

**MINUTES  
REGULAR RETIREMENT COMMITTEE MEETING  
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN  
JUNE 20, 2019**

**CALL TO ORDER**

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

**1. ROLL CALL**

Retirement Committee Members present: Chair James Smith, William Ellingsworth, Adam Frankel (via telephone starting at 1:28 PM and departing at 2:25 PM), Thomas MacManus, and Laura Thezine. Also present: Investment Consultant Brendon Vavrica (AndCo Consulting), Attorney Janice Rustin (Lewis, Longman & Walker), Scott Porter (Caler, Donten, Levine, Cohen, Porter & Veil, P.A.), City of Delray Beach ("DB") Attorney Lynn Gelin, DB Finance Intern Joselyn Chamorro, DB Lt. Paul Weber, and DB Pension Administrator Lisa Castronovo.

**2. NEW COMMITTEE MEMBER WELCOME**

Chair Smith welcomed Laura Thezine back to the Retirement Committee ("Committee").

**3. JUNE 20, 2019 AGENDA ADOPTION**

The issue of attending Committee meetings electronically was discussed to determine if there was Committee consensus to allow Mr. Frankel to attend the current meeting electronically since he was out-of-town and unable to attend in person. Ms. Rustin shared information regarding electronic attendance noting that under the Sunshine Law, the use of electronic media does not satisfy quorum requirements necessary for official action to be taken by local law boards. She added that if a quorum was physically present at a public meeting site then the participation of an absent member by telephone conference or other interactive electronic technology was permissible when such absence was due to extraordinary circumstances.

Lengthy discussion ensued with each Committee member present voicing their opinion. Chair Smith stated that the Retirement Committee had no written policy for allowing a member to attend a meeting telephonically and had even denied a current member's previous request for such attendance. Further, Chair Smith stated he would support telephonic attendance only under "extraordinary circumstances" as per Ms. Rustin's email which referenced the opinion of Florida's Attorney General. Ms. Thezine stated she supported participation across all electronic devices, not just telephonically. Mr. Ellingsworth stated he was in favor of electronic participation but only under certain circumstances. Mr. MacManus said he was receptive to electronic participation as it allowed for more flexibility.

**MOTION** made by Mr. Ellingsworth, seconded by Ms. Thezine, to allow Mr. Frankel to participate in the current meeting via telephone and to be able to vote if needed. In a voice vote by the members present, **Motion** passed 4-0.

**MOTION** made by Mr. MacManus, seconded by Mr. Ellingsworth, to move the May 20, 2019 Agenda Item 10 to immediately follow Item 3 and to approve such amended May 20, 2019 Agenda. In a voice vote by the members present, **Motion** passed 4-0.

Mr. Frankel joined the meeting via telephone.

**10. REVIEW PLAN'S PERFORMANCE**

**A. March 31, 2019 Quarterly Report**  
Report made part of these Minutes.

Mr. Vavrica presented the Investment Performance Review Report for the quarter ended March 31, 2019 noting the bounce back of all asset class returns in the first calendar quarter. The Fund's return was 10.5% for the quarter and -1.45% for fiscal year-to-date.

Mr. Vavrica noted that growth equities continued to outperform value equities. Mr. Vavrica further noted that the yield curve had flattened and even inverted for a few days which reflected the overall bond market's prediction that interest rates were likely to start falling in the coming months. Such prediction was in contrast to the robust fundamentals so the markets were sending mixed signals: either the market was going to slow meaning the yield curve was correct or the market would continue positively meaning the yield curve was wrong.

