

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

**1. Call to Order**

Chair James Smith called the meeting to order at 1:17 p.m.

Due to the virtual nature of the Board meeting, Chair Smith read a prepared script.

**Roll Call**

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

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

**Agenda Adoption**

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

**2. PUBLIC COMMENTS**

There were no public comments.

**3. CONSENT AGENDA**

- A. May 19, 2020 Special Meeting Minutes
- B. May 21, 2020 Regular Meeting Minutes
- C. Ratification of Plan Expenses and Termination Refunds
- D. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

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

**4. ANDCO CONSULTING – Brendon Vavrica**

- A. Portfolio Performance Review – Quarter End June 30, 2020  
Report made part of these Minutes.

Mr. Vavrica presented the Investment Performance Review Report for quarter end June 30, 2020 noting that after such a disastrous March 31, 2020 quarter and partly as a result of the Fed's very aggressive moves in March and April (lowering interest rates and buying bonds), the markets had rebounded remarkably well. Mr. Vavrica noted that the markets were being challenged by politics, acts of nature, and social unrest among other things, but were "weathering the storm" and continued to produce positive returns. Mr. Vavrica stated that domestic growth equity was the major driver of positive returns for the quarter and was also the main reason the fund was overweight in equities at quarter end. Mr. Vavrica concluded by noting that because fixed income manager Garcia Hamilton was heavily invested in corporate bonds as opposed to government bonds, they performed exceptionally well in the quarter.

Chair Smith noted that there was over \$600K in the cash sweep account within Salem Trust's receipts and disbursements account that should be moved into something that provided returns on the money.

**B. Flash Report – July 2020 and August 2020 Estimate**

Report made part of these Minutes.

Mr. Vavrica reviewed the July 2020 investment returns noting the Plan's total net return for July was 4.6% and 6.86% for the fiscal year, which put it on pace to return approximately 7.0% by September 30, 2020.

Chair Smith stated he was concerned about Harding Loevner's emerging markets returns and wanted to get rid of the asset. Mr. Vavrica suggested liquidating the Harding Loevner fund completely and transferring its assets to a Vanguard emerging markets fund. If such a transfer were made, the Plan would save money as Vanguard's emerging markets fund charged fewer basis points than the Harding Loevner fund.

**MOTION** made by Mr. MacManus, seconded by Mr. Frankel, to liquidate the Harding Loevner Emerging Markets fund and transfer all of the assets to Salem Trust with the direction to Salem Trust to purchase Vanguard's emerging markets fund (VEMIX). 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 as of August 20, 2020, there was about \$1.6M in cash to cover monthly benefits and expenses with an additional \$3.1M expected to come in from the City on or around October 1, 2020. Mr. Vavrica recommended that the City's \$3.1M contribution be invested in Vanguard's Total Stock Index fund.

**MOTION** made by Ms. Kalka, seconded by Mr. MacManus, to invest the entire City contribution that will be received on or around October 1, 2020 into the Vanguard Total Stock Index fund. In a roll call vote of the members, **Motion** passed 5-0.

**MOTION** made by Mr. MacManus, seconded by Mr. Ellingsworth, to change the standing directive with Salem Trust to decrease the amount held in the sweep account from \$700K to \$150K. In a roll call vote of the members, **Motion** passed 5-0.

**D. Investment Recommendations**

Mr. Vavrica asked the Board if they would like to rebalance the fund from growth equity to value equity since they fund was top-heavy in growth equity.

**MOTION** made by Mr. MacManus, seconded by Mr. Ellingsworth, to transfer \$2M from Rhumblin's large cap growth fund to Rhumblin's large cap value fund and to revisit the equity allocation at the November 2020 Committee meeting. In a roll call vote of the members, **Motion** passed 5-0.

**5. LONG-TERM ASSET ALLOCATION DISCUSSION**

Chair Smith started the discussion by reading a statement questioning whether the fund should stay with an asset allocation of 60% equity/40% fixed income or if it should be diversified. Mr. MacManus stated that the Committee should consider moving to alternative investments but keeping in mind that such investments were for the most part illiquid. Mr. Vavrica reminded the Committee that the fund is almost 100% funded and thus did not need to move to alternatives as a way of increasing returns (which was the main reason funds invest in alternatives). Mr. Ellingsworth questioned why the Committee would consider alternatives when the fund was doing well in equities and fixed income. Mr. MacManus countered with why would the fund stay in fixed income when its returns were not expected to be much more than 0% for the next few years. Chair Smith suggested increasing investments in small cap equity.

