



TOWN OF PALM BEACH

MINUTES OF THE RETIREMENT BOARD OF TRUSTEES MEETING HELD ON

Friday, August 18, 2023

I. CALL TO ORDER AND ROLL CALL

The Retirement Board of Trustees Meeting was called to order on Friday, August 18, 2023, at 9:00 am in the Town Council Chambers. In attendance were Chair Stanton (via Zoom), Chair Pro Tem Carter and Secretary Parker, and members Guelli, Marx, Miracle, Debrincat, and Copeland (via Zoom). Absent was member Lambert.

II. APPROVAL OF AGENDA

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

III. COMMENTS OF TRUSTEES

There were no comments from trustees.

IV. PUBLIC COMMENTS

There were no comments from the public.

V. APPROVAL OF MINUTES

Motion was made by Board Member Debrincat, and was seconded by Board Member Miracle, to approve the Minutes for the May 19, 2023 meeting as presented. The motion passed unanimously.

VI. 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 June 30, 2023. Reporting total assets of \$269,264,906, total liabilities \$411,690, with resulting net assets held in trust of \$268,853,215. Statement of changes in net assets showed total additions were \$50,502,066 and total deductions of \$19,144,037, resulting in net increase of net assets to date of \$31,358,028. Investment and Operating Expenses for October 1, 2022 through June 30, 2023, totaled \$546,314. Historical Investment and Operating Expenses from FY 2019 to date on Page 5. The Cash Flow projection from August through September 2023 showed the scheduled transfer of funds from money manager accounts was \$1 million. 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 April 24, 2023, through August 11, 2023, totaled \$1,380,070.39. Ms. Wood and Bob Miracle, Deputy Town Manager, responded to questions.

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

VII. MEMBER ACCOUNT CREDITED INTEREST

Ms. Wood reviewed the current rate of 3.97%.

Motion was made by Board Member Debrincat, and was seconded by Board Member Marx, to approve the reported rate. The motion passed unanimously.

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

Mr. West provided a summary review of the quarterly book. He stated that the 2nd quarter was a strong quarter and spoke regarding "Magnificent Seven" stocks that accounted for the vast majority of returns. He spoke regarding the Treasury Yield Curve and stated that the bond market is sending a message that interest rates will be reduced in the near future. He stated that the credit markets seem to be indicating that there aren't any impending credit issues. He reported that year-to-date our fund is up 13.63%; the 3-year number annualizes just under 6%; and the 5-year number is annualizing at 5.52%. He spoke regarding a slight underperformance in certain areas and he stated that the Total Domestic Equity was close to target and reported the performance of International Equity, EM, Fixed Income, Global Macro, Alternative and Real Estate. Chair Stanton remarked that active managers continue to underperform index funds.

Mr. Stanton spoke regarding a withdrawal the board made from JP Morgan and inquired if there was a prohibition from redemption at this time, which Mr. West confirmed. Mr. Stanton spoke regarding the state of the private equity firms and the inaccurate marking by some private equity firms. Mr. Copeland requested clarification for apparently disparate performance of our total fund versus small portions of our portfolio which have reported

poor performance. Discussion ensued; Mr. West agreed to report further on this topic in November. Mr. Miracle asked Mr. West's and the Trustees' opinions regarding an event that occurred in China in regards to a larger real estate investment firm needing to re-structure its debt. He inquired if they thought it was a short-term event or longer-term event that might impact the bond and other markets. Mr. West spoke regarding this event's impact upon the Town's funds.

IPS Amendments to address HB-3

Mr. West spoke regarding the draft investment policy statement. He stated that there are two goals for the document: one is to address the ongoing discussion on liquidity and the other is to address the required inputs for House Bill 3. Attorney Rustin provided information on House Bill 3 and the requirements for the State that need to be addressed. Mr. West provided details in the draft statement that address these requirements. Mr. Stanton inquired regarding who will be responsible for compliance, to which Mr. West and Ms. Rustin replied. Mr. Stanton stated that there has not been a procedural change to what the Town does. In response to a question regarding the statutory changes that are required, Mr. West provided clarification.

Motion was made by Chair Stanton, and seconded by Board Member Parker, to approve the proposed amendments to the Investment Policy Statement pertaining to HB-3. The motion passed unanimously.

