

**MINUTES  
REGULAR RETIREMENT COMMITTEE MEETING  
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN  
MAY 21, 2020**

**1. Call to Order**

Chair James Smith called the meeting to order at 1:02 p.m.

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

**Roll Call**

Board Members present via communication media technology: Chair James Smith, William Ellingsworth, Adam Frankel, and Thomas MacManus. Board Member absent: Marie Kalka.

Also present via communication media technology: Board Attorney Janice Rustin (Lewis, Longman & Walker as designated by City Attorney), Investment Consultant Brendon Vavrica (AndCo Consulting), Jeffrey Amrose (Gabriel, Roeder, Smith & Company), and Pension Administrator Lisa Castronovo.

Guests present via communication media technology: Kelly Brandon, John Mainville

**Agenda Adoption**

**MOTION** made by Mr. Ellingsworth, seconded by Mr. Frankel, to adopt the May 21, 2020 Agenda. In a roll call vote of the members, **Motion** passed 4-0.

**2. PUBLIC COMMENTS**

There were no public comments.

**3. CONSENT AGENDA**

- A. February 20, 2020 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. Frankel, seconded by Mr. Ellingsworth, to approve the Consent Agenda. In a roll call vote of the members, **Motion** passed 4-0.

**4. GABRIEL, ROEDER, SMITH & COMPANY – Jeffrey Amrose**

- A. October 1, 2019 Actuarial Valuation Report  
Report made part of these Minutes

Highlights of the October 1, 2019 Actuarial Valuation Report:

- The City's required contribution increased from \$2,913,994 for the 2019-20 fiscal year to \$3,175,056 for the 2019-21 fiscal year, a \$256,834 increase and a 0.57% increase as a percent of payroll. The components accounting for the change in the required contribution were a \$130,000 increase in the normal cost, a \$410,000 increase in the existing amortization payments on the Unfunded Actuarial Accrued Liability, and a \$285,000 decrease in the amortization payments due to an assumption change.
- If the City wished to pay the required contribution on the first day of the fiscal year as done in the past, the contribution would be \$3,123,630.
- There were no benefit revisions.
- The mortality table was updated to reflect new mortality tables used by the Florida Retirement System.

- The Fund experienced a net actuarial loss of \$235,000 for the year meaning actual experience was less favorable than anticipated. Actual mortality experience was the source of the loss. The loss was partially offset by higher than expected investment gains (7.5% actual return compared to expected return of 6.75%).
- The funded ratio on October 1, 2019 was 94.8% compared to 93.1% on October 1, 2018.
- The market value of assets exceeded the actuarial value of assets by \$3.7M. 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, 2019, the City's required contribution increased \$380,000.
- The estimated required contribution for fiscal year 2021-22 is \$3,050,000 assuming no gains, losses, assumption changes and a 3% increase in total covered payroll for FYE 2020.

**MOTION** made by Mr. MacManus, seconded by Mr. Ellingsworth, to approve the October 1, 2019 Actuarial Valuation. In a roll call vote of the members, **Motion** passed 4-0.

**MOTION** made by Mr. Frankel, seconded by Mr. MacManus, 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 4-0.

B. Comparison of FRS vs. General Employees' Retirement Plan actuarial assumptions

Mr. Amrose shared a comparison of the Plan's assumptions versus FRS's assumptions. His presentation showed that while the Plan's assumed rate of return (6.75%) was in the range of reasonableness, FRS's 7.20% assumed rate of return might be considered out of the range of reasonableness. Further, while both group's membership contributes approximately the same amount to their respective plans (3.05% by the Plan's membership and 3.00% by FRS's membership) and the Plan's required contribution was more as a percent of payroll, the Plan's benefits were substantially better than those offered by FRS.

**5. ANDCO CONSULTING – Brendon Vavrica**

A. Portfolio Performance Review – Quarter End March 31, 2020

Report made part of these Minutes.

Mr. Vavrica presented the Investment Performance Review Report for quarter end March 31, 2020 noting that while the first four months of the fiscal year had been exceptional, all gains were erased by the market downturn in March 2020 due to market fears related to Covid-19, the shut-down of businesses, and stay-at-home orders. The Plan's rate of return, net of fees, for quarter end March 31, 2020 was -17.80% which put the Plan in the 99<sup>th</sup> percentile for quarter end March 31, 2020. Mr. Vavrica said the poor ranking was due primarily to the fact the Plan was invested more heavily in equities and traditional fixed income than other funds its size. Mr. Vavrica said the Plan's heavy equity holdings put it in position to experience better recovery than other plans when the market turns around, as it did after March 31, 2020, but its fixed income position did not help the Plan during the market down-turn in March 2020. Mr. Vavrica said most plans are diversifying their fixed income position by utilizing alternative investments in addition to traditional fixed income.

