

**MINUTES
REGULAR RETIREMENT COMMITTEE MEETING
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
MAY 20, 2021**

1. Call to Order

Chair Ellingsworth called the meeting to order at 1:05 p.m.

Due to the virtual nature of the Board meeting, Chair Ellingsworth read a prepared script. Script made part of these Minutes.

Roll Call

Committee Members present: Chair Howard Ellingsworth, Adam Frankel, John Lege, Thomas MacManus, and Joanna Oberhofer.

Also present via communication media technology: Board Attorney Janice Rustin (Lewis, Longman & Walker as designated by City Attorney), Scott Porter (Caler, Donten, Levine, Cohen, Porter & Veil, P.A.), Jeffrey Amrose (Gabriel, Roeder, Smith & Company), Brendon Vavrica (AndCo Consulting), Pension Administrator Lisa Castronovo, and Pension Specialist Elizabeth Brown.

Agenda Adoption

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to adopt the May 20, 2021 Agenda. In a roll call vote of the members, **Motion** passed 5-0.

2. Public Comments

There were no public comments.

3. New Retirement Committee Member Introduction

The Retirement Committee welcomed Mr. Lege.

4. Consent Agenda

- A. February 11, 2021 Regular Meeting Minutes
- B. Ratification of Plan Expenses and Termination Refunds
- C. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

MOTION made by Mr. MacManus, seconded by Mr. Frankel, to approve the Consent Agenda. In a roll call vote of the members, **Motion** passed 5-0.

5. Caler, Donten, Levine, Cohen, Porter & Veil – Scott Porter

Pertinent Report pages made part of these Minutes

Mr. Porter reviewed the pertinent section of the City's Comprehensive Annual Financial Report for the year ended September 30, 2020. During his review, Mr. Porter emphasized that the auditor's opinion was "unmodified," meaning it was the best opinion that could be given. Upon the completion of his overview of the report, Mr. Porter stated there were no material weaknesses or significant deficiencies.

MOTION made by Mr. MacManus, seconded by Mr. Lege, to accept the September 30, 2020 audit as presented. In a voice vote by the members present, **Motion** passed 5-0.

6. GABRIEL, ROEDER, SMITH & COMPANY – Jeffrey Amrose

- A. October 1, 2020 Actuarial Valuation Report
Report made part of these Minutes

Highlights of the October 1, 2020 Actuarial Valuation Report:

- The City's required contribution decreased from \$3,175,056 for the 2020-21 fiscal year to \$2,930,166 for the 2021-22 fiscal year, a \$244,890 decrease and a 2.30% decrease as a percent of payroll. The components accounting for the change in the required contribution were the expiration of an unfunded actuarial accrued liability base and an experience gain.
- If the City wished to pay the 2021-22 required contribution on October 1, 2021, the first day of the fiscal year as done in the past, the contribution would be \$2,882,706.
- There were no benefit or actuarial assumption revisions.
- The Fund experienced a net actuarial gain of \$1,354,000 for the year meaning actual experience was more favorable than anticipated. The actuarial gain was due primarily to the recognized return on the actuarial value of assets being greater than expected (7.8% actual vs. 6.75% expected). The gain caused the required contribution to decrease by approximately \$115,000.
- The funded ratio on October 1, 2020 was 96.2% compared to 94.8% on October 1, 2019.
- The market value of assets exceeded the actuarial value of assets by \$5.3M. The excess would gradually be recognized over subsequent years resulting in decreased required contributions.
- Due to the expiration of one amortization credit base as of September 30, 2020, the City's required contribution decreased \$135,000.
- The estimated required contribution for fiscal year 2022-23 is \$2,910,000 assuming a 3% increase in total covered payroll for FYE 2021 and no gains, losses, or assumption changes.

MOTION made by Mr. Lege, seconded by Mr. Frankel, to approve the October 1, 2020 Actuarial Valuation. In a roll call vote of the members, **Motion** passed 5-0.

MOTION made by Mr. MacManus, seconded by Mr. Lege, to approve an expected rate of return of 6.75% for the current year, the next couple of years, and long-term thereafter. In a roll call vote of the members, **Motion** passed 5-0.

