



City of
Panama City Beach

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General Employees' Pension Board

September 1, 2022

Regular Meeting Minutes

CALL TO ORDER

Chair Holly White called the meeting to order at 11:32 a.m. Those present were:

Holly White, Chair
Pat Quezada, Secretary

Kelly Jenkins, Trustee
Mark Shaeffer, Trustee
Kathy Younce, Trustee

A quorum was present with all five members.

Also present were Blake Myton with Sterling Capital, Burgess Chambers with Burgess Chambers & Associates, Attorney Stu Kaufman with Klausner, Kaufman, Jensen & Levinson, Stephen Lambert Oswald with AON, City Clerk Lynne Fasone and city employees.

INVITE PUBLIC COMMENT

Chair White invited public comment. Hearing and seeing none.

APPROVAL OF MEETING MINUTES

Chair White called for approval of the June 9, 2022 General Employees meeting minutes. **Trustee Younce moved to approve the meeting minutes, as written. The motion was seconded by Trustee Shaeffer. Hearing and seeing no comments, the motion to adopt the June 9th meeting minutes was unanimously passed by a (5-0) voice vote.**

Chair White invited Mr. Blake Myton to report.

REPORT FROM MR. BLAKE MYTON WITH STERLING CAPITAL

Mr. Myton reported on the poor performance of the three Plans in the second quarter. Mr. Myton discussed interest rate increases by the federal government. Mr. Myton continued to discuss the uncertainty with the current market, the Russia/Ukraine conflict, and the market volatility. Mr. Myton discussed the positive jobs number and the 8.50% inflation rate in July. Mr. Myton reported that he expected the volatility to continue. Mr. Myton reviewed the Sterling Capital material beginning on page 4, tab 2, "Index Performance for the Period Ended July 31, 2022." Mr. Myton reported that the Russell 3000 Index was off by about 13.7%. Mr. Myton reviewed the year-to-date column. Mr. Myton explained according to the technical description of a "recession", we were in one. Mr. Myton reported that he would continue to look for small incremental increases for all three Plans. Mr. Myton called for questions on the first part of his report. Hearing and seeing none, Mr. Myton reviewed tab 3, "Portfolio Summary." Mr. Myton pointed out that this was only a quarter's worth of data since switching over to Sterling Capital from Truist. Mr. Myton called for questions on this section. Discussion regarding negativity being priced in, treasury bond rates increasing, and futures rates being $3\frac{1}{4}$ to $3\frac{1}{2}$ took place.

Chair White called for additional questions for Mr. Myton. Hearing and seeing none, Chair White thanked Mr. Myton and invited Mr. Chambers to report.

REPORT FROM MR. BURGESS CHAMBERS WITH BURGESS CHAMBERS & ASSOCIATES, INC.

Mr. Chambers reported, on a positive note, that they did get TA Realty funded. Mr. Chambers thanked staff and Attorney Kaufman for getting the paperwork completed. Mr. Chambers reported that all three Plans had about an 8.3% allocation invested, and this was a perfect environment for private real estate investments. Mr. Chambers discussed the market in the 1970's and noted he felt it was similar to this market. Mr. Chambers reported that all three Plans were slightly underweighted in fixed income versus the target.

Discussion regarding the State tax distribution checks for Police and Fire took place. Attorney Kaufman reported the Fire distribution check would be \$294,279.24 and the Police distribution check would be \$210,099.51, both up from last year. Mr. Chambers recommended when those funds do come into the City, that Blake hold onto those funds as cash, in anticipation of rates increasing this year and into next year. Mr. Chambers discussed bonds and asked Blake to look into possibly delaying the rebalancing of the Plans.

Mr. Chambers reviewed the Police Officer's report, as they were next in the rotation. Mr. Chambers reported 54% of the funds were with Sterling Capital, an active manager, with the other 46% of funds being non-managed, passive. Mr. Chambers reported the City was still at the forefront with respect to active versus passive managed investments.

Mr. Chambers discussed inflation and the federal government's primary role to curb inflation. Mr. Chambers reviewed page 1 with respect to the economy expanding too fast. Mr. Chambers reviewed pages 11-13 "Asset Allocation & Performance – Gross." Mr. Chambers reviewed pages 14-16 "Asset Allocation & Performance – Net." Mr. Chambers reviewed page 7 "Investment Performance -Net." Mr. Chambers reported that they would continue to keep an eye on the large and mid-cap allocations s documented on page 8. Mr. Chambers discussed the benefits of technology (Elon Musk) in domestic investments versus international investments. Mr. Chambers called for questions. Hearing and seeing none.

Chair White called for questions for Mr. Chambers. Hearing and seeing none, Chair White thanked Mr. Chambers and invited Mr. Oswald to report.

REPORT FROM MR. STEPHEN-LAMBERT OSWALD WITH AON

Mr. Oswald reported on a positive note, the actuarial valuation was calculated based on the beginning of the fiscal year, therefore the results looked pretty good. Mr. Oswald began review of the 2021 Actuarial Valuation Results report on page 3. Mr. Oswald explained how AON arrived at the "actuarial present value of accumulated plan benefits." Mr. Oswald explained how the Plans were funded. Mr. Oswald discussed contributions required by the City as a percentage of payroll and the purpose of "smoothing." Mr. Oswald explained funded status of the Plans and the expected rate of return being lowered to 7% last year. Mr. Oswald reported that the changes to the vesting plans were also taken into account in this report and as expected, did not have much impact. Mr. Oswald discussed risk management, why risk matters, and the City's bond rating. Mr. Oswald reported the City's risk scorecard was low. Mr. Oswald discussed plan maturity and noted, with the City's plans, about 5% of the benefits were being paid out. Mr. Oswald reported plan assets over the past 5 years were increasing which was a natural function of great returns and contributions. Mr. Oswald reported on liabilities increasing, because the Plans were getting bigger over the years with new hires, etc. Mr. Oswald reviewed the contributions over the years as a percentage of payroll. Mr. Oswald called for questions about the actuarial valuation at this time. Discussion regarding "sensitivity analysis" took place.

