

MINUTES
REGULAR RETIREMENT COMMITTEE MEETING
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
FEBRUARY 20, 2020

1. Call to Order

Chair James Smith called the meeting to order at 1:00 p.m.

The Retirement Committee ("Committee") reviewed the Committee's recently adopted electronic device participation policy and discussed if they would accept Mr. Frankel's attendance at the Committee meeting via telephone.

MOTION made by Mr. MacManus, seconded by Ms. Kalka, to allow Mr. Frankel to attend the February 20, 2020 Committee meeting via telephone. In a voice vote by the members present, **Motion** passed 4-0.

Roll Call

Committee Members present: Chair James Smith, William Ellingsworth, Adam Frankel (via telephone; departed at 2:00 p.m.), Marie Kalka, and Thomas MacManus (departed at 3:18 p.m.).

Also present: Brendon Vavrica (AndCo Consulting), Janice Rustin (Lewis, Longman & Walker), City of Delray Beach ("DB") Assistant City Attorney Kelly Brandon, Jeff Amrose (Gabriel, Roeder, Smith & Company ("GRS")), and Pension Administrator Lisa Castronovo.

Agenda Adoption

MOTION made by Mr. MacManus, seconded by Mr. Ellingsworth, to adopt the February 20, 2020 Agenda. In a roll call vote, **Motion** passed 5-0.

2. PUBLIC COMMENTS

There were no public comments.

3. CONSENT AGENDA

- A. November 21, 2019 Regular Meeting Minutes
- B. January 30, 2020 Workshop Minutes
- C. Investment Policy
- D. NFP Retirement, Inc. Agreement
- E. Information on SECURE Act
- F. Fiduciary Liability Insurance
- G. Ratification of Plan Expenses and Termination Refunds
- H. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities
- I. Ratification of Bank Deposits

Agenda Item 3.C. Investment Policy was pulled and renumbered 3.1. Agenda Item 3.G. Ratification of Plan Expenses and Termination Refunds was pulled and renumbered 3.2.

MOTION made by Mr. Ellingsworth, seconded by Ms. Kalka, to approve the Consent Agenda as amended to remove Items 3.C. and 3.G. In a roll call vote, **Motion** passed 5-0.

3.1 Investment Policy

The Investment Policy was revised to permit out-of-state travel but limited to one U.S. continental trip per calendar year. There was a brief discussion regarding whether or not a dollar limit should be placed on the out-of-state travel. The Committee agreed that they would adopt the Investment Policy as presented but also wanted to adopt a travel policy.

MOTION made by Mr. Ellingsworth, seconded by Mr. MacManus, to adopt the Investment Policy. In a roll call vote, **Motion** passed 5-0.

MOTION made by Mr. Ellingsworth, seconded by Mr. Frankel, to have Ms. Castronovo present a travel policy to the Committee as its next regular meeting. In a roll call vote, **Motion** passed 5-0.

3.2 Ratification of Plan Expenses and Termination Refunds

Mr. MacManus questioned the calculation of the quarterly fee charged by Garcia Hamilton & Associates noting that it appeared to be calculated incorrectly.

MOTION made by Mr. MacManus, seconded by Mr. Ellingsworth, to have Ms. Castronovo confirm that the Garcia Hamilton & Associates charges are correct. In a roll call vote, **Motion** passed 5-0.

4. UPDATE ON PROPOSED STATE LAW – Adam Frankel

Mr. Frankel reported that during January's Palm Beach County Days in Tallahassee, he met with Florida State Representative Michael Caruso to discuss a proposed state law that would allow all municipal pension boards the option of buying and selling equities, fixed income, real estate and other alternative investments directly from in-house Florida Retirement System money managers. Mr. Caruso requested Mr. Frankel to put together a package for his review and consideration.

Chair Smith asked Mr. Frankel if he had the opportunity to meet with the Chairs of the Police Officers' and Firefighters' Boards of Trustees, Police Union Representative Vincent Gray, PBC League of Cities Executive Director Richard Radcliffe, and FPPTA's Dwight Mattingly & Peter Hapgood. Mr. Frankel said he was waiting for a bullet-point summary of the proposal. Ms. Kalka volunteered to work with Ms. Castronovo to draft a bullet-point package for delivery to Representative Caruso via his legislative aide, Beth Lerner.

Chair Smith thanked Mr. Frankel for his efforts, and in recognition of Mr. Frankel's busy schedule, offered to do the "grunt" work necessary to move the project forward. Mr. Frankel accepted Chair Smith's offer. Mr. Frankel said he would be happy to meet with anyone later in the process should such a meeting be needed.

5. PENSION ADMINISTRATOR REPORT – Lisa Castronovo

Ms. Castronovo provided information as shared by Salem Trust regarding their transition to TMI Trust Company. Ms. Castronovo also provided a monthly detail of actual administrative and investment-related expenses incurred in the current fiscal year through mid-February 2020.

Ms. Castronovo presented the idea of the Board acquiring a Board-specific credit card primarily for her use when registering the Committee members for conferences and making their travel arrangements (hotel reservations, flight reservations, etc.). Before proceeding, however, Ms. Castronovo said she wanted to discuss the idea further with the City's Assistant Finance Director and would provide a follow-up report at the Committee's next regular meeting.

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to approve the acquisition of a Committee-specific credit card subject to approval by the Finance Department. In a roll call vote, **Motion** passed 5-0.

Ms. Castronovo said the idea of "paperless" meetings had been raised once again and so she wanted to know the Committee members' opinions regarding the idea. Two members noted they already used electronic devices, either their own or City-issued ones, to view the Committee meeting backup material so while they supported paperless meetings, they would not need Plan-purchased devices. Discussion continued as to who would pay for the devices, specifically the Plan or the City.

