TOWN OF PALM BEACH
RETIREMENT BOARD OF TRUSTEES

MINUTES OF THE RETIREMENT BOARD OF TRUSTEES MEETING HELD

ON FRIDAY, MARCH 22, 2024, AT 9:00 A.M.

I. CALL TO ORDER & ROLL CALL

The Retirement Board of Trustees Meeting was called to order on Friday, March 22, 2024, at 9:00 am in the Town Council Chambers. In attendance were Chair Stanton, Chair Pro Tem Carter, Secretary Parker, and Board Members Copeland, Guelli, Marx, and Miracle. Board Member Debrincat was absent.

II. APPROVAL OF AGENDA

Motion was made by Board Member Parker, seconded by Board Member Marx, to approve the agenda as presented. The motion carried unanimously, 7-0.

III. TRUSTEES COMMENTS

There were no comments from trustees.

IV. PUBLIC COMMENTS

There were no comments from the public.

V. APPROVAL OF MINUTES

1. Minutes from November 28, 2023 Meeting

Motion was made by Board Member Carter, and was seconded by Board Member Lambert, to approve the Minutes for the November 28, 2023 meeting as presented. The motion passed unanimously.

VI. PENSION PLAN REVIEW AND PROPOSAL, MAGGIE ZEIDMAN, COUNCIL PRESIDENT AND GILLIAN BARTH, DIRECTOR OF PEOPLE AND CULTURE

Council President Zeidman provided background information on the recommendation from Town Council. She stated that the Town is experiencing an increasing recruitment problem and stated that the current level of vacancies is significantly higher than the recommended average. She spoke regarding a salary survey and subsequent salary increase that occurred townwide. She spoke regarding the adjustments that were made to the pension fund in order to make it solvent and commended the Board on its work. She spoke regarding the recruitment problem and what factors contribute to attracting quality employees.

Gillian Barth, Directory of People and Culture, provided details of the proposed changes to the pension plan, including increasing the multiplier for Police & Fire Rescue Pension to 3.0%; increasing the multiplier for General & Ocean Rescue Defined Pension to 2.0%; reducing Defined Pension Plan vesting from ten (10) years to five to eight (5-8) years prospectively for General/Lifeguard Staff and to eight (8) years for Public Safety; reducing Defined Contribution Plan vesting from ten (10) years to one (1) year prospectively; increasing DROP period from five (5) to eight (8) years; offering a new option to General Employees for a fully Defined Contribution Plan 401a in lieu of hybrid model and a new option to Public Safety employees of either a Fully Defined Pension or Defined Contribution (401a); and revising retirement eligibility to match FRS for Public Safety personnel (age 55 if vested or 25 yrs of service). She spoke regarding comparisons of the proposal to Florida Retirement System and provided additional information on the specific recommendations and answered Board Members' questions. Mr. Marx and Mr. Guelli provided the perspective of the Public Safety employees and explained the issues with being part of the "sandwich" employees, who were hired under the lower multiplier. Ms. Garth provided financial information as background for comments from Mr. Guelli and Mr. Marx. Ms. Zeidman spoke regarding the benefit of the Police Department not having a union and provided additional historical information on what the Town Council has done to try to rectify past issues on the pension fund and the challenges facing the Town. Chair Stanton provided additional historical information on the pension fund issues. Discussion ensued. Ms. Zeidman stated that she will report to the Town Council the discussion of the Retirement Board. Mr. Parker spoke in support of trying to rectify an unfairness that occurred in the compensation for employees who are considered in the "sandwich" group. Mr. Stanton provided additional background information on the excess contributions that the Town Council approved in order to address the unfunded liability of the pension plan. Ms. Zeidman provided additional background on the decisions and reasoning of the Town Council. Discussion ensued. Ms. Zeidman stated that there is a potential of instituting a bonus program in order to address the issue of those who had the lower multiplier.

Ms. Barth spoke regarding the issue of not having room for advancement as also an issue for recruitment. Mr. Miracle provided background on the funding impact for the proposed plan in comparison with the current plan. He explained how there could be an increase in excess contributions from the Town depending on the budget.

Motion was made by Board Member Guelli, and was seconded by Board Member Marx, to approve the proposed changes to the Pension Plan. The motion passed unanimously.

