

MINUTES
CITY OF PALMETTO
GENERAL EMPLOYEES' PENSION BOARD OF TRUSTEES
NOVEMBER 28, 2022
8:30 A.M.

BOARD MEMBERS PRESENT:

Jim Freeman, Chair
Allen Tusing, Vice Chair
Matt Bloome, Secretary (Not Present)
Dale Hoffner
Mark Ingram
Cheryl Miller
Robert Urso

STAFF AND OTHERS PRESENT:

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

Chair Freeman called the meeting to order at 8:30 am and conducted a roll call.

1. AGENDA APPROVAL

MOTION: **Mr. Urso moved, Mr. Hoffner seconded, and the motion carried 6-0 to approve the November 28, 2022 General Employees' Pension Board Agenda.**

2. PUBLIC COMMENT

None

3. APPROVAL OF MINUTES

MOTION: **Mr. Tusing moved, Ms. Miller seconded, and the motion carried 6-0 to approve the August 22, 2022 minutes.**

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4. APPROVAL OF EXPENSES

a.) Christiansen & Dehner, P.A Invoices

10/31/22, 09/30/22, 08/31/22

b.) City of Palmetto Reimbursement

11/02/22

- CPPT Certificate Program
- 2023 Trustee School
- Pension Fundamentals for New Trustees Program
- 2023 FPPTA Membership

c.) Florida Municipal Insurance Trust Invoice

09/12/22

d.) Foster & Foster Invoices

08/16/22 & 11/16/22

e.) First State Invoice

10/07/22

MOTION:

Mr. Ingram moved, Mr. Tusing seconded, and the motion carried 6-0 to ratify the paid expenses as presented.

5. INVESTMENT REVIEW

Scott Owens, Graystone Consulting, presented the end of the quarter investment review, which was included in the Agenda. He highlighted the performance report, stress test, and mentioned a topic for discussion regarding a short-term fixed income manager. He noted that we are currently on a trading platform which is more all-inclusive, as opposed to a hard dollar platform. Graystone's current manager fee is 43 basis points, and they are proposing a reduction to 30 basis points, which is about a \$20,000/year savings. Mr. Owens stated that nothing else changes besides the fee reduction, which is a result of price compression. If prices go down across the market, they have to do the same. Attorney Christiansen stated that he needed to review the addendum before signing. The new manager fee would become effective at the end of the quarter, starting January 1, 2023.

MOTION:

Mr. Ingram moved, Mr. Hoffner seconded, and the motion carried 6-0 to accept the manager fee reduction, pending attorney approval starting January 1, 2023.

TJ Lowe spoke on the volatility of the economy. He made the comparison to the time around 2008/2009. He noted that there is record inflation that they haven't seen in 40 years. During the pandemic, they pumped liquidity in the market through individuals, which is driving inflation. The FED has increased interest rates at a record speed, in an effort to control inflation. They're trying to slow growth, without creating a recession. He noted that there is a possibility of a recession in the next 12-18 months. Mr. Lowe mentioned a potential shift in the portfolio, which Mr. Owens will speak more on later. He went on to highlight the Performance Packet and individual markets, which was included in the record. He believes that if there is a recession, it will be a shallow one. There are almost 2 jobs per every 1 person looking.

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Mr. Owens spoke on the Portfolio, which was included in the Agenda. Asset allocations were highlighted. Everything has done really well since October 1st, 2022. They think value will continue to outperform. Growth outperformed value this quarter. There are no mandatory changes at this point, because everything is within range according to the investment policy statement. One of the two managers that caused problems over the last year was Polen. The manager was down 34 percentage points for the year. He stated that he wouldn't give up on them yet. Mr. Owens then highlighted a passive manager, Vanguard Large Cap Core (Russel 1000). Anchor, mid cap value manager, outperformed. This is on a relative basis, meaning it lost less. Nothing has done well. Wells was down 43% for the year. This was down 13 percentage points more than the benchmark. However, up until December 2021 they outperformed almost every time. He opined that one or two quarters can make a big difference in annualized returns. He continued to briefly discuss each manager. Mr. Owens went over fixed income. He mentioned that a few years ago, to defend the portfolio, they went with Blackrock Long Short to continue to mitigate risks in those type of fixed income investments. On a relative basis, it is doing fine. The only bright and shining star in the portfolio was real estate. They're up 17%, which is a 50-60 percentage point difference. He likes where they're at in the portfolio for the long-term numbers in real estate. He believes real estate is peaking. He went on to note that since the end of the quarter, the portfolio return is 5.99%. The value managers have outperformed the growth managers. He stated that a defensive posture is a good place to be right now. He believes 2023 will be a rough year.