Mr. West outlined the proposed revisions that address the discussion of liquidity. Mr. Stanton stated that our guideline for the upper limit of illiquid investments that should not be breached and asked whether the Board should discuss a second definition of liquidity to include in the investment policy. Mr. West responded. Discussion ensued on the issue of illiquidity and how to address it in the policy. The Board provided consensus that they would like to address this issue and Mr. West spoke regarding how to approach it. Discussion ensued regarding the proposed limit. Mr. Stanton spoke in support of defining what is liquid and setting the limit for illiquid investments at 20-25% of the portfolio. Mr. West spoke regarding the potential definition of liquid and illiquid and the limit of illiquid assets. Mr. Parker spoke regarding including a liquidity risk assessment in the discussion. Discussion ensued. Mr. Carter recommended postponing this discussion and continuing at our November meeting. Mr. West stated that he will determine a ranking system for liquidity and incorporate volatility and bring it back to the Board for discussion. The Board provided consensus to send the Town Council the language changes that had been approved by the Board earlier in the meeting.

Mr. West reviewed changes to the investment program liquidity profile. He stated that there are no actions necessary at this time to manage liquidity. Mr. Miracle provided confirmation that the Town budget has the one-lump sum payment at the beginning of the fiscal year in response to a question from Mr. Carter. Mr. Carter inquired if the Board wants to give guidance on re-investing some of that amount prior to the November meeting, to which the Board concurred that the decision can wait until November. Mr. Stanton spoke in support of a bringing back a discussion on the re-allocation of some of those funds.

Mr. West spoke regarding the private debt review and manager search. Mr. Stanton advocated inclusion of this type of investment and discussed his research on some of the potential firms. He spoke regarding the benefits and drawbacks of this type of strategy. Mr. Carter spoke in support of looking at adding this asset class and finding the most appropriate manager. Mr. West provided background information on private debt investments and the current market for these types of investments. He spoke regarding considerations for implementation of private debt managers. Discussion ensued on the potential inclusion of private debt firms in the fixed asset portfolio. Mr. Carter recommended that Mr. Stanton discuss potential firms with Mr. West and return to the Board in November for further discussion.

IX. ADMINISTRATOR REPORT, EDEMIR ESTRADA, GRS

Ms. Estrada reported that the Town will be holding its Employee Benefits Fair in October and the firm will be present at the Fair to speak with any employees who have questions.

Ms. Estrada reviewed the Administrator Report, provided by the Town. There are 15 DROP participants, 423 retirees, and 286 active employees contributing to the system. There will be no participants leaving the DROP by the November meeting.

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

In response to a question from Chair Stanton, Ms. Estrada reported that there have been no complaints from Town employees regarding the retirement services. Mr. Stanton commended Ms. Estrada on the quality of work that he has seen that she produces.

X. ATTORNEY REPORT, JANICE RUSTIN, ATTORNEY

Attorney Rustin spoke regarding agreements that are before the Board for approval. She outlined the proposed agreement with GRS for Actuary Services and stated that it will be for a 3 Year Term with 2 one-year renewal terms and a 3% Annual Increase. Mr. Miracle provided additional information.

Motion made by Board Member Guelli, and seconded by Board Member Marx to approve the Agreement with GRS for Actuary Services, with a 3% Annual Increase, 3-year term; for 5 years total. The motion passed unanimously.

Attorney Rustin spoke regarding the proposed Amended and Restated Agreement with GRS for Plan Administration and Software Services.

Motion made by Board Member Guelli, and seconded by Board Member Debrincat to approve the Amended and Restated Agreement with GRS for Plan Administration and Software Services. The motion passed unanimously.

Attorney Rustin stated that the Auditor Services was due to renew this year. Mr. Miracle provided background information on the proposed renewal with Marcum. He stated that the cost increase would be \$1,000/year and the terms would remain the same.

Motion made by Board Member Parker, and seconded by Board Member Guelli to approve the renewal of the Engagement Letter with Marcum LLP for Auditing Services. The motion passed unanimously.

Ms. Rustin reported on the annual report from the First Responders Foundation Plan. She stated that the Foundation contributed \$573,000 to police and fire employees for the plan year ending 12/31/2022. Ms. Rustin responded to questions from Mr. Parker and Mr. Stanton on the initial contribution of the Foundation and where these funds are provided and what members receive the benefit. Mr. Miracle stated that this account is completely separate from the Town.

XI. UPCOMING MEETING SCHEDULE

1. Next Meeting: Thursday, November 16, 2023 at 9:00 am.

Mr. Miracle brought up the potential for moving the August meeting to September going forward. The Board provided consensus to keep the meeting in August.

XII. ANY OTHER MATTERS

There were no other matters discussed.

XIII. ADJOURNMENT

There being no further business, a motion was made by Member Debrincat and seconded by Member Carter that the Retirement Board of Trustees meeting of August 18, 2023, adjourned at 11:29 am.

Respectfully Submitted,

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