TOWN OF PALM BEACH

MINUTES OF THE DEFINED CONTRIBUTION PLAN COMMITTEE MEETING HELD ON

Thursday, August 20, 2020

I. Call to Order and Roll Call

The Defined Contribution Plan Committee Meeting was called to order on Thursday, August 20, 2020, at 9:32 a.m. in the Town Council Chambers. On roll call, all appointed members were found to be present.

II. Approval of Agenda

Motion was made by Board Member LeClainche, seconded by Board Member Olson to approve the Agenda, as presented. Motion carried by unanimous vote.

III. Approval of Minutes from March 12, 2020

Motion was made by Vice Chair Wilkinson, seconded by Board Member Olson to approve the Minutes of the March 12, 2020 meeting, as presented. Motion carried by unanimous vote.

IV. Communications From Citizens

There were no communications from citizens.

V. Investment Performance Review

a. Current Plan Fund Lineup

Dave West, AndCo Consulting, explained that Paul Murray would be taking the lead on the changes, while Mr. West would be working on the investment process.

Mr. West described the market response to COVID, social unrest, and the Presidential election. He believed there would be a vaccine around mid or late 2021. The economy being awash with money and stimulus set a great groundwork for a potential recovery, and the market seemed to be discounting a fair amount of optimism into 2021. He noted an outperformance of growth stocks versus value stocks, and commented that historically value stocks typically lead in the next growth period. There had been a very good recovery since the March decline. Mr. West discussed investment returns. The rally had been concentrated in large mega cap stocks, and the bond market had contributed to participant portfolios. Regarding potential replacement for the Vantage Point Equity Income Fund, their thoughts were to also consolidate the large value options into one single option, which would entail consideration to replacing Invesco Diversified Dividend Fund and in both cases managers were not able to provide value relative to the benchmark. Also Fidelity Contra Fund did not keep up with the growth benchmark. Best performers during the period were Oppenheimer Discovery Fund and Fidelity Diversified Institutional Fund.

b. Recent Fund Searches

Mr. West reviewed the value equity manager analysis. They had looked for managers with lower performance volatility and consistency. Their top pick was the brand new Brandywine Global Large Cap Value fund as the replacement for both the Vantagepoint Equity Income Fund and the Invesco Diversified Dividend Fund.

Steve Feigelis, ICMA-RC, spoke to removing the Fidelity Contra Fund.

Board Member Olson asked how the Brandywine Global level of back testing and their proprietary process compared to that of MFS. Mr. West responded both managers updated their data feeds and metrics on an ongoing basis.

Board Member LeClainche confirmed with Mr. West that their recommendation was to replace two funds—Vantagepoint Equity Income Fund and the Invesco Diversified Dividend Fund. She asked about dividends from Brandywine Global, and Mr. West explained that was just one characteristic of a value manager and the emphasis here was on total return.

Chair Madison commented the benchmark for Brandywine and MFS was the Russell 1000 Value, whereas the Fidelity Contrafund was growth. Mr. West responded the contra fund would be a separate discussion.

Motion was made by Board Member Olson, seconded by Board Member Marx to approve replacing Vantagepoint Equity Income Fund and the Invesco Diversified Dividend Fund with Brandywine Global Large Cap Value Fund, as discussed. Motion carried by unanimous vote.

Mr. West discussed the growth area of the portfolio. Based on a search book that he presented, the two best growth managers were T. Rowe Price Blue Chip Growth Fund and MFS Growth Fund.

Mr. Murray discussed the funds in the different ICMA-RC plans. Board Member Olson asked for data on which retirees were in specific plans. Mr. Feigelis reported there were 208 active contributors in the 457 plan and 171 in the 401a, and there was participant overlap. Mr. Murray indicated they could do an analysis to see how many people were in both plans in active and inactive categories. Mr. Feigelis responded to Chair Madison there were currently 90 participants out of 208 in the 457 who were in managed accounts and in the 401a plan there were out of 171 who were utilizing managed accounts. Discussion ensued regarding how to communicate to participants the reasons for replacing the Fidelity Contrafund.