7. AndCo Consulting – Brendon Vavrica

A. Portfolio Performance Review – Quarter End March 31, 2021
Report made part of these Minutes.

Mr. Vavrica reported the Retirement Plan's rate of return for the quarter ended March 31, 2021, was 6.0% compared to its benchmark of 5.2%. For the fiscal year through March 31, 2021, the Plan's rate of return was 19.55%. All asset classes performed well in the quarter. The Plan's market value increased from \$160.1M on December 31, 2020, to \$167.8M on March 31, 2021. Mr. Vavrica noted that the Plan was paying approximately \$418K in fees which was about 25 basis points and much lower than most other funds.

Mr. Lege asked Mr. Vavrica why the Plan had such small exposure in small cap equity. Mr. Vavrica replied that the Committee looked at small cap equity investments in 2020 but decided to not pursue them. Mr. Lege asked Mr. Vavrica if he looked at the correlation between fixed income and equity investments to which Mr. Vavrica responded such correlation was reviewed often. Mr. Lege noted the Plan was in the upper right quadrant of a risk/return table rather than in the upper left which was where it ultimately should be. Mr. Vavrica stated such positioning was due to the Plan's use of active managers who tend to be more volatile than passive managers causing the Plan to land in the upper right quadrant. Mr. Lege asked if the investment managers made presentations at the Committee's meetings to which Mr. Vavrica responded they typically did not, but they could if the Committee wanted them to make regular presentations.

B. Flash Report – April 2021

Mr. Vavrica reported the Plan's market value was \$173.9M on April 30, 2021, which was 3.96% greater than it was on March 31, 2021. Polen Capital and Boston/BNY Mellon were both performing well since funds were taken in late 2020 from RhumbLine Large Cap Growth Equity Index Fund and invested equally with them.

Mr. Vavrica noted the Plan was invested 66.4% in domestic equity and 5% in international equity making it overweight in equity and thus needing to be rebalanced. Mr. Vavrica stated the Vanguard Total Index Stock Fund, which was used to pay monthly benefit payments, had less than \$500K and thus needed about \$1.7M to get it back up to cover the next few months of benefit payments. Mr. MacManus said he would like to heavier investment in value equity funds right now rather than growth equity funds since value equity returns were starting to outpace growth equity returns. Mr. Vavrica agreed. Mr. Vavrica asked the Committee if they had any interest in moving funds from the overweight strategy (domestic equity) to fixed income or alternative investments. Mr. Vavrica said he was seeing other funds take the excess money from equity and park it in cash rather than fixed income especially in light of growing concerns about interest rates creeping up.

Discussion ensued on where to move the money from the overweight equity investments. Mr. MacManus said he would be okay with evenly splitting \$2M from the RhumbLine Large Cap Growth Equity Index Fund between the JPMorgan Income Builder Fund and Blackstone Multi-Asset Income Portfolio. Mr. Lege stated he wanted to take \$1.7M from RhumbLine Large Cap and put it in the Vanguard Total Stock Index Fund for a total distribution of \$3.7M out of RhumbLine Large Cap.

MOTION made by Mr. MacManus, seconded by Mr. Lege, to move \$1M from RhumbLine Large Cap Growth Equity Index Fund to JPMorgan Income Builder Fund, \$1M from RhumbLine Large Cap Growth Equity Index Fund to Blackrock Multi-Asset Income Portfolio, and \$1.7M from RhumbLine Large Cap Growth Equity Index Fund to the Vanguard Total Stock Index Fund. In a roll call vote of the members, **Motion** passed 5-0.

C. Review Near Term Cash Requirements and Possible Asset Rebalancing

Mr. Vavrica stated that with the transfer of money from RhumbLine Large Cap Growth Equity Index Fund to the Vanguard Total Stock Index Fund, there would be sufficient funds to cover the next three months of retirement benefit payments.

Mr. Vavrica concluded his presentation by stating through April 30, 2021, seven months into the 2020-21 fiscal year, the Plan was experiencing investment returns near 24%. Chair Ellingsworth said he would like to further discuss rebalancing the Retirement Plan and to look more closely at risk and return correlations at the next Committee meeting. Mr. MacManus said he would like to look at alternative investments again. Mr. Lege added he would like to the Committee to revisit small cap equity investments.