Discussion regarding the proposed amendments to the DROP took place. Attorney Kaufman inquired if the Boards adopted the DROP amendments would AON produce an actuarial impact statement and if so, would

there be costs involved to the Plans. Mr. Oswald reported that AON would write a letter of no impact, as they did not feel that it would substantially impact the retirement patterns of all three Plans. Mr. Oswald added that, as an example, AON does not currently factor the five-year DROP into the actuarial valuation.

Chair White called for further questions. Hearing and seeing none, Attorney Kaufman recommended a motion from each Plan to accept the actuarial valuation report.

Trustee Shaeffer moved to accept the actuarial valuation. Trustee Jenkins seconded the motion. All members were in favor of the motion by a voice vote (5-0).

Attorney Kaufman explained, per Florida Statute, a second motion was needed after the adoption of actuarial valuations from each Plan to approve the discount rate, the investment return assumption, which was 7%. Attorney Kaufman further explained the language in the statute for the motion, for each Plan, should be **“the Board approves 7.0% as the appropriate investment return assumption for the current year, and for each of the next several years, and for the long-term thereafter.”**

Trustee Jenkins so moved. Trustee Shaeffer seconded the motion. All members were in favor of the motion by a voice vote (5-0).

Chair White called for additional questions for Mr. Oswald. Hearing and seeing none, Chair White thanked Mr. Oswald and invited Attorney Kaufman to report.

REPORT FROM MR. STU KAUFMAN WITH KLAUSNER, KAUFMAN, JENSEN & LEVINSON

Mr. Kaufman reviewed draft Ordinances 1593, 1594 & 1595, extending the DROP period of all three Plans from five years to eight years. Mr. Kaufman added that the ordinances would become effective October 1, 2022, and all employees who were currently in the DROP would have until January 1, 2023, to make an affirmative election if they would like to extend. Mr. Kaufman explained there would be a form for those who are in the DROP to complete and sign-off on to extend their DROP. Mr. Kaufman explained the Boards do not approve or change any of the benefits of the Plans, the Boards merely make recommendations to the Council. Mr. Kaufman added if there are recommendations from each of the Boards to approve the ordinances, Stephen would do the no impact letter for each Plan and the ordinances would be added to two council meeting agendas for consideration. Mr. Kaufman called for questions on the ordinances. Mr. Kaufman added, if no questions, a motion would be appropriate to recommend approval of the ordinances by Council. Chair White called for questions from the Board.

Discussion regarding only the employees who were currently in the DROP needing to make the election and for anyone new going into the DROP it being automatic took place. Discussion regarding employees being able to leave the DROP at anytime took place. Discussion took place regarding there being no actuarial impact to the Plans, and no cost to the City to go from five years to eight years took place. Mr. Kaufman discussed the State of Florida doing a similar thing, going from five years to eight years with its DROP, and there being no sunset date on the change to eight years.

Chair White explained it would be the pleasure of each Board as to what they wanted to recommend to Council. Chair White further reported that Council had heard first readings of the ordinances and they would not hear second readings until the Boards weight in. Chair White called for questions and/or a motion from each Board.

Secretary Quezada moved to recommend to extend the DROP period for the General Employees Plan from five years to eight years, as described in the ordinance. Trustee Younce seconded the motion. All members were in favor of the motion by a voice vote (5-0).

Mr. Kaufman introduced an attorney he brought with him from his firm who was also working on the City's Plan documents, Ms. Lindsey Garber.

Mr. Kaufman reviewed the 2023 meeting dates, all being held on a Thursday and beginning at 11:30 a.m. in the Council Chambers - March 2, June 1, August 31 and November 30. Mr. Kaufman reported that no action was needed by the Board, this was for informational purposes.

Chair White called for questions for Mr. Kaufman. Hearing and seeing none, Chair White thanked Mr. Kaufman.

QUARTERLY REPORT UPDATE BY DEBRA GIBSON, FINANCE DIRECTOR

Chair White introduced Finance Director Debra Gibson for those who had not met her yet. Chair White added that Director Gibson would be providing the Board with quarterly reports on the funds not held by Sterling Capital and Burgess and also provide demographic reports.

Director Gibson reviewed the Pension Quarterly Report as of July 31, 2022. Director Gibson reported: 1) the Fire Fund had conferences/membership fees paid out; 2) funds were being transferred out of this account and into the Truist Investment Account; 3) no additional members had been added to the DROP, however, three members did drop out of the DROP. Director Gibson called for any questions. Chair White inquired if Finance was transferring funds every month now. Director Gibson stated yes. Discussion took place regarding there being 138 members currently in the DROP and not listing those names on this summary, however, that information being public record.

Chair White called for questions for Director Gibson. Hearing and seeing none. Chair White thanked Director Gibson.

NEW BUSINESS

Chair White called for new business, including a report on any training classes planned for this quarter, expenses approved in advance and classes taken last quarter for the record.

Chair White called for further comments. Hearing and seeing nothing further, the September 1st meeting was **adjourned by unanimous consent at 12:47 p.m.**

READ AND APPROVED this 15th day of December, 2022.



Holly, White, Chair



Pat Quezada, Secretary