Board Member LeClainche made a motion, seconded by Board Member Olson, to replace Fidelity Contrafund (Large Cap Growth) with T. Rowe Price Blue Chip Growth Fund. Motion carried by unanimous vote.

VI. Fiduciary Education & Documentation

Paul Murray, AndCo Consulting, reviewed the compliance matrix from their report. He discussed how target date funds were selected and analyzed. In reviewing education, he described a new electronic delivery system which would replace individual emails with a notice of internet availability that would save billions of dollars over years. He reported The Department of Labor had announced a change allowing workplace retirement plans to use private equity as part of a target date fund offering, Currently, only public securities were used.

Board Member LeClainche expressed her opinion there should be a one-page expense report to participants annually to be sure of compliance. Mr. Murray and Mr. Llop from ICMA-RC discussed this matter. Mr. Murray advised they would work with ICMA-RC over the next quarter to create the report.

VII. Presentation by ICMA-RC

Steven Feigelis and Fernando Llop, ICMA-RC, provided the presentation.

a. Guided Pathways promotional materials

Mr. Feigelis discussed Guided Pathways, reporting the cost to the Town would be approximately $28,500 annually to cover the managed account fee for 401a and for 457 participants. The amount would increase as accounts increased and new people were added, and would take approximately two months to set up. Also, an update to their agreement would be required. Discussion ensued regarding possible cost sharing, and/or limiting this to unsophisticated investors needing help. Mr. Murray suggested using the target date fund, commented he liked Guided Pathways, and stated ICMA-RC was the only one in the industry out of 20 record keepers who put a cap on the fee, which was a good start. He cautioned against over promotion because there were extra fees and he did not believe the plan should pay for it because not everyone would use the service. Each participant would have to make the decision whether to use this service. Mr. Feigelis agreed using the target date fund would give the participants the most bang for their buck.

b. Follow up on communication, education initiatives, and advisor meetings.

Chair Madison favored giving the participants the data so they could make an educated decision. Mr. Llop commented that was done in the one-on-one meetings with participants and also provided in group information. Because of the differences in all of the plans, the education component was done every year. Mr. Feigelis described how they had connected virtually since May with all their municipalities.

c. Status on beneficiary updates initiative

Mr. Llop described the enhanced Guided Pathways Services Program to provide expanded Financial Planning Services that had been announced nationally on August 6. This expanded their financial planner and consultation services to meet the needs of existing current employees and retired participants also. A participant or retiree participant could access one hour of consultation. Twenty certified financial planners were available to conduct appointments at various times throughout the day. Mr. Llop shared his screen and gave a demonstration of the realized retirement virtual education program.

Mr. Feigelis reported they had sent out a mailing to over 55,000 participants not enrolled in a 457 plan and a participant from the Town of Palm Beach had responded. Also, they were continuing to work on the beneficiary update and had provided Board Member Olson with a new list of participants who did not have a beneficiary on file, and a list of people who had made changes since their last effort. Board Member Olson provided an update on the current progress. Mr. Feigelis commented there would be a message to update beneficiaries on the 3rd quarter statements. Discussion ensued on the importance of each participant updating this information.

d. ICMA-RC use of member addresses using Town payroll system list

Mr. Feigelis reported the file cleanup was in progress, using the Town's payroll system list.

Board Member LeClainche asked for more information regarding fees for additional services in Guided Pathways.

Mr. Llop explained the services offered based on having more than $100,000 in retirement funds. Chair Madison expressed concern that employees who came to the Town for a second career might not be able to meet that threshold because they did not have a long career with the Town. Mr. Llop indicated he would send an email to the

Board members with more information.

Chair Madison asked when details would be provided on personal planning. Mr. Llop responded the target date was towards the 4th quarter of this year, and Palm Beach would be kept in the loop as this was rolled out.

VIII. Upcoming Meeting Schedule

a. December 3, 2020 Meeting

The next meeting was scheduled for December 3, 2020, with the time to be announced later.

IX. Any Other Matters

There were no other matters to come before the Board.

X. Adjournment

There being no further business, the Defined Contribution Plan Committee meeting of August 20, 2020 adjourned at 11:45 a.m.

Motion was made by Board Member LeClainche and seconded by Board Member Olson to adjourn. The motion passed unanimously.