TOWN OF PALM BEACH

Human Resources Department

MINUTES OF THE RETIREMENT BOARD OF TRUSTEES MEETING HELD ON

Friday, August 16, 2019

I. Call to Order and Roll Call

The Retirement Board of Trustees Meeting was called to order on Friday, August 16, 2019, at 9:00 a.m. in the Town Council Chambers. On roll call, all appointed members were found to be present with the exception of Board Member Daniel Wilkinson who arrived at 9:10 a.m.

II. Approval of Agenda

By consensus, the Retirement Board of Trustees granted the motion to approve the Agenda, as presented.

III. Trustee Comment

IV. Public Comments

Speaker Mr. Ray Snow, 2335 S. Ocean Boulevard A-3, Palm Beach, FL 33480, in appreciation of Mr. Bill Hanes and Mrs. Geri Hanes and their contributions to the Town.

Speaker Council Member Margaret Zeidman, 230 Barton Avenue, Palm Beach, FL 33480, in appreciation of Mr. Hanes and his work for the Town.

V. Approval of Minutes: Special Board/RFP Committee Meeting May 6, 2019 and May 17, 2019

Motion was made by Board Member Gerald Goldsmith, and was seconded by Board Member Ed Carter, to approve the Minutes of the May 6, 2019, Retirement Board of Trustees Meeting. The motion passed unanimously.

Motion was made by Board Member Carter, and was seconded by Board Member Bradford Kaufman, to approve the Minutes of the May 17, 2019, Retirement Board of Trustees Meeting. The motion passed unanimously.

VI. Minutes Format, William Hanes, Administrator

Danielle Olson, Human Resources Director, provided an overview of the standard meeting minutes format approved by Town Council in 2007 and proposed adopting the same format for all the future Retirement Board meetings.

In response to questions, Director Olson explained the way Retirement Board meeting minutes have been done in the past, how the minutes would be done moving forward and that minutes are always available online for public view.

By consensus, the Retirement Board of Trustees granted permission to switch the current meeting minutes format to a summary minutes format for all future meetings.

VII. Transition of Plan Administration

A. Town Administrative Transition, Jane Le Clainche, Finance Director & Danielle Olson, Human Resource Director

B. GRS Administrative Transition, Valmiki Ramsewak and Edemir Estrada, GRS Consulting

C. William Hanes Consulting Contract Amendment, Attorney Jim Linn

Director LeClainche and Director Olson, described the details of transition to GRS administration. The transition from the "Ellen System" calculations to GRS software will take approximately 90 days. The Ellen System will continue to be used for quality control, if approved by Retirement Board, on a month by month basis after January 2020.

In response to Chairman Stanton, Ms. Estrada and Mr. Ramsewak outlined the information and the tasks that GRS has begun implementing and that from an administration and programming standpoint, GRS has not seen anything that would lead to problems. GRS was ready to begin taking phone calls and reply to emails as of Monday. Director LeClainche, Director Olson, and Mr. Hanes stated that they are confident that GRS was prepared for the transition and any issues that may arise. Chairman Stanton stated that any future issues should be brought up in the Retirement Board of Trustees meetings.

Director Olson detailed how the Human Resources Department, Finance Department, and GRS will work together moving forward and how the GRS online system will be used to make calculations.

Attorney Jim Linn stated Pension Administrator Hanes and Mrs. Hanes are to continue providing service until the end of August 2019.

By consensus, a motion was approved to reconsider the actions taken in the May 17 Retirement Board meeting approving Mr. Hanes' temporary agreement and the termination of his original contact.

Second motion was made by Board Member Carter and seconded by Board Member Kaufman to extend Mr. Hanes' original contract until the end of August and also authorize the rate of pay from that contract. The motion passed unanimously.

VIII. Transition of Plan Custodian, Jane Le Clainche, Finance Director

Director LeClainche provided the plans and transition steps to the new Plan Custodian, Salem Trust, noting that October 1 is the transition date beginning the new 2020 fiscal year. Director LeClainche stated that there are no transition issues as of this date and an update will be provided in the December 6 Retirement Board Meeting.

IX. Quarterly Financial Report and Disbursements, Amy Wood, Assistant Finance Director

Assistant Director Wood reported on the quarterly financial report as of June 30 with total amounts of net assets, total liability, and disbursements. Director LeClainche explained disbursement schedule and expense figures.