Mr. Freeman questioned Mr. Owen's statement that passive is set up to underperform. Mr. Owens stated that he is referring to the benchmark. He clarified that relative performance is only relative to a benchmark. Passive investment is always going to be slightly underperforming based on the benchmark. There are pros and cons to it. An active manager will outperform dramatically or underperform significantly. Whereas the passive investment will be more consistent. Our plan has a mixture of passive and active managers.

The Wealth Strategies Analysis (Stress Test) was highlighted. Our current allocation is very close to our optimal allocation, which is what we want. The Efficient Frontier and Historical Performance was reviewed. Hypotheticals were shown within the document, which was included in the Agenda. We are currently in more of a defensive posture, which Mr. Owens thinks is the best option right now.

Mr. Owens brought up a short-term fixed income manager search for discussion. The summary was discussed, which was included in the Agenda. Mr. Freeman asked where the money would come from. Mr. Owens answered that it would come from Madison. They would take half the money and put it in a short-term manager. He recommends getting out of global income. Mr. Owens clarified that he doesn't recommend this move, he is opening it up for discussion. Creditors believe international will take a harder hit in the future. He does like the idea of reducing the duration in the portfolio. Mr. Freeman asked for his recommendation. Mr. Owens responded that if the Board was concerned about being a little more defensive, then that would be his recommendation to take half from Madison and put it in one of the proposed managers. Discussions continued between Mr. Owens and Mr. Freeman. Mr. Owens then highlighted each of the managers that were laid out in the summary. Mr. Urso asked which manager Mr. Owens would go with. Mr. Owens responded that he would move the money to Genter.

MOTION: Ms. Miller moved to split half of the Madison assets and put them into Genter, Mr. Urso seconded, the motion carried 6-0.

A fixed income contract with Genter will go to Mr. Christiansen for review. Discussions continued between the Board members. They will need a full quarter to review the effects. The Board asked if this contract will be for a specific amount of time. It was answered no, they can re-evaluate at any time.

Mr. Freeman discussed international and the possibility of getting out of global passive and going into domestic passive. He would like Mr. Owens to bring a search of domestic passive fixed income to the next meeting. Mr. Owens will bring back research showing international vs. domestic and intermediate.

MOTION: Ms. Miller moved, Mr. Hoffner seconded, and the motion carried 6-0 to approve the investment consultant and manager fees as presented.

6. ACTUARIAL VALUATION REPORT

Doug Lozen, Foster and Foster, presented the 2022 Actuarial Valuation Report, which was included in the minutes.

Mr. Lozen reported that there was not a big change to the City's required contribution. The 8.67% for the current fiscal year reflects the cost-of-living adjustment, COLA, which was recently approved. Smoothing is done over 4 years for asset values. There is a very minor increase from 8.67% to 9.33% for the City's contribution of payroll for the next fiscal year. However, the costs will be going up. He suggested putting in more than is necessary in the budget because it will be above 10% in the next few years. There is a \$425 shortfall contribution requirement that will need to be included. He highlighted the plan change. Mr. Lozen noted that the plan's funded status is still in good shape. The funding status is in the 90's. The plan is still very well-funded. He is fine with keeping the assumption at 6.75% for now.

MOTION: Mr. Tusing moved, Ms. Miller seconded, and the motion carried 6-0 to approve the actuarial report.

