TOWN OF PALM BEACH

MINUTES OF THE RETIREMENT BOARD OF TRUSTEES MEETING HELD ON

Friday, August 19, 2022

I. CALL TO ORDER AND ROLL CALL

The Retirement Board of Trustees Meeting was called to order on Friday August 19, 2022, at 9:00 am in the Town Council Chambers. In attendance were members Carter, Parker, Le Clainche, Marx, Lambert, Debrincat, and Guelli. In remote attendance were Chair Stanton and member Copeland.

II. APPROVAL OF AGENDA

Motion was made by Board Member Parker, and was seconded by Board Member Marx, to approve the agenda as presented. The motion passed unanimously.

III. TRUSTEES COMMENTS

There were no comments from trustees.

IV. PUBLIC COMMENTS

There were no comments from the public.

V. APPROVAL OF MINUTES

Motion was made by Board Member Lambert, and was seconded by Board Member Marx, to approve the Minutes for the May 20, 2022 meeting. The motion passed unanimously.

VI. 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 June 30, 2022. Reporting total assets of $257,445,330, total liabilities $2,011,103, with resulting net assets held in trust of $255,434,227. Statement of changes in net assets showed total additions were -$14,017,346, due to a decline in investments, total deductions of $18,311,285, resulting in net decrease of net assets to date of $32,328,631. Investment and Operating Expenses for October through June 2022 totaled $595,071. Historical Investment and Operating Expenses from FY 2018 to date on Page 5. On Page 6, Cash Flow projection for August through October showed scheduled transfer of funds in from the money manager accounts was $5 million. Disbursements for the period May 13, 2022 through July 29, 2022, totaled $799,917.19.

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

VII. MEMBER ACCOUNT CREDITED INTEREST, AMY WOOD, ASSISTANT FINANCE DIRECTOR

Each August, the Board sets the rate of interest to be credited to the member contributions, which is the 10-year Treasury rate, which was 2.67% July 31, 2022. Responding to a question from Mr. Carter, Ms. Le Clainche stated that the use of the 10-year Treasury rate for this purpose had been the Town's custom "for years."

Motion was made by Board Member Marx, seconded by Board Member Parker, to approve the Member Account Credited Interest of 2.67%. The motion passed unanimously.

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

Mr. West reviewed the market environment since our last meeting and presented a "Flash Report" as of July 31. Our last meeting, in May, came two weeks after the Federal Reserve began to raise interest rates. Two more increases took place since our May meeting. While the markets for fixed income and equities have reacted adversely, since making a low in mid-June, the stock market had recovered smartly. This recovery had a beneficial effect on the fund. Mr. West also noted that the U.S. Dollar had appreciated significantly.

Mr. West reviewed the asset allocation of our portfolio and noted a modest overweight to domestic equities. He also stated that our fixed income portfolio, while suffering in the rising-rate environment, was reaping the benefits of the Board's decision prior to the Fed's move to restrain both the level of credit risk and the duration of our portfolio. He noted that year-to-date, our Garcia Hamilton allocation had outperformed the fixed-income market's aggregate benchmark by 2.85%. He stated that long-duration fixed-income assets, typically a mitigating factor in equity market declines, had provided no protection this year.

Mr. West's July Flash Report displayed a positive return for July of 5.08%. For the fiscal year to date, the fund's return stood at a loss of 7.2%. This has caused a decline in our fund's value of just over $28 million.

Our fund is slightly underweight Growth equities in favor of the Value style. Mr. West recommended using the Town's October 2022 contribution as an opportunity to rebalance toward neutrality by adding $3 million to Geneva Mid-Cap Growth Equity and $4 million to Garcia Hamilton Fixed Income. These actions would preserve two quarters' worth of distribution requirements.

Mr. Carter asked Mr. West to elaborate on his recommendation regarding the Board's intent to maintain two quarters' of liquidity instead of a larger amount, and solicited comments from Board members on this topic. Mr. Copeland alluded to the likelihood of a pending recession in light of the inversion of the yield curve. The consensus of the board was that preserving two quarters' of distributions was adequate and appropriate.

Motion was made by Board Member Parker, seconded by Board Member Lambert, to approve the allocation recommendations by AndCo. The motion passed unanimously.

Mr. Stanton discussed an additional proposal offered by Mr. West to change our policy regarding our target range of allocation to International Equities. This policy change would require a vote by Town Council. Discussion ensued, and the consensus of the Board was to decline to change policy.

IX. ADMINISTRATOR REPORT. EDEMIR ESTRADA, GRS

Ms. Estrada reviewed the Administrator Report, provided by the Town. There were two retirements since the last meeting and no new DROP participants anticipated to be retiring before the next meeting.

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

X. SOFTWARE SERVICES CPI INCREASE, VALMIKI RAMSEWAK, GRS

Mr. Ramsewak presented the CPI increase in fees for software services, ongoing expenses, insurance, and inflation. The requested increase was 10.02%.

GRS moved infrastructure to data centers with more security for software and hardware. There was discussion on calculator software and nothing negative to report on performance for employee participants. Ms. Le Clainche explained the use of CPI, most service contracts rely on CPI, and some of ours are moving towards that calculation.

Board Member Marx made a motion to approve the rate increase, seconded by Board Member Parker. The motion passed unanimously.

XI. ATTORNEY REPORT, JIM LINN, ATTORNEY

Attorney Linn filled in for Attorney Rustin. He discussed the various inquiries and opinions that were researched and provided to the plan administrator since last quarter's meeting.

Attorney Linn discussed the CPI increases and the schedule used by the Town and GRS. He asked for direction from the Board as to whether they wanted to have their firm to review and create an amendment to put limits on future CPI increases. There was discussion

XII. UPCOMING MEETING SCHEDULE

Monday, November 14 at 9:00 am

XIII. ANY OTHER MATTERS

There were no other matters discussed.

XIV. ADJOURNMENT

There being no further business, there was a motion made by Board Member Parker to adjourn the Retirement Board of Trustees meeting of August 19, 2022 at 10:20 am, seconded by Board Member Marx. The motion passed unanimously.

Respectfully Submitted,

11-14-22

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