TOWN OF PALM BEACH

MINUTES OF THE RETIREMENT BOARD OF TRUSTEES MEETING HELD ON

Monday, November 14, 2022

I. CALL TO ORDER AND ROLL CALL

The Retirement Board of Trustees Meeting was called to order on Monday November 14, 2022, at 9:00 am in the Town Council Chambers. In attendance were members Stanton, Carter, Parker, Le Clainche, Marx, Lambert, Debrincat, Copeland and Guelli.

II. APPROVAL OF AGENDA

Motion was made by Board Member Carter, and was seconded by Ms. Le Clainche, to approve the agenda as presented. The motion passed unanimously.

III. TRUSTEES COMMENTS

Mr. Robert Miracle, appointed Deputy Town Manager was introduced by Ms. Le Clainche. He will be serving on the Board as her replacement and will have oversight of the Finance and Administration departments. Her retirement will be in January 2023.

IV. PUBLIC COMMENTS

There were no comments from the public.

V. APPROVAL OF MINUTES

Motion was made by Board Member Carter, and was seconded by Board Member Debrincat, to approve the Minutes for the August 19, 2022, meeting. The motion passed unanimously.

VI. ANNUAL REPORT, KAREN RUSSO, SALEM TRUST

Ms. Russo of Salem Trust, custodian of the Plan's portfolio, will be attending meetings annually and as requested to provide updates and receive feedback on Salem Trust's performance. She provided a summary of the five Trust accounts. Ms. Russo discussed the Authorized Signer form that must be updated, as a result of Ms. LeClainche's retirement, and provided the new signer list.

Ms. Le Clainche provided positive feedback on Salem Trust's performance and working relationship with her office.

VII. QUARTERLY FINANCIAL REPORT AND DISBURSEMENTS, AMY WOOD, ASSISTANT FINANCE DIRECTOR

Ms. Wood reviewed the quarterly financial report and disbursement schedule for the Town's retirement system as of September 30, 2022. Reporting total unaudited assets of $240,328,483, total liabilities $2,809,314, with resulting net assets held in trust of $237,519,170. On Page 3 Statement of changes in net assets showed total additions were ($26,776,410), due to a decline in value investments, total deductions of $23,438,044, resulting in net decrease of net assets to date of $50,214,454. On Page 4, Investment and Operating Expenses for fiscal year, totaled Operating and Investment Expenses $905,966. On Page 5 reports the Historical investment and Operating Expenses from fiscal year 2018 to date.

Chair Stanton expressed concerns regarding Total Expenses being low. Ms. Le Clainche will review this, and Ms. Wood will provide an explanation at the next meeting.

On Page 6, Cash Flow projection for November through January 2023 scheduled transfer of funds in from the money manager accounts was $6.5 million. On Page 7 reports the Cash Flow projection for fiscal year 2023. On Page 8 disbursements for the period August 1, 2022 through November 4, 2022, totaled disbursed $225,448.07.

Motion was made by Board Member Carter seconded by Board Member Parker, to approve the Quarterly Financial Report and Disbursements. The motion passed unanimously.

VIII. INVESTMENT REVIEW, DAVE WEST, CFA, ANDCO CONSULTING

Mr. West stated that Fiscal Year 2022 was an extraordinary period. World events created inflation, and the U.S Federal Reserve aggressively tightened monetary policy and markets reacted adversely. This new environment left behind a decade of easy money.

Equities declined roughly 24%, and the "Risk-Free Rate" rose from 0.25% to 4.00%. The pace of rate increases was the fastest since 1980. Investment Grade bonds returned -16%, failing to provide any protection from the broad decline in equities. Net of fees, the portfolio return for the year was -16.6%. Chair Stanton remarked that he recalled the managers underperforming in rising markets and that he was disappointed in their doing so during a broad decline. Mr. Copeland asked whether the issue was manager selection or asset allocation. Mr. West stated that much of the lag was the result of the elevated level of cash, a conscious decision we made during the COVID pandemic.

Chair Stanton expressed being "underwhelmed" by the performance of the managers. Mr. Carter asked for Mr. West to examine "moving the needle" from the remaining managers to indexed investing. Mr. West agreed to analyze this question.

Mr. West then briefly reviewed the month of October 2022, the first of the new fiscal year. He reported that the fund's Total Return for the month was 3.66%. He suggested no changes to the current allocation.

At Chair Stanton's request, Ms. Le Clainche reviewed the cash flow. Chair Stanton expressed and Ms. Le Clainche confirmed that the fund held three quarters of liquid reserves.

