

MINUTES
JANUARY 30, 2020 JOINT WORKSHOP
CITY OF DELRAY BEACH FIREFIGHTERS' RETIREMENT FUND
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM

A Joint Workshop of the Board of Trustees of the City of Delray Beach Firefighters' Retirement System, Retirement Committee of the City of Delray Beach General Employees' Retirement Plan and Board of Trustees of the City of Delray Beach Police Officers' Retirement System started at 9:02 a.m.

Board members of the City of Delray Beach Firefighters' Retirement System attending: Gregory Giaccone, Thomas Glanfield, Alan Kirschenbaum, Jack Warner.

Retirement Committee members of the City of Delray Beach General Employees' Retirement Plan attending: James Smith, Adam Frankel, Thomas MacManus, and new Committee member Marie Kalka as introduced and welcomed to the Committee by James Smith.

Board members of the City of Delray Beach Police Officers' Retirement System attending: Paul Weber, James Hoesley.

Also present: Investment Consultants Brendon Vavrica, Evan Scussel, Justin Ellsesser, Ben Baldrige (AndCo Consulting) and Pension Administrator Lisa Castronovo.

Guests: Janice Rustin, Kelly Brandon

WS.1. Investment Options/Asset Allocation

AndCo Consultants' Brendon Vavrica, Evan Scussel, Justin Ellsesser, and Ben Baldrige presented a Private Markets Overview.
Report made part of these Minutes.

a. Fundamentals of Private Equity and Private Debt

Mr. Scussel started the presentation by reviewing the individuals who made up AndCo Consulting's research team noting that they were not the largest nor smallest team of researchers but definitely a very cohesive group of researchers who worked closely together for the benefit of their clients. Mr. Scussel noted that private equity and private debt were good alternative investments to standard public market investments as there was low correlation between the classes thus allowing for greater diversity and the chance for increased investment returns.

Mr. Ellsesser presented the fundamentals of private equity. Private equity was defined as investments in private companies that were privately negotiated transactions that typically resulted in the private ownership of businesses. Private equity investing was generally defined as venture capital, growth equity, buyouts, and distressed/turnaround. Most investors invest in illiquid, long-term, closed-end partnerships formed by private equity firms. Investors in private equity were limited partners investing alongside a general partner which was the private equity manager.

Mr. Baldrige presented the fundamentals of private debt. Private debt was defined as strategies investing in directly negotiated debt instruments that do not have an established secondary market. Private debt can be in the form of loans, bonds, warrants and preferred equity. Private debt returns typically came from contractual terms such as interest and lending fees rather than capital appreciation. Private debt investing was very illiquid. Private debt categories: direct lending-senior, direct lending-mezzanine, and distressed debt.

b. General Implementation Considerations

Mr. Scussel reviewed general private equity and debt implementation considerations including: illiquidity, the long-term nature of both the contributions to and distributions from the investment, the fact that the investment is blind meaning there is no specific fund holding data available to analyze prior to committing to the fund making manager selection critical, investment fees, transparency, and administrative factors given the large number of capital calls.

Mr. Ellsesser reviewed implementation considerations specific to private equity including: proper manager selection is critical, cash flow pattern, knowledge of the J-curve effect, internal rate of return, the multiple ways an investor can gain access to private equity, typical fee ranges, leverage, access, and exit strategies. Mr. Ellsesser highlighted qualities to consider and evaluate when selecting a private equity manager: team stability, ability to add value, strong sourcing network, strong balance sheet, valuation policy, defined exit strategy, track record, and terms.

Mr. Baldrige reviewed implementation considerations specific to private debt including: proper manager selection is critical, higher expected returns associated with risk premium, and fund-level leverage. Mr. Baldrige continued by highlighting qualities to consider and evaluate when selecting a private debt manager: experience, track record, institutional investment process, differentiated sourcing, strong underwriting, credit workout capabilities, relative value, and illiquidity premium.

c. Integration Ideas

Mr. Scussel presented three private equity integration models each for Police and Fire with each model utilizing a different funding pace of reaching targeted five percent (5%) allocation in in three years, five years, or seven years. Mr. Scussel noted that the faster targeted allocations were achieved the more reduced the vintage-year diversification.

Mr. Baldrige presented three private debt integration models each for Police and Fire with each model utilizing a different funding pace of reaching targeted five percent (5%) allocation in in three years, five years, or seven years. Mr. Baldrige also noted that the faster targeted allocations were achieved the more reduced the vintage-year diversification.

d. Asset Allocation Presentation and Discussion

Mr. Vavrica presented nine asset allocation mixes and statistics specific to Police and Fire (General Employees delayed discussion on asset allocation to their upcoming February meeting). General discussion followed.

WS.2. Public Comments

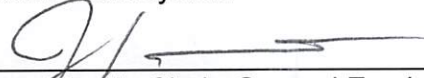
No comments were heard from the public.

There being no further business to discuss, the Joint Workshop ended at 11:58 a.m.



Gregory Giaccone, Chair, Firefighters'
Retirement System

2/20/2020
Date



James Smith, Chair, General Employees'
Retirement Plan

2/20/2020
Date



Paul Weber, Chair, Police Officers'
Retirement System

2/25/2020
Date