Town of Palm Beach Retirement System
Board of Trustees
Minutes of December 7, 2018

I. Call to Order and Roll Call

Chairman Daniel Stanton called the meeting at 9:00 am in the Town of Palm Beach Hall Chambers, 360 South County Road, Palm Beach, Florida 33480

In Attendance:

TRUSTEES:
Dan Stanton, Chairman
Gerald Goldsmith, Chairman Pro Tem
Brett Madison, Secretary
Jane Le Clainche, Finance Director
Brad Kaufman, Trustee
Ed Carter, Trustee
Michael Marx, Trustee
Dan Wilkinson, Trustee
Jeff Amling

ALSO PRESENT:
William P. Hanes, Retirement Administrator
Amy Wood, Assistant Finance Director
David West, AndCo Consulting
Danielle Olson, Human Resources Director
James Linn, Attorney

II. Approval of Agenda

Mr. Goldsmith made the motion to approve the agenda. Mr. Carter seconded the motion. The trustees unanimously approved the motion.

III. Comments by Trustees

None

IV. Public Comments

None

V. Approval of Minutes, August 24, 2018 and Joint meeting with Town Council on November 13, 2018

Mr. Goldsmith made the motion to adopt the minutes of August 24 and November 13, 2018. Mr. Madison seconded the motion. The trustees unanimously adopted the motion.

VI. Financial Report and Disbursements, Amy Wood, Assistant Finance Director

Ms. Wood provided the financial report with statement of assets and changes in assets, investment operating and investment related expenses, trend in operating and investment expenses, and cash flow projection. There is a transfer needed for the next quarter of $4.7 million. She discussed disbursements made over the previous quarter. Mr. West has been consulted for purpose of identifying the source of funds.

The board without motion accepted the report.

VII. Investment Report, Dave West, AndCo

A. Annual Investment Review

Mr. West discussed the annual performance related to asset classes and each asset manager. Chairman Stanton stated the former portfolio with Segal Rogerscasey Investment Consultant was highly over-weighted in international securities and underweighted in domestic securities, which has resulted in poor performance. He added the portfolio allocation was highly correlated to the energy sector. Mr. West discussed how the portfolio allocation has significantly changed.

Mr. West discussed funds that have not reported valuation to date. He discussed the 1, 3 and 5-year performance of the fund, and each manager's performance against the policy objectives. Chairman Stanton noted improvement in performance of managers against the benchmarks, and discussed how the FANG stocks have enhanced the fiscal year 2018 returns. He discussed future challenges with the market change.

Mr. Goldsmith asked Mr. West to discuss whether we have met our objectives. Mr. West said the portfolio is a more efficient allocation of capital, and should continue to meet the benchmark regardless of short periods of time with bear markets or excessive sell-offs. Mr. West discussed that there must be additional funds from the Town for there to be sufficient assets to satisfy the retirement plan objectives. He indicated that the market is different now, and the investment grade bond market is rapidly becoming a much more attractive opportunity. He suggested that we are slowly moving to a conservative investment allocation.

Mr. Stanton asked Mr. Linn to check on the legal status of the partnership lawsuit with regard to firm Private Equity Investment (PEI). Mr. Linn commented that the lawsuit is between the partners and not the investors, and there is no ability for the partners to do anything without the approval of the general partners. Chairman Stanton asked Mr. Linn if the partners of this firm can come to speak with the board, but trustees later agreed it not necessary based on the small size of the fund. The trustees discussed further with Mr. West, and Chairman Stanton requested from Mr. Linn to see if he can provide a written status of the fund and lawsuit. Mr. West was asked by Chairman Stanton to discuss the manner of placing managers on a watch list. Mr. West discussed the process. Mr. West discussed the cash flows of the plan during the quarter as provided by the investment report. Mr. Kaufman asked Mr. West what the total basis points cost is for the plan. Mr. West replied with reference to a page from the investment report that indicates 60 bps. He added this is a reasonable place to be.