VII. <u>FIDUCIARY LIABILITY POLICY RENEWAL, JUDY ARENZ, ARTHUR J. GALLAGHER & CO., AND KAREN TEMME, RISK MANAGER</u>

Karen Temme, Risk Manager, provided background information on the proposed renewal for the fiduciary liability policy. Chair Stanton provided additional historical information.

Motion was made by Board Member Carter, and was seconded by Board Member Parker, to approve the renew the $10,000,000 policy with Hudson Insurance. The motion passed unanimously.

VIII. QUARTERLY FINANCIAL REPORT AND DISBURSEMENTS, JAMES MCINNIS, CONTROLLER

Mr. McInnis reviewed the quarterly financial report and disbursement schedule for the Town's retirement system as of December 31, 2023. Reporting total assets of $289,796,112, total liabilities $1,143,125, with resulting net assets held in trust of $288,652,987. Statement of changes in net assets showed total additions were $32,802,189 and total deductions of $6,075,913, resulting in net increase of net assets to date of $26,726,276. Investment and Operating Expenses for October 1, 2023 through December 31, 2023, totaled $38,584. Historical Investment and Operating Expenses from FY 2019 to date on Page 5. The Cash Flow projection from February 14, 2024 through April 30, 2024 showed the estimated cash balance will be $3,475,663. Page 7 reports the Cash Flow Projection for FY 2024. In the first quarter a total of $5.5 million will be transferred to the Retirement checking account. Disbursements for the period November 18, 2023, through February 9, 2024, totaled approximately $212,000. Bob Miracle, Deputy Town Manager, welcomed Mr. McInnis to the Town and provided additional information.

Motion was made by Board Member Carter, and was seconded by Board Member Lambert, to approve the report. The motion passed unanimously.

IX. FINANCIAL AUDIT, ALEX AUGUSTE AND MOISES ARIZA, MARCUM LLP

Moises Ariza introduced Alex Auguste, who provided background information on the Financial Audit for the Retirement System. He stated that the Retirement System Audit achieved an unmodified opinion, which is the highest opinion. He explained the supplemental information that is required and spoke regarding the fiduciary net position as well as changes in the fiduciary net position. He provided information on the financial statements and the notes to the financial statements, specifically the Investments Measured at the NAV, the Net Pension Liability to the Town and the Sensitivity of Net Pension Liability.

Mr. Ariza highlighted the balance sheet and the "yellow" sheet, which would mention any instances of non-compliance with statutes. He stated that none were identified for Fiscal Year 2022-23. Mr. Auguste provided information on the rest of the process and spoke regarding a letter that the firm will be providing that states that there were no disagreements or difficulties with Town staff. Mr. Miracle expressed appreciation to Mr. Auguste and Mr. Ariza and Melissa Ladd for their efforts.

Motion was made by Board Member Carter, and was seconded by Board Member Copeland, to accept the Financial Audit of the Palm Beach Retirement System, Fiscal Year ended September 30, 2023. The motion passed unanimously.

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

- February 2024 Flash Report: Investment Performance Update
- Quarterly Investment Review for the Quarter ending December 31, 2023

Mr. West provided an update on the acquisition of ANDCO Consulting by Mariner. He spoke regarding the recommendation to allocate $10,000,000 and invest it into Garcia Hamilton Core Fixed Income Account.

Mr. West spoke regarding the drastic changes to the bond market during the quarter. He stated that the bond manager is positioned for a slowdown and spoke regarding their handling of the volatility of the market. He provided an overview of the performance of the S&P500 and spoke regarding the fund's performance. He stated that there are no recommendations at this time for domestic equity.

He provided an update on the liquidation that had been approved at the last meeting. He spoke regarding the new abbreviated quarterly report format and the utilization of attribution software to create reports that are more easily read. He spoke regarding the engagement of Ares Direct Lending that had been approved at the last meeting.

Mr. West provided an update on the asset allocation and performance and stated that the Total Fund Policy is 11.79% Fiscal Year to Date. He outlined the performance of the active managers and spoke regarding the performance being above benchmarks in most sectors except for real estate. He spoke regarding the firm's discussion and position on the real estate fund and the commercial real estate market.

