up 6.43% for the quarter while the Russell 3000 was up 6.35%. The Garcia Hamilton Fixed Income portfolio was down 1.59% for the quarter while the benchmark was down 1.61%. The Europacific Growth portfolio was down .43% for the quarter while the benchmark was up 3.60%. The Principal portfolio was up 2.37% for the quarter while the benchmark was up 2.25%. The PIMCO Diversified Fund was down 2.53% for the quarter while the benchmark was down 2.64%.

ATTORNEY REPORT

Ms. Jensen provided an update on the Davis matter. She stated that a hearing is scheduled for May 28th at 10:00 a.m. The Board already has all of the information for that hearing. She stated that she will provide the framework for reviewing it. She noted that the pension checks will be processed and go out at the end of May for the June 1st payment. She suggested that perhaps Mr. Davis' payment be changed from direct deposit to a physical check that way, depending on the outcome at the hearing, the check can be delivered to him or held back. There was a lengthy discussion. The Board did not want to make any changes to his payment at this time since the Board does not know what the final decision will be. Ms. Jensen discussed the process for the hearing. She stated that she will be advising the Board on the law and will provide the Board with legal advice but will not be taking a position about the case. She also suggested that the Village provide, or the Board engage, a police officer to be present in the hearing. The Board stated that they would authorize a police officer in the meeting using special detail so as not to take any officer out of service.

Jennifer Gainfort departed the meeting.

Ms. Jensen provided a Memorandum regarding Best Practices for Locating Missing or Nonresponsive Participants and Beneficiaries dated February 2021. She stated that the Memorandum summarizes the Department of Labor guidelines on the steps to take according to the IRS to locate missing and nonresponsive participants. She reviewed the steps with the Board. She stated that the Memorandum was for informational purposes.

Ms. Jensen provided a proposed Statement of Policy Regarding Contractual Provision for Investment Managers. She stated that this document has been provided to all of their clients. The purpose is for it to be used as a tool for the consultant to use during manager searches to make sure the candidates are comfortable with the Board's contractual requirements before bringing them to the Board for consideration. They believe it would be a useful tool in searches by saving time and energy in making sure the candidates would agree to all matters necessary before they would be considered or invited to make a presentation. This Statement would only cover individual managers. She stated that the Statement was put together because a lot of the managers are not familiar with the Florida laws. She reviewed the Statement with the Board. Ms. Gainfort stated that she was fine with the Statement. A motion was made, seconded and carried 3-0 to adopt the Statement of Policy Regarding Contractual Provision for Investment Managers effective today.

ADMINISTRATIVE REPORT

Ms. Adcock presented the disbursements. There was discussion on the review of the invoices in general. Ms. Jensen stated that all service providers are paid on a contractual basis. A motion was made, seconded and carried 3-0 to pay all listed disbursements.

There was discussion on the status of the Trustee vacancies. It was noted that another notice of election went out for the position that was previously held by Mariana Ortega-Sánchez. However, no one put in to run for that position. Another notice will be sent after the hearing as the Board did not think they would receive any interest until that matter is resolved. Perhaps the next notice could just have the Pension Plan name and be more in the form of a flyer to get attention and make it clear that it is for this Pension Plan.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patti Waller, Chair