B. Defined Contribution Retirement Plans

Mr. West presented matters of the Town sponsored defined contribution plans. He discussed AndCo's role as fiduciaries is to bring forward best practices for the management and operation. He said on a semi-annual basis they present an investment report, reviewing fees and the structure of the defined contribution plans. He discussed matters of the written annual report with recommendations. He commented that AndCo negotiated the fee structure to a lower level. He discussed negotiated fees with regard to record-keeper services, resulting in significant savings to members. Mr. West stated there will be no change in the level of service. He discussed that AndCo is using an open architecture program, opening the door for AndCo to search for funds.

Chairman Stanton asked Mr. West to discuss the directed brokerage item. Mr. West discussed that it is a discussion item, and provides an option to allow participants to have a self-directed brokerage option wherein ICMA-RC sets up a separate account where members will have the ability to do whatever they deem appropriate for themselves in that account. He commented that the particular option presents a lot of pros and cons. He commented that given the demographics of the system, he is not sure that the board should whole heartedly support adding the provision. Several trustees expressed concerns regarding members trading on this type of account. Chairman Stanton requested from the elected trustees if any employees have asked them to be able to trade with a brokerage account. Mr. Madison (General) stated he had not heard from anyone with the request. Mr. Marx (Firefighter) stated not in this fashion, but hinted there are a few wanting this type of account. Mr. Wilkinson (Police) expressed concern with regard to the impact on people making mistakes. Mr.

Madison discussed the education provided to members. He commented he would be afraid to give too many options. Ms. Le Clainche suggested more options be added to satisfy the needs of members. Mr. West stated his task is to look at top down, best and most mixed, appropriate for the group or masses as opposed to any individual. He discussed the process AndCo will follow to optimize the options, which may or may not be an addition to the number of options available today. Mr. Madison commented that in 2012, the board through ICMA-RC actually reduced the number of funds. Chairman Stanton asked Mr. West to discuss with Ms. Le Clainche with employees to determine what employees want, and stated he is inclined to take direct brokerage off the table. Mr. Kaufman expressed his concern for offering the brokerage option. Mr. West stated he would discuss with staff before bringing back to the board. Mr. West stated that he is seeking board approval of the proposed fees as negotiated, move to open architecture structure options as discussed, and extend the fee guarantee currently in place.

Mr. Kaufman made the motion to approve as discussed. Mr. Madison seconded the motion. The trustees unanimously approved the motion.

Chairman Stanton asked Mr. West to discuss with Ms. Le Clainche, Mr. Blouin, or other appropriate people, and to return to the board with a menu expansion and recommendations. Mr. West agreed.

Mr. West presented the matter of adopting the investment policy statement. Mr. Linn raised inquiries regarding the structure of the plan, and stated his belief that the board is advisory. Ms. Le Clainche commented that the board has been tasked with overseeing the DC plan. Mr. Hanes discussed his view that the board serves as fiduciaries over the Defined Contribution plans. Chairman Stanton expressed concern over this added obligation. Several trustees discussed concern over obligations related to the defined contribution plans. Mr. Kaufman suggested that the board ask attorney Jim Linn to review and advise the board. Chairman Stanton stated that he would like a clear declaration of the board responsibilities for the next meeting.

Custodian RFP

Mr. Linn discussed a recommendation to move forward with an RFP for custodian of the plan assets. He indicted the RFP will be issued in the first quarter. Chairman Stanton said he felt the board feels comfortable granting the authority to go ahead with the RFP.

Mr. Goldsmith made the motion that the staff go forward with the RFP. Mr. Madison seconded the motion. The trustees unanimously approved the motion.

Ms. Le Clainche suggested that a selection committee should be selected. She suggested that Mr. Hanes and herself serve along with someone from the Purchasing Department and Dave West. Chairman Stanton agreed.

The Chairman and trustees agreed without motion.

VIII. Attorney Report, James Linn, Attorney

No comment.

IX. Administrator Report, William Hanes, Retirement Administrator

Mr. Hanes discussed the memo identifying one new retirement and three new DROP participants.

Mr. Madison made the motion to ratify the report. Mr. Goldsmith seconded the motion. The trustees unanimously adopted the motion.

X. Other Business

Mr. Hanes discussed the scheduled quarterly meetings previously sent to trustees.

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XI Adjournment

Mr. Goldsmith made the motion to adjourn. Mr. Carter seconded the motion. The trustees unanimously adopted the motion

Respectfully Submitted,

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