7. AD HOC UPDATE

Mr. Lozen discussed the COLA regarding retirees who passed away. The plan had two retirees who passed away between October 1, 2021 and when the Board passed the COLA. Both retirees were life only annuitants. Discussions continued between the Board members. Mr. Christiansen believes any catch-up payment would be payable to the estate of the retiree. Mr. Freeman also mentioned that one of the retirees was overpaid by 2 months due to not being notified at the time of passing. Mr. Christiansen stated that the overpayment can be offset by the amount that would be due to the estate for the COLA one-time catch-up payment. They would need to notify the family that there is money owed to the estate.

MOTION: Mr. Tusing moved, Mr. Ingram seconded, and the motion carried 6-0 to approve the retroactive amounts that are payable according to the ad hoc COLA that was just adopted, will be payable to the estate of the individuals that passed away between October 1, 2021 and the time of the adoption of the Ordinance to include an offset of any amount that those individuals owed to the plan for overpayments.

8. BENEFITS DISBURSEMENT APPROVAL

- a. DROP PARTICIPANT
 - Matt Bloome
- b. SEPARATED NON-VESTED EMPLOYEE
 - Emma Culbertson (Elected to leave contributions in Fund)
 - Antwan Wortham
- c. SEPARATED VESTED EMPLOYEE
 - None
- d. RETIRED EMPLOYEES
 - None
- e. DECEASED RETIREES
 - None
- f. DECEASED ACTIVE EMPLOYEE PAYOUT
 - None

MOTION: **Ms. Miller moved, Mr. Urso seconded, and the motion carried 6-0 to approve the benefits disbursements as presented.**

9. NEW MEMBER ACKNOWLEDGEMENT (Informational Only)

- Aaron Kaddatz
- Aydin Frazier
- Jeffrey Bowman
- Kelsey Kappler
- Rebekah Moore

10. SEPARATED MEMBER ACKNOWLEDGEMENT (Informational Only)

- None

11. ATTORNEY CHRISTIANSEN'S REPORT

Mr. Christiansen reported that the following trustee terms are expiring in January 2023; Matt Bloome-elected, Dale Hoffner-appointed by the City, Cheryl Miller-elected, Mark Ingram-appointed by the City.

Mr. Freeman stated that Mr. Ingram is resigning from the General Employees' Pension Board and is moving on to serve on the Planning and Zoning Board. His replacement will be his wife, Shannon Ingram.

Dale Hoffner stated that he would like to be re-appointed.

There will be an election for the two other Board seats.

Mr. Christiansen informed Mr. Ingram that he will need to complete a final Form 1F for this board and a new Form 1 for the Planning and Zoning Board.

He also reminded the Board that Officers are chosen every 2 years. In February 2023, the selection of new officers (Chair, Vice Chair, Secretary) will need to be on the Agenda.

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The Summary Plan Description will need to be updated before March 2023. Mr. Christiansen requested a motion to allow him to update the booklet.

MOTION: **Mr. Freeman moved, Mr. Tusing seconded, and the motion carried 6-0 to update the summary plan for the next meeting.**

The Fiscal year-end report, pension letter number 2, needs to be sent to the City Commission.

MOTION: **Mr. Hoffner moved, Mr. Urso seconded, and the motion carried 6-0 based upon the advice of our consultant, the board expects to get a 6.75% investment return for the next year, the next several years, and for the long term thereafter.**

The forfeiture for Ms. Dixon, from the last meeting, is considered final at this time.

12. PLAN ADMINISTRATOR'S REPORT

Ms. Miller would like to request the Board's approval to attend the FPPTA conference and begin the CPPT program.

MOTION: **Mr. Freeman moved, Mr. Tusing seconded, and the motion carried 6-0 to approve Ms. Miller attending the FPPTA conference and beginning the CPPT program, contingent on re-election.**

Mr. Freeman mentioned the letter that was put at each Board members' station, included in record, for informational only. It is comparative data between other Pension plans in the State.

Chair Freeman adjourned the meeting at 10:27 am.

MINUTES APPROVED: FEBRUARY 27, 2023

CHERYL MILLER

CHERYL MILLER

SECRETARY