Chair Smith asked if the Committee should send a letter to BNYMellon asking them what their policies were regarding minority hiring and promotions. Mr. Vavrica suggested sending a like letter to Garcia Hamilton and BlackRock as well and then report their responses at the November meeting.

Mr. Vavrica briefly reviewed his Asset Allocation Analysis report (report made part of these Minutes). Mr. Vavrica specifically reviewed possible asset mixes and what the Committee could expect in returns, standard deviations and Sharpe Ratios from the various mixes. The Committee collectively agreed to take up discussion of the various asset mix possibilities at its November meeting.

## 6. ELECTION OF OFFICERS

Chair Smith announced that he was resigning from the Committee effective August 21, 2020 and resigning as Committee Chair effective immediately. The gavel was handed to Mr. Ellingworth.

**MOTION** made by Mr. Smith, seconded by Mr. MacManus, to appoint Mr. Ellingsworth as Committee Chair effective immediately. In a roll call vote of the members, **Motion** passed 5-0.

**MOTION** made by Mr. Smith, seconded by Mr. Frankel, to appoint Mr. MacManus as Committee Vice-Chair effective immediately. In a roll call vote of the members, **Motion** passed 5-0.

## 7. PENSION ADMINISTRATION SOFTWARE

Ms. Castronovo directed the Trustees to her August 10, 2020 memorandum and then summarized it (copy of memorandum made part of these Minutes). After introduction, Jeff Amrose addressed the Board and provided a brief background of the new pension administration software system. Ms. Castronovo asked the Committee to accept GRS's proposal to implement the new software service at an agreed-upon initial set-up fee of \$25,000 to be paid by the City and then to enter an agreement with GRS for ongoing services after the system was implemented for an annual fee of \$9,000 for basic plus enhance services. Ms. Rustin stated for the Committee to move forward to acquire the new pension administration software, a contract needed to be to be negotiated between the Committee and GRS, a Committee member needed to be designated to represent the Committee in any contract negotiations, and the Committee needed to decide on the level of software services to be provided by GRS.

**MOTION** made by Ms. Kalka, seconded by Mr. MacManus, to negotiate with Ms. Rustin's assistance a contract with GRS to provide new pension administration software and ongoing annual services. In a voice vote by the members, **Motion** passed 5-0.

**MOTION** made by Mr. Frankel, seconded by Mr. MacManus, to designate Ms. Kalka as the Committee's representative for all contract-related matters. In a voice vote by the members, **Motion** passed 5-0.

**MOTION** made by Mr. MacManus, seconded by Ms. Kalka, to approve the "enhanced option" for annual services (and fees) once the new software is implemented. In a voice vote by the members, **Motion** passed 5-0.

## 8. PENSION ADMINISTRATOR REPORT – Lisa Castronovo

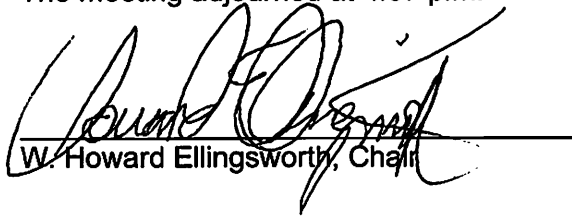
Ms. Castronovo briefly reviewed her Report noting that most of the items were status updates to matters discussed at the Committee's May meeting. In brief, due to continued working-from-home status, she still needed to follow up on the items in her report. Ms. Castronovo agreed to provide updates at the Committee's November meeting.

**9. OTHER BUSINESS**

Chair Smith stated again his decision to resign from the Committee and proceeded to thank each Committee and staff member for their service and dedication to the Retirement Plan and its members.

**10. ADJOURNMENT**

The meeting adjourned at 4:07 p.m.

  
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W. Howard Ellingsworth, Chair

11/19/20  
\_\_\_\_\_  
Date