Motion was made by Brett Madison and seconded by Board Member Goldsmith to approve the Financial Quarterly Report and disbursement schedule. The motion passed unanimously.

X. Member Account Credited Interest, Amy Wood, Assistant Finance Director

Assistant Director Wood reported that as of July 31, the 2018 ten-year Treasury rate was 2.96% and as of July 31, the 2019 rate is 2.02% for the calculation of member interest credit. Assistant Director Wood also requested that the Retirement Board of Trustees approve a rate of interest to credit the members' accounts in September 2019 at the rate of 2.02%

Motion was made by Board Member Madison and seconded by both Board Member Carter and Board Member Goldsmith to approve the member account credited rate of interest of 2.02%. The motion passed unanimously.

XI. Actuarial Discussions, GRS, Pete Strong

A. Continuation of return assumption reduction to 6%

Chairman Stanton discussed internal rates of returns, legal assumptions, and getting rates lowered. He stated that the Retirement Board of Trustees asked for an analysis from Mr. Strong of what the rate of return would look like once it reached 7%, then reducing the rate by 20 basis points in the next five years, taking it out to 2025, and reaching a rate of return of 6%. Mr. Strong detailed ranges for targeting lowering rates, increase in contributions, and the effect in liabilities within the next 10 years. Mr. Strong and Board Member Carter discussed the effect of varying percentages and the difference between paying now or paying later with the costs of all benefits paid.

Town obligations to employees and funds were discussed, in reference to historic rate of return and fiduciary responsibility. The discussion included fiduciary responsibilities not being met by keeping the rate of return where it is at and that the implications of the unfunded liabilities and the annual costs to the Town should be discussed prior to any vote.

Mr. Strong reported on target assumptions, returns, 7% discount rates, and unfunded liabilities at the lower 7%. Chairman Stanton and Mr. Strong discussed 10-year forecasts and unfunded liabilities.

B. Increase in salary increase assumption

Mr. Strong discussed salary increase assumptions and stated that the Retirement Board of Trustees would need to take action due to expected pay increases. In response to Board Member Carter's questions on gain/losses assumptions, Mr. Strong discussed the Firefighters Cancer Bill's line of duty and non-line of duty disability allocations and future projections.

First motion was made by Board Member Goldsmith and seconded by Board Member Jane LeClainche to approve amending the existing internal rate of return investment expectations for the portfolio assumption after the 7% has been reached and then move to a 6% ROI assumption at 20 basis points per year for five years, arriving at 6% within a 7-year period. The motion passed unanimously.

Second motion was made by Board Member Kaufman and seconded by Board Member Carter to approve salary increase assumption. The motion passed unanimously.

Third motion was made by Board Member Carter and seconded by Board Member Kaufman to approve the assumption in the Firefighters Cancer Bill for allocation for line of duty to 75% and non-line of duty to 25%. The motion passed unanimously.

Director LeClainche stated that Town Council approved prepaying the effects of the compensation study, salary scale change, changes for the Police and Fire benefits, and the effects on the UAAL, thereby a little over $2 million will be transferred into the retirement fund before the end of the fiscal year to pay off the impact of the UAAL and the unfunded liability.

Mr. Linn commented that the rate of return assumption is contained in the investment policy statement and any changes to it are subject to approval by Town Council. Town Council will be receiving the revised policy statement containing the rate of return assumption changes, prepared by Mr. Linn.

XII. Investment Report, Dave West, AndCo Consulting

A. Quarterly Investment Review for Period End June 30, 2019

Mr. West discussed the report and follow-up comments on the decisions of the Retirement Board with the rate of return assumption, directly impacting the engineering approach AndCo Consulting uses in the investment program against any liability. The risk-reward parameter of the investment portfolio will be moved in sync with the reductions of the rate of return assumptions as it happens over time, but to date, will not entail any changes.

Mr. West summarized the items on his agenda, including the July investment flash report for the allocation portfolio, the June full report, rebalancing considerations on the allocation portfolio, manager updates, and the custodial update.

B. Investment Flash Report Update for July 2019 (Preliminary)

For the July flash report, Mr. West provided the total fund on a fiscal year-basis to date with the fund being in a 3.77% or 3.75% rate of return; updated on the publicly traded portfolio. The total fund policy is at 4% fiscal year to date.

