TOWN OF PALM BEACH

MINUTES OF THE RETIREMENT BOARD OF TRUSTEES MEETING HELD ON

Friday, May 20, 2022

I. CALL TO ORDER AND ROLL CALL

The Retirement Board of Trustees Meeting was called to order on Friday May 20, 2022, at 9:00 am in the Town Council Chambers. In attendance were Chair Stanton and members Carter, Parker, Le Clainche, Marx, Lambert, Copeland, and Guelli. Member Debrincat was absent due to a family matter.

II. ELECTION OF OFFICERS, JODY JUSTICE, BOARD CLERK

Paper ballots were distributed to the Board members. After a count of each officer position, the following were the results; therefore, the incumbent officers will remain:

Chairman:	Daniel Stanton
Chairman Pro Tem:	Ed Carter
Secretary:	Tom Parker

III. APPROVAL OF AGENDA

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

IV. TRUSTEES COMMENTS

There were no comments from trustees.

V. PUBLIC COMMENTS

There were no comments from the public.

VI. APPROVAL OF MINUTES

Motion was made by Board Member Carter, and was seconded by Board Member LeClainche, to approve the Minutes for the March 4, 2022 meeting with the noted change from GRS. The March 4, 2022 Minutes will be updated to reflect their change and presented at the next meeting. The motion passed unanimously.

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 March 31, 2022. Reporting total assets of $295,145,929, total liabilities $3,015,114, with resulting net assets held in trust of $292,130,815. Statement of changes in net assets showed total additions were $18,760,591 and total deductions of $12,565,714, resulting in net increase of net assets to date of $6,194,876. *Note: amount stated during meeting varies from report due to rounding.* Investment and Operating Expenses for October through March 2022 totaled $330,173. Historical Investment and Operating Expenses from FY 2018 to date on Page 5. On Page 6, Cash Flow projection for May through July showed scheduled transfer of funds in from the money manager accounts was $4.5 million. Disbursements for the period February 18, 2022 through May 6, 2022, totaled $1,681,745.35.

There was discussion on the DROP disbursement for James Duane.

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

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

Mr. West presented April Flash Report update for the period ending April 30, 2022, beginning with the Summary Market Update. He discussed market fluctuations due to international and domestic activities and policies and their influence over imports and exports on the global supply chain and inflation.

Due to increasing interest rates, the decline in bond valuations accelerated for April in U.S. Aggregate market for bonds. The year-to-date return for bonds was close to a 10% decline. Going into May, spreads widened in corporate credit causing a further decline of 12.73% in that segment of the bond market. With the shift in U.S. policy and increase in interest rates, the U.S. dollar remained very strong in this environment. This disruption caused significant rotation in equity markets with large declines across market sectors. The energy sector was a standout exception being up 36.85%. It was evident when reviewing the Town's investment portfolio, that it was a challenging period for active managers to bring any value above and beyond to the Index. However, the Mid-Cap managers faired reasonably well.

The Total Private Investments on Page 2 of the report were preliminary information. On the Asset Allocation Compliance chart, found on Page 3, it shows that there is a marginal overweight in Domestic Equity but well-within policy ranges. In International Equity, a market weight is being maintained with a light underweight in Fixed Income and an overweight in Global Macro. Private Equity continues to maintain a full weighting. Management of the liquid reserves allocation continues to manage liquidity very carefully which shows, as of this report, enough cash to make the next series of quarterly distributions. In October, when the Town's contribution comes in, a determination can be made if the Board wants to maintain the liquidity or invest it in the investment program. No forced transaction is necessary at the time of this meeting.

Mr. West has no recommendations to make any changes to the asset allocations of the current portfolio. Mr. Copeland clarified that due to Town contributions and current liquidity, there was no need for further portfolio liquidation for distributions until mid-2023, six quarters.

On Page 6, Mr. West reviewed the asset allocation and performance of the Total Fund Net with a decline for the month and for the FY to date of negative 6.86%, compared to the policy of negative 4.86%. He commented that compared to the environment and market decline that the system fared reasonably well. The material part of the decline was Emerging Markets but on a dollar weight basis, was less impactful. The Alternative allocation carried the highest drag with negative 57.01%, but represents only a 1% allocation to total plan assets.

The Geneva Mid Cap Growth Equity carried a loss of 20.35% with growth stocks bearing the brunt of the decline but was inline with the policy benchmark. Looking at the 7-year performance, we continue to stay on top of the benchmark. The Mid Cap performance, while not stellar, has held up under these tumultuous market conditions. There were mixed results in the International Equity group, with the WCM Focused International Growth experiencing the biggest struggle, down 21.24%, but because of previous performance, is still ahead materially since inception. The manager who continues to have lagging results is Wells Capital Emerging Markets with a FY to date down 18.25% with the benchmark down 13.30%. This manager remains up on the 7-year benchmark return rate of 3.34%. Mr. Stanton commented on the report presented by Mr. West in regards ongoing performance despite difficulties in current market. Mr. West stated that he will address the consideration and concern of reducing the International Equity exposure and make it an agenda item at the next quarterly meeting. There was additional conversation regarding the market and allocation of funds in today's market, as well as the shorter periods of outlook.

Mr. Lambert stated that our "safest" investment, bonds, has been a disaster. In prior meetings our Board had expressed performance concerns with the Garcia Hamilton Fixed Income portfolio, which has been positioned defensively. This approached has now paid off and has reduced investment losses and saved significant potential downside Mr. West noted that over a years time every bond in this portfolio will be paying two coupons, and bonds maturing will get re-invested with a much higher yield level providing an offset to unrealized losses. The Ark Innovation Fund was down 57% in FY to date.

With total contributions of $12,239,097, the Total Market Value FY to date as of April 30, 2022 was $273,595,758. Investment management fees were $212,298.

Mr. Carter asked about the amount of the April 29, 2022 call by JP Morgan. Mr. West will go back and look at it and respond to his question, if it is substantial.

Mr. Stanton asked Ms. Le Clainche about upcoming money transfers planned and timing. Ms. Le Clainche responded stating that the previously presented report by Ms. Wood included the $4.5M transfer will come out in the next 30 days and at the August meeting will request $4.5-$5M, which will come out in September.

IX. ADMINISTRATOR REPORT. EDEMIR ESTRADA, GRS

Ms. Estrada reviewed the Administrator Report, provided by the Town. There were two retirements and one DROP since the last meeting's report to May 5, 2022.

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

X. ATTORNEY REPORT, JANICE RUSTIN, ATTORNEY

Attorney Rustin met with both of the two new Trustees, member Copeland and Guelli, and performed their orientation. Any board member who has any questions, please contact her directly for any assistance.

The Financial Disclosure form was included in the meeting packet and needs to be filed once every year. It is sent directly to the Supervisor of Elections. If any board member did not receive it, she will provide it to them.

Ms. Rustin discussed the newsletter that is regularly prepared and distributed by LLW. It includes any legislative changes made to retirement and pension plans, as well as any compliance issues that may affect them.

Ms. Rustin or Mr. Linn would like to attend remotely, if possible, at the next quarterly meeting.

XI. UPCOMING MEETING SCHEDULE

Friday, August 19 at 9:00 am
Monday, November 14 at 9:00 am

XII. ANY OTHER MATTERS

There were no other matters discussed.

XIII. ADJOURNMENT

There being no further business, the Retirement Board of Trustees meeting of May 20, 2022, adjourned at 10:17 am.

Respectfully Submitted,

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

SEP 7 2022 AM 8:55