MOTION made by Mr. Frankel, seconded by Mr. MacManus, that a Committee member can request the Plan purchase a laptop/tablet for them but only to be used exclusively for Committee business. In a roll call vote, **Motion** passed 5-0.

Chair Smith noted that prior pension administrators were notaries, but Ms. Castronovo was not.

MOTION made by Mr. MacManus, seconded by Mr. Ellingsworth, that Ms. Castronovo acquire her notary certification with all notary fees paid for by the City. In a roll call vote, **Motion** passed 5-0.

6. **GABRIEL, ROEDER, SMITH & COMPANY - Jeffrey Amrose**

A. Actuarial Funding Policy

Mr. Amrose presented an updated draft actuarial funding policy based on information provided to him by the Committee at their November Committee meeting.

MOTION made by Mr. MacManus, seconded by Mr. Ellingsworth, to adopt the Actuarial Funding Policy as presented. In a voice vote by the members present, **Motion** passed 4-0.

B. New Mortality Tables

Mr. Amrose reported that the Florida Retirement System (FRS) changed its mortality table effective July 1, 2019. As mandated by State law, all local law pension funds must adopt the mortality table used by FRS. Therefore, the City's three plans could adopt the new mortality tables effective October 1, 2019 or October 1, 2020. Mr. Amrose expected use of the new mortality tables would result in very small gains for each plan.

7. **ANDCO CONSULTING – Brendon Vavrica**

A. Portfolio Performance Review – Quarter End December 31, 2019

Report made part of these Minutes.

Mr. Vavrica presented the Investment Performance Review Report for quarter end December 31, 2019 noting that the quarter was unequivocally phenomenal. The excellent returns were due in part to decreasing fears about a United States trade war with China. Mr. Vavrica continued that for the first time in 2019, the yield curve did not have a dip but rather had a steady incline. The Retirement System's rate of return, net of fees, for quarter end December 31, 2019 was 6.64% and for the twelve months ended December 31, 2019 was 23.33%. Mr. Vavrica cautioned that the optimism experienced in the fourth quarter of 2019 could turn to pessimism due to fears over the coronavirus influenza sweeping through China and entering the United States.

Mr. MacManus asked Mr. Vavrica if Garcia Hamilton had changed its outlook regarding future market returns to which Mr. Vavrica responded they had not. Mr. MacManus and Chair Smith both said they were not happy with Garcia Hamilton's (GH) outlook. Mr. Vavrica was asked to contact GH letting them know their performance was not in compliance with General's investment policy and that the Board would be monitoring their performance for future compliance.

Mr. Vavrica shared a chart showing annual asset class performances over the past 15 years which demonstrated quite clearly the reason for diversification since not one single asset class has consistently ever performed at the top, middle or bottom. Mr. Vavrica also shared a graph showing how markets perform in election years and the years immediately after election years.

B. Flash Report – January 2020

Report made part of these Minutes.

Mr. Vavrica reviewed the returns for January 2020 noting that they were quite poor for the markets in general. The Plan's overall return for January was -0.63% compared to the benchmark of 0.51%. Mr. Vavrica explained that the poor performance for January was not cause for alarm since it was only one month.

C. Review Near Term Cash Requirements and Possible Asset Rebalancing

Mr. Vavrica said the Plan's cash needs for the next three months' worth of benefit payments, DROP deposits and invoices was approximately \$2M. However, since the necessary funds were already in the Vanguard Total Stock Market Index fund within the receipts and disbursements account, there was no need to transfer money into the account.

Chair Smith asked if an Accounts Payable Requirements Report could be generated by City staff. By generating an Accounts Payable Requirement Report, Chair Smith said the Committee would be able to minimize cash on hand. Ms. Kalka volunteered to take on the project.

D. Asset Allocation Discussion

Mr. Vavrica reported he discussed private equity and private debt investments with the Firefighters' Board with them being more interested in private debt investing rather than private equity investing. However, they did not want to move forward with any private debt investing until they knew how the General Employees' Committee or the Police Officers' Board wanted to proceed.

Mr. Vavrica provided a handout with various asset class mixes some of which included infrastructure investments. Mr. Vavrica explained that infrastructure investing was similar to real estate investing as they shared similar risk and return profiles and were less volatile than equity investments. Chair Smith said he liked the idea of infrastructure investing since it was a growth area of investing given the need for extensive infrastructure repair throughout the United States. Chair Smith asked Mr. Vavrica to prepare and provide a packet about infrastructure investments for the next meeting for the Committee's consideration and discussion at a future meeting.

8. OTHER BUSINESS

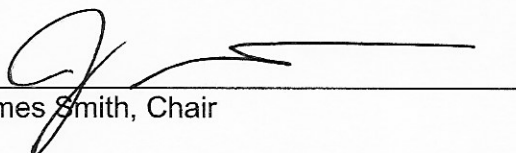
No other business was discussed.

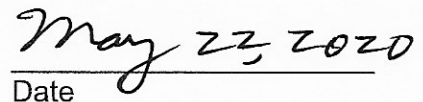
9. AGENDA ITEM SUGGESTIONS FOR MAY 21, 2020 COMMITTEE MEETING

Chair Smith noted the following items will be on the May 21, 2020 meeting agenda: October 1, 2019 actuarial valuation report, new federal and state legislation affecting public pension plans, attendance policy, enhanced multiplier ordinance, complete pension ordinance revision, administrative travel policy, credit card and policy and the Fiduciary First Quarterly Reports for the periods ending December 31, 2019 and March 31, 2020.

10. ADJOURNMENT

The meeting adjourned at 3:20 p.m.


James Smith, Chair


Date