8. Legal Items

A. Overpayment of Survivor Benefits

Ms. Rustin reminded the Committee that at their February 2021 meeting they directed her to prepare and mail a repayment agreement to Ms. Linda Koeser, a member's surviving beneficiary, who remarried in late 2019 but failed to notify the pension office of such remarriage until January 2021 and thus owed the Retirement Plan 15 months of overpaid benefit payments. Ms. Rustin said the initial agreement provided to Ms. Koeser directed her to repay the Plan the overpaid benefits with interest through May 31, 2021. Ms. Koeser counteroffered to repay the overpaid benefits but with interest only through December 31, 2020, since she notified the pension office of the situation in January 2021 and was told by Ms. Castronovo to not make the repayment until the Committee met to make a decision on what to do in this case. Ms. Castronovo confirmed this was true.

MOTION made by Mr. MacManus, seconded by Ms. Oberhofer, to accept Ms. Koester's counteroffer to repay all overpaid benefit payments with interest through December 31, 2020. In a roll call vote of the members, **Motion** passed 5-0.

MOTION made by Ms. Oberhofer, seconded by Mr. MacManus, to have the Pension office mail and collect the benefit verification letters every year rather than every other year. In a roll call vote of the members, **Motion** passed 5-0.

Ms. Rustin reminded the Committee members to file their annual financial statement with the State on or before July 1, 2021.

9. PENSION ADMINISTRATOR REPORT

Ms. Castronovo provided a detail of the actual administrative and investment-related expenses for October 1, 2020 through May 6, 2021. Ms. Castronovo reported that of the 326 benefit verification letters mailed in early January, all but three had been returned; effective May 1, 2021, she suspended the benefits of the three retirees who had not returned their letters.

Ms. Castronovo asked Committee approval for Pension Specialist Elizabeth Brown to acquire a notary certification with the cost to be split and paid evenly by the City's three retirement plans.

MOTION made by Mr. MacManus, seconded by Ms. Oberhofer, to approve Ms. Brown to acquire a notary certification with the cost of such certification to be split and paid evenly by the City's three retirement plans. In a roll call vote of the members, **Motion** passed 5-0.

Ms. Castronovo told the Committee about FPPTA's upcoming annual conference in Orlando in late June 2021 and to let her know if anyone was interested in attending. She asked Committee approval for her to attend the conference (if the City would allow employees to attend overnight conferences) with the cost of such attendance to be paid evenly by the City's three retirement plans.

MOTION made by Mr. MacManus, seconded by Mr. Frankel, to allow Ms. Castronovo to attend FPPTA's annual conference with the cost of such attendance to be split and paid equally by the City's three retirement plans. In a roll call vote of the members, **Motion** passed 5-0.

10. OTHER BUSINESS

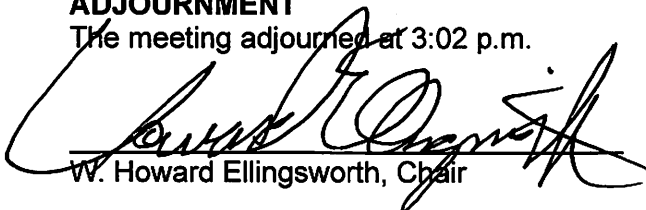
A. Summary Plan Description

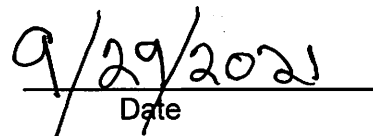
Ms. Castronovo reported she updated the summary plan description (SPD) and put it in the shortest format she could using a template provided by Ms. Rustin. Ms. Rustin stated she thoroughly reviewed the SPD drafted by Ms. Castronovo, and with a few changes, was fine with the final version.

MOTION made by Mr. MacManus, seconded by Mr. Frankel, to approve the Summary Plan Description as updated and to direct Ms. Castronovo to provide it to all interested parties. In a roll call vote of the members, **Motion** passed 5-0.

ADJOURNMENT

The meeting adjourned at 3:02 p.m.


W. Howard Ellingsworth, Chair


Date