Mr. West summarized inversions and investments from the quarterly report including the performance of gross stock and high yields or low quality credit, inversion of the yield curb, and that the short-term rates are higher than the long-term rates.

The total net fund for the quarter was up 3.39% and total fund policy out of the benchmark is 2.87% and fiscal year to date is 3.45% with a total fund policy through June of 2.98%.

The managers on watch are Geneva and Oak Mark, whose performance is summarized and still being monitored. Chairman Stanton stated that these managers were consistently in the worst quartile due to their underperformance, and fund manager Weather Low also needed to be on a concern watch list.

Board Member Parker discussed the difficulty of managing a long short fund with a 1% fee when five-year Treasury notes yield 1.5%. Mr. West, the Retirement Board, and GRS agreed to liquidate Weather Low with 100% redemption with a start date of January 1. When the funds are received from the redemption, the order of investment will be to get investment grade bonds via Garcia Hamilton up to target and the balance will be placed with Black Rock Fund. Chairman Stanton responded by requesting a plan be provided to allocate the remaining funds.

GRS will provide the Retirement Board the packets of information that includes a written summary of the recommendations by AndCo for discussion 7 to 10 days in advance of the next meeting.

Mr. West concluded his report.

Director LeClainche reported that as of October 1, the Town will be making its contribution of $16 million into the fund and how to best allocate the deposit. The Board discussed the Town's distribution targets and bond allocations, including Mr. West's recommendation for Weather Low funds that will be received as a separate transaction and look at target policies and allocations.

First motion was made by Board Member Carter and seconded by Board Member Kaufman to approve moving SMP500 Index Fund from State Street to Vanguard. The motion passed unanimously.

Second motion was made by Board Member Carter and seconded by Board Member Kaufman to approve removing funds from Weather Low from 6% to 0%, the funds will not be available until January and Mr. West will advise how the funds will then be split amongst adding to the Town's fixed income component, using some cash for cash needs and adding funds to Black Rock Funds. The motion passed unanimously.

C. AndCo Agreement (Renewal and extension of fee guarantee)

Mr. Linn discussed the proposed amendment to AndCo's existing agreement, and Mr. West explained the agreement and service details which would also extend the fee and service agreement one year past the five years already in place for the defined contribution benefit plan.

Motion was made by Board Member Carter and seconded by Board Member Goldsmith to adopt the amendment for the AndCo. contract extension for one more year at the level of $130 thousand per year for the retirement plan and it excludes the defined contribution plan. The motion passed unanimously.

XIII. Ellen Schaffer Software Services, William Hanes, Administrator

Pension Administrator Hanes discussed that the Ellen Schaffer pension calculator software services will be continued until GRS's System replaces it. An approval to pay additional is required.

First motion was made by Board Member Kaufman and seconded by Board Member Carter to approve the July 23, 2019 Ellen Schaffer software invoice in the amount $2,875.00. The motion passed unanimously.

Second motion was made by Board Member Carter and seconded by Board Member Kaufman to approve payments up to and not to exceed $5,000.00 for the next several months with respect to Ellen Schaffer Software. The motion passed unanimously.

Third motion was made by Board Member Kaufman and seconded by Board Member Carter to extend the existing contract for the use of the Ellen Schaffer calculator on a month to month basis as necessary. The motion passed unanimously.

XIV. Administrator Report, William Hanes, Administrator

No new business to discuss.

XV. Attorney Report, Jim Linn, Attorney

Mr. Linn discussed the two executed contracts for GRS; one for GRS administrative services and one for the use of the GRS calculator which have both been negotiated and approved by the Town.

Motion was made by Chairman Stanton and seconded by Board Member Carter to approve the use of the GRS calculator for the retirees. The motion passed unanimously.

XVI. Other Business

No other business to discuss.

XVII. Adjournment

There being no further business, the Retirement Board of Trustees meeting of August 16, 2019, adjourned at 12:00 p.m.

Motion was made by Chairman Stanton and seconded by Board Member Parker to adjourn. The motion passed unanimously.

Brett E. Madison, Secretary
Town of Palm Beach Retirement System
Board of Trustees