IX. ADMINISTRATOR REPORT, EDEMIR ESTRADA, GRS

Ms. Estrada reviewed the notice received from PBI Research Services, who conducts retirement system death audit services. There will be an increase in fees and requested approval of continuation of the service. The additional cost will be $1,500 per year.

Board Member Carter made a motion to approve the Increase in fees and continuation of service provided by PBI Research, seconded by Board Member Lambert. The motion passed unanimously.

Ms. Estrada presented the Administrator's Report, with no new retirements or DROPs since the last meeting. There will be five members ending DROP and retiring by the next meeting. Ms. Le Clainche should be added to the report with her retirement on January 27, 2023.

Board Member Carter made a motion to approve the Administrator Report, seconded by Board Member Lambert. The motion passed unanimously.

X. ATTORNEY REPORT, JANICE RUSTIN, GRS AGREEMENT

Ms. Rustin discussed the Board's agreements with GRS, who provides two services: actuarial and administration. Pete Strong, from GRS, was also present for this discussion.

A previous agreement was not located, as a letter has been used every year, but an agreement has been created going forward. GRS has been the actuary for over 60 years.

The new administrator agreement did not increase the fees for the first three years; this is the fourth year and fees were increased based on CPI for the last three years. Going forward, it will be an annual increase based on the CPI. The Board previously discussed adding a cap to the agreement, comparing it to the annual fee letter, which was 3.5% and this the cap was waived.

Ms. Rustin described four options: (1) both agreements increase annually according to the CPI, up to a cap agreed to by both parties; (2) capping the fee increase, but allowing GRS to submit a waiver in unusually high CPI years; (3) smoothing the CPI increase over a few years; or (4) having an increase not connected with the CPI and have a standard increase.

Mr. Strong explained that most of GRS's clients' contracts have a CPI adjustment in them, some have a cap, ranging 3.05% to 5.0%. Terms are determined on a case-by-case basis. Circumstances surrounding a deflationary period were discussed.

There was a discussion as to keeping the arrangement on a year-to-year basis. Ms. Rustin instructed Board members to refer to the letter included in the meeting packet. A contract that is three to five years would be more beneficial to the Town, so that the expenses would be known each year. Mr. Strong will draft an agreement to bring to the Board with a set fee, effective the new fiscal year, October 1, 2023. There will be two separate agreements for each service.

Valmiki Ramsewak explained that both will keep the same fee basis and that increases will be similar to each other, actuarial and administrative. He discussed a second memo that discussed the contract that ended in June, to catchup the fee increase of three months of approximately $308 and sync to the fiscal year, October 1.

Ms. Rustin summarized for the motion. The Town will enter into an agreement with GRS for actuarial services for fiscal year October 1, 2023 for a three-year term and two one-year options to renew. Additionally, an agreement will be made for administrative services for the same time and contract period. The current administrative services agreement will be extended from June to October 1, with the fee increase proposed by Mr. Ramsewak's memo included in the meeting packet..

Board Member Carter made a motion as summarized by Ms. Rustin, seconded by Board Member Lambert. The motion passed unanimously.

Mr. Parker inquired regarding potential increased costs due to personnel changes, and whether Mr. Strong would comment. Mr. Strong responded that there were several parts to this question based on population growth and forecasts in the market. He mentioned the size of the Town and its limited growth potential. He further explained that growth can help the pension fund as there would be more members paying into it.

In conclusion of her legal report, Ms. Rustin discussed their continued tracking of Secure Act 2.0, specifically the movement of the required distribution date which may increase to age 75.

XI. UPCOMING MEETING SCHEDULE

Friday, March 3, 2023 at 9:00 am.

XII. ANY OTHER MATTERS

There was discussion regarding the Ark Fund and due to the dramatic decrease, should the Board utilize the 50% investment and purchasing at a much lower price, or not. Andco will research an alternative for potential investment for the next meeting.

Board Member Parker made a motion to purchase another $3 million of Ark, seconded by Board Member Marx. The motion passed unanimously.

XIII. ADJOURNMENT

There being no further business, there was a motion made by Board Member Carter to adjourn the Retirement Board of Trustees meeting of November 14, 2022 at 10:59 am, seconded by Board Member Marx. The motion passed unanimously.

Respectfully Submitted,

Tom Parker

Tom Parker, Secretary
Town of Palm Beach Retirement Board of Trustees