

CITY OF PALMETTO
GENERAL EMPLOYEES' PENSION BOARD OF TRUSTEES
MAY 23, 2022
8:30 A.M.

BOARD MEMBERS PRESENT:

Jim Freeman, Chair
Allen Tusing, Vice Chair
Matt Bloome, Secretary (joined the meeting at 8:32 A.M.)
Dale Hoffner
Mark Ingram
Cheryl Miller
Robert Urso

STAFF AND OTHERS PRESENT:

Scott Christiansen, Board Attorney
Doug Lozen, Foster & Foster
Andy McIlvaine, Graystone Consulting
Scott Owens, Graystone Consulting
Cassi Bailey, Assistant City Clerk/Plan Administrator

Chair Freeman called the meeting to order at 8:30 A.M. and conducted a roll call. Mr. Freeman introduced Ms. Bailey and Mr. Urso.

1. AGENDA APPROVAL

MOTION:

Mr. Tusing moved, Ms. Miller seconded, and the Motion carried 7-0 to approve the May 23rd, 2022, General Employees' Pension Board Agenda with the addition of the First State invoice.

2. PUBLIC COMMENT

None

3. APPROVAL OF MINUTES

MOTION:

Ms. Miller moved, Mr. Tusing seconded, and the Motion carried 7-0 to approve the February 28th, 2022, Minutes with corrections.

4. APPROVAL OF EXPENSES

- a.) Christiansen & Dehner, P.A. invoice dated 02/28/2022
- b.) Christiansen & Dehner, P.A. invoice dated 04/30/2022
- c.) First State Trust Co. invoice dated 04/08/2022 (Added at the meeting)

MOTION:

Mr. Tusing moved, Mr. Bloome seconded, and the Motion carried 7-0 to ratify the paid expenses as presented.

5. PROPOSED ORDINANCE 2022-08 AMENDING THE CITY OF PALMETTO GENERAL EMPLOYEES' RETIREMENT SYSTEM

AN ORDINANCE OF THE CITY OF PALMETTO AMENDING CHAPTER 22, PERSONNEL, ARTICLE IV, GENERAL EMPLOYEES' RETIREMENT SYSTEM, OF THE CODE OF ORDINANCES OF THE CITY OF PALMETTO; AMENDING SECTION 22-86, BENEFIT AMOUNTS AND ELIGIBILITY; PROVIDING FOR CODIFICATION; PROVIDING FOR SEVERABILITY OF PROVISIONS; REPEALING ALL ORDINANCES IN CONFLICT HERewith AND PROVIDING AN EFFECTIVE DATE.

Mr. Doug Lozen discussed the proposed Ordinance. He mentioned that this Ordinance matches option C from the February 28th meeting. The proposal would be retroactive to this past October 2021. It would be based on the complete number of years in retirement as of 10/1/16. There would be a onetime 2% increase for each year in retirement. The example was given that if a person retired on 10/1/15, they would receive a 2% increase because they would have been retired for one whole year as of 10/1/16. The individuals would receive a retroactive lump sum, then the increase would remain the same for monthly payments going forward. The maximum increase would be 10%. There will be no increase beyond that. The study that was conducted indicated this would cost the City approximately an additional \$59,000 per year. This would be about 2% of payroll. Anyone who retired after 10/1/16 will not receive an increase.

The last ad-hoc was done in 1995. Mr. Freeman asked how many people would be affected. Mr. Lozen responded that he will look up the amount during the meeting. Mr. Freeman questioned if there will be an impact letter. Mr. Lozen clarified that it would be presented between the first and second reading to the City Commission if they move forward with the Ordinance. Attorney Christiansen clarified the reasoning behind the timing of doing an impact statement. Mr. Lozen explained that they are asking for a 2% increase, but that is relative to the new baseline. The current year's contribution is 15.03%. This coming year the overall percentage is dropping to 6.71%. The Ordinance would be asking for a percentage back in the form of a COLA. Therefore, instead of the contribution dropping to 6.71%, it would be dropping to 8.67 %. There is also language that was added committing the Board to review for a potential COLA every 5 years. The City Commission will have to make decisions based on recommendations of the Board.

MOTION: Mr. Tusing moved, Mr. Ingram seconded, and the Motion carried 7-0 to recommend Ordinance 2022-08 to the City Commission for approval.

Attorney Christiansen suggested Mr. Lozen be at the City Commission Meeting to explain the costs. Mr. Freeman recommended putting it on a Workshop agenda before the regular meeting.

Ms. Miller asked what the new rate will be for the general employees. Mr. Lozen responded 8.67%.

6. INVESTMENT REVIEW

Scott Owens and Andy McIlvaine, Graystone Consulting, presented the end of the quarter investment review. Mr. Owens recapped that it was a tough quarter, and it is continuing to get tougher.

Mr. McIlvaine highlighted that for the last 6 quarters they have come in at an all-time high. Unfortunately, this quarter is down. He discussed the 8 ½ % inflation, and supply chain disruption. The government is now raising interest rates to slow inflation. They are doing this to actively slow growth and take liquidity out of the market. He reported that the consensus from Economists is that this should slow inflation down. Mr. McIlvaine also mentioned unemployment rates and the belief that there are still people who are not looking for work, due to the

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cash infusion from federal accommodations, and generous unemployment benefits. He believes that once their savings accounts dwindle, they will be pushed back into the workforce. This will help the economy.