Mr. Vavrica noted that while fixed income investments market-wide remained fairly stable during the quarter, due to Garcia Hamilton's long-held stance that interest rates will increase rather than remain the same or decrease, their performance for the quarter was poor compared to their benchmark. Mr. Vavrica said he sent a letter to Garcia Hamilton in February to inform them that they were not in compliance with the Committee's investment policy and that the Board would be monitoring their performance for future compliance.

Mr. Vavrica concluded by saying the markets were very news-driven so they were experiencing gains when good news was released and experiencing losses when bad news came out. Therefore, the way the world advances in the next months to reopen, develop tests and vaccines, and resume normal activities will be a big determinate of how the markets will rebound over the coming months.

There was discussion about holding a special meeting or dedicating time at the next regular meeting to review asset allocation, the performance of the existing managers and to strategically plan for the future. All Committee members agreed that some time should be set aside to dedicate to investment review.

B. Flash Report – April 2020 and May 2020 Estimate  
Report made part of these Minutes.

Mr. Vavrica reviewed the April 2020 investment returns noting the Plan's total net return for April was 9.36% compared to the benchmark of 9.88% and while it did not make up for the severe losses experienced in March 2020, it helped bring the Plan's net return for the fiscal year to date to -4.21%. Mr. Vavrica noted that Garcia Hamilton's returns improved significantly in April 2020 but was still behind their benchmark. Mr. Vavrica concluded by stating that through May 20, 2020, returns continued to be positive and the Plan's total estimated net return for the fiscal year to date was approximately -2.5%.

C. Review Near Term Cash Requirements and Possible Asset Rebalancing

Mr. Vavrica said Garcia Hamilton was overweight by \$2.5M while the Plan's cash needs for the next three months' worth of benefit payments, DROP deposits and invoices was approximately \$2.5M. Therefore, Mr. Vavrica recommended taking the needed cash from Garcia Hamilton.

**MOTION** made by Mr. MacManus, seconded by Mr. Frankel, to transfer \$2,500,000 from Garcia Hamilton to the Vanguard Total Stock Market Index fund in order to maintain the required cash position to meet upcoming monthly expense and benefit payment requirements. In a roll call vote of the members, **Motion** passed 4-0.

D. Primer on Infrastructure Investments

Mr. Vavrica provided a handout on infrastructure investments that was not presented or discussed.

E. Term Asset-backed Securities Loan Facility (TALF)

Mr. Vavrica shared information regarding Term Asset-Backed Securities Loan Facility (TALF). TALF was originally launched during the financial crisis in 2008 and is considered to have been one of the tools that had a significant impact of improving market conditions during the economic downturn in 2008 and 2009. TALF has been re-launched and is currently expected to begin lending operations in June 2020 and will remain open through September 30th, 2020. Return yields are expected in the mid to upper single digits.

Based on TALF's illiquidity, duration and timing risks, the Committee collectively agreed they were not interested in TALF investments but were interested in pursuing investments in other asset classes. Mr. Vavrica agreed to bring to the next meeting information on different asset allocations.

**6. PENSION ADMINISTRATOR REPORT – Lisa Castronovo**

Ms. Castronovo briefly reviewed her Report. Ms. Castronovo noted specifically that a motion was needed regarding Plan member Michael Vinci who owed the Plan employee contributions for the period of time he did not make such contributions. Ms. Castronovo recommended that Mr. Vinci be allowed to pay the Plan back by deferring upcoming DROP payments into the Plan rather than into his DROP account. The Committee discussed whether interest should be applied to the monies due the Plan from Mr. Vinci and whether a letter of agreement should be signed by Mr. Vinci and a Plan representative.

**MOTION** made by Mr. Ellingsworth, seconded by Mr. Frankel, to allow Mr. Vinci to defer as much as needed from his first DROP deposits into the Retirement Plan in order to pay the Plan what he owes for missed employee contributions. Further, no interest will be applied to the monies Mr. Vinci owes the Plan, but he must sign a letter of agreement regarding his repayment of the monies owed. In a roll call vote of the members, **Motion** passed 4-0.

Ms. Castronovo said that most of the other items in her Report were status updates to matters discussed at the Committee's February meeting. In brief, due to the shut-down of the City shortly after the February meeting and her status of working from home, she had not been able to follow-up on several items. Ms. Castronovo agreed to provide updates at the Committee's next regular meeting.

**7. OTHER BUSINESS**

A. September 30, 2019 Audit Report

There were no questions about the provided audit information nor did any Committee member feel they needed a presentation from Scott Porter from Caler, Donten, Levine, Cohen, Porter & Veil.

**8. ADJOURNMENT**

The meeting adjourned at 3:37 p.m.

  
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W. Howard Ellingsworth, Chair

  
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Date