He stated that the market value of the total fund on October 1, 2023 was $250,163,598, and that the market value of the total fund on February 29, 2024 was $289,834,148. Discussion ensued regarding the recommendation to transfer to the Garcia Hamilton fund and the possibility of changing the maximum allocation or keeping the equity where it is. The Board provided consensus to keep all funds at their current allocation.

XI. ANNUAL ACTUARIAL VALUATION REPORT, PETE STRONG, GRS

Pete Strong, Plans Actuary, provided background information on the Annual Actuarial Report, fiscal year ended September 30, 2023. Chair Stanton spoke regarding the "smoothing" that had occurred in past years. Mr. Strong spoke regarding improvement of the Actual Market Totals of all funds and spoke regarding the Phase-Ins that have been and will be occurring. Discussion ensued on the Phasing-In Recognition.

Mr. Strong highlighted the historical funding progress chart and stated that over the past 15-year period, the system has experienced culminated losses totaling $60,000,000. He spoke regarding the funded ratios and changes that were made in response to 2008. He also highlighted the amount of actual contributions in comparison to the required contributions and spoke regarding progress that has been made. Discussion ensued on the rate of the extra contribution.

Motion was made by Board Member Carter, and was seconded by Board Member Copeland, to approve the valuation. The motion passed unanimously.

Motion was made by Board Member Carter, and was seconded by Board Member Lambert, to approve the presented rate of return assumption. The motion passed

unanimously.

XII. TOWN OF PALM BEACH RETIREMENT FUNDING POLICY CHANGE, BOB MIRACLE, DEPUTY TOWN MANAGER

Mr. Miracle explained the proposed policy change in regards to the retirement funding policy, which eliminates the language regarding a cap of the Town's total contribution. He stated that the Town Council has approved the change.

There was no action taken.

XIII. ADMINISTRATOR REPORT, EDEMIR ESTRADA, GRS

Ms. Estrada reported that they have been working with the Town and the Auditors. She stated that there has been an application from a member for Disability and she stated that once it has been reviewed and if it is approved, they will work with that member on their numbers and options.

Ms. Estrada reviewed the Administrator Report provided by the Town. There are 15 DROP participants, 422 retirees, and 303 active employees contributing to the system. There will be no participants leaving the DROP by the May meeting.

Motion made by Board Member Miracle, and seconded by Board Member Parker, to approve the Administrator Report. The motion passed unanimously.

XIV. ATTORNEY REPORT, JANICE RUSTIN, ATTORNEY

- Memorandum for Disability Benefits Hearing

Ms. Rustin stated that the Town has received an application for Disability Retirement Benefits and provided background information on the application and the process for review of the application. She provided information on the status of the member. Ms. Justice provided additional information on the employee. Mr. Stanton spoke in support of approving the application. Ms. Rustin asked required questions to the Board regarding the application.

Motion made by Board Member Miracle, and seconded by Board Member Carter, to approve the Disability Retirement Benefits for Robert Kalliche-Weber. The motion passed unanimously.

- Town Ordinance amending the Plan provisions relating to the Town Manager

Ms. Rustin spoke regarding an amendment to the DROP Plan, which allows that Police Officers who become Town Manager extend their DROP to 12 years. She explained the required action of the Board for this amendment.

Motion made by Board Member Carter, and seconded by Board Member Lambert, to direct the Plan Administrator to complete an actuarial impact statement for the proposed ordinance amending the Police DROP Plan. The motion passed unanimously.

Ms. Rustin spoke regarding an ordinance that is being brought to Town Council that incorporates several changes to the Plan.
Motion made by Board Member Carter, and seconded by Board Member Parker, to direct the Plan Administrator to complete an actuarial impact statement for the proposed ordinance instituting several changes to the Plan. The motion passed unanimously.

XV. UPCOMING MEETING SCHEDULE

1. Next Meeting: Friday May 10, 2024 at 9:00 am

XVI. ANY OTHER MATTERS

There were no other matters discussed.

XVII. ADJOURNMENT

There being no further business, the Retirement Board of Trustees meeting of March 22, 2024, adjourned at 11:45 a.m. without benefit of a motion.

Respectfully Submitted,

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

Meeting audio is located at:

https://townofpalmbeach.granicus.com/player/clip/2968?view_id=5&redirect=true