Mr. McIlvaine went on to discuss the negative GDP, Gross Domestic Product. He stated the Morgan Stanley is not anticipating a recession in 2022. They believe that people will start spending money on services again. Other countries are still closed down which is causing a drag on things. There is a big repricing going on. He gave an example of Target. They are returning less dollars to their shareholders because of the increase costs to operate. Earnings are going to matter a lot more going forward. They believe bonds are going to be negative for the year. It is going to be a challenging year. He went on to highlight Private Real Estate, and the success in that field.

Mr. Urso asked on a scale of conservative to aggressive investment, where does our portfolio lie. Scott Owens responded that they have de-risked the portfolio. It is a moderate to conservative portfolio. Mr. Urso questioned if they have done stress tests compared to historical events. Mr. Owens answered that they do those, they normally do not present them. They can if the Board would like them to.

Andy McIlvaine, spoke on the documents that were attached to the agenda. The historical education of S & P was discussed. The chart shown depicts 73% of years have had positive total returns. Intra year advances and declines were discussed. Volatility is normal. The large dispersions also show big swings. The annualized total returns of S & P from 1990-2022 YTD were reviewed and the trend was discussed. Sticking toward the long-term plan almost always pays off. Days with big swings up tend to coincide with days of big swings down. The long term trend of the S & P 500 has grown despite negative events. There is a dip in the market every time there is a negative event going on in the world. Mr. McIlvaine went through several charts on the attached document highlighting percentages throughout the quarter.

Scott Owens reported on the portfolio. Lower risk investments are what they have been asked to do. Gross and net returns were discussed. He explained the asset allocation compliance as of March 31, 2022. They brought everything closer to the long term targets. Value is starting to outperform. When they rebalance the portfolio, they make changes as needed. He went through each manager and their performance and return. Each manager was looked at closely and their positives and negatives were discussed. The managers are not always going to meet the benchmarks. There will be times of underperformance. Kayne Anderson has been a big contributor to the portfolio, but it was down 10 percentage points this quarter. They have been a very good manager since 2012, and there is no need to panic. Standard deviation is around 15-20% between all the managers. The portfolio is at 9.65%. He discussed the difference between domestic and international managers. Private real estate was the bright spot this quarter. Real estate was up 23 % for the year and up 7.3 % for the quarter. The growth rate will probably slow going forward. As of May 12th, we are down 10.87% overall.

Mr. Urso asked what we are dispersing on a quarterly basis. Mr. Owens responded that for the total fund, the net distributions are about \$400,000. The 3-year average is about \$300,000. Mr. Owens referenced Page 31 of the attached document highlighting the asset allocation. The target is 15%. The range is within that box. Mr. Tusing emphasized that the Board has worked hard over the years to protect their investments and make tactical decisions.

Mr. Freeman questioned All Spring manager. He asked if there are any concerns there. Mr. Owens responded that 95% of managers are outperforming the benchmark since April 1st. He went on to mention that if you look at the portfolio's 10-year average, there is an 8.69% return. They are shooting for 6.75%. There are going to be periods of below average returns. That is why they have a smooth actuarial valuation.

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7. BENEFITS DISBURSEMENT APPROVAL

- a. DROP PARTICIPANT
 - None
- b. SEPARATED NON-VESTED EMPLOYEE
 - None
- c. SEPARATED VESTED EMPLOYEE
 - None
- d. RETIRED EMPLOYEES
 - None
- e. DECEASED RETIREES
 - None
- f. DECEASED ACTIVE EMPLOYEE PAYOUT
 - None

8. NEW MEMBER ACKNOWLEDGEMENT (Informational Only)

- Shani Michelle Angeli
- Cassi L. Bailey
- Natalie Bennettson
- Danielle Craven
- Romain Noble
- Kenneth Sexton
- Pamela Vaughn

9. SEPARATED MEMBER ACKNOWLEDGEMENT (Informational Only)

- None

10. ATTORNEY CHRISTIANSEN'S REPORT

Attorney Christiansen reminded the Board of the financial disclosure forms that will be coming to them in the mail. They are due by July 1st. He asked if the updated fee contract that was prepared for Foster & Foster had been signed and if the Pension Letter number 1 regarding the Actuarial Valuation Report had been submitted. Ms. Bailey verified that it had.

Mr. Tusing left the meeting at 9:45 am and returned at 9:48 am.

Mr. Hoffner left the meeting at 9:48 am.

11. RESOLUTION 2022-01 DESIGNATING RMLQ

MOTION:

Ms. Miller moved, Mr. Urso seconded, and the Motion carried 6-0 to approve Resolution 2022-01 appointing Cassi Bailey as the Records Management Liaison Officer (RMLQ). Mr. Hoffner was not present at the time of the vote.

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12. PLAN ADMINISTRATOR'S REPORT

None

Chair Freeman adjourned the meeting at 9:52 A.M.

MINUTES APPROVED: AUGUST 22, 2022

MATT BLOOME

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SECRETARY