Chair Smith wondered if the Plan should stay the course in its equity investment or become more defensive. Mr. Vavrica responded with his opinion that the Plan should remain neutral and not move into or out of equities at this point in time. Mr. MacManus noted that Garcia Hamilton had been underperforming its benchmark over the last few months. Mr. Vavrica explained Garcia Hamilton was underperforming due to decreasing interest rates over the last six months to which Chair Smith asked if the Committee should consider decreasing its holdings with Garcia Hamilton. Mr. Vavrica responded that AndCo really liked Garcia Hamilton who showed very good returns over the long-term and thus a slight underperformance in any six month timespan did not give him pause for concern. Mr. Vavrica continued by stating that Garcia Hamilton was a contrarian investor meaning that they tended to do well when others did poorly and vice versa.

**B. May 31, 2019 Flash Report**

Report made part of these Minutes.

Mr. Vavrica reported that the May 2019 was terrible with a -4.75% reported for the Plan for the month. Mr. Vavrica noted the only positive returns in May were experienced by the fixed income and real return investors: Garcia Hamilton, JPMorgan Income Builder Fund and Blackrock Multi-Asset Income fund.

**F. Review Vanguard Fund Balance and Reallocation (if necessary)**

This Item was taken out of order.

Chair Smith asked if the Committee should consider decreasing the amount of cash held in the Plan's receipts and disbursements account. Mr. Vavrica stated it would be a good idea to move about \$2.5M from the Plan's Rhumbline Growth Fund into the Vanguard Index Fund.

**MOTION** made by Mr. MacManus, seconded by Mr. Ellingsworth, to move \$2.5M from the Rhumbline Growth Fund to the Vanguard Index Fund. In a voice vote by the members present, **Motion** passed 5-0.

**C. Asset Allocation Review**

Report made part of these Minutes.

Mr. Vavrica reviewed his Asset Allocation Analysis noting the various alternative asset allocations the Plan could make. Upon further review, it was noted that while there were alternative allocations, none provided significantly better returns for the same risk so such allocations were not necessarily a good call at this time. The Committee collectively agreed to stay the course and make no changes to the current allocation.

**D. SMID Cap Core Review**

Report made part of these Minutes.

No discussion.

**E. Harding Loevner Z Class Shares Review**

**MOTION** made by Ms. Thezine, seconded by Mr. Ellingsworth, to approve the process of transferring Harding Loevner's HLMIX class shares to Salem Trust and then exchange those shares to Harding Loevner's Z share class. In a voice vote by the members present, **Motion** passed 5-0.

**F. State of Massachusetts Alternative Investment Pool**

Mr. Vavrica stated he had spoken briefly to a State of Massachusetts' representative about the State's alternative investment pool but to date had not gotten any specifics. Chair Smith asked Mr. Vavrica to continue to reach out as he was quite interested in establishing a similar style investment pool in Florida for Florida's local law plans to invest.

Mr. Frankel left the meeting. A break was taken from 2:29 PM to 2:32 PM.

**4. APPROVAL OF FEBRUARY 21, 2019 MINUTES**

**MOTION** made by Mr. MacManus, seconded by Mr. Ellingsworth, to approve the February 21, 2019 Regular Retirement Committee Minutes. In a voice vote by the members present, **Motion** passed 4-0.

**5. PUBLIC COMMENTS**

There were no public comments.

**6. CONSENT AGENDA**

- A. Ratification of Plan Expenses and Distributions (Termination Refunds)
- B. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities
- C. Ratification of Bank Deposits

**MOTION** made by Mr. Ellingsworth, seconded by Mr. MacManus, to approve Consent Agenda Items 6.a.-c. In a voice vote by the members present, **Motion** passed 4-0.

**7. Caler, Donten, Levine, Cohen, Porter & Veil – Scott Porter**

Mr. Porter reviewed the section of the City's Comprehensive Annual Financial Report for the year ended September 30, 2018. During his review, Mr. Porter emphasized that the auditor's opinion was "unmodified," meaning it was the best opinion to be given. Upon the completion of his overview of the report, Mr. Porter stated there were no material weaknesses or significant deficiencies unlike the prior year.

Chair Smith thanked Ms. Thezine and the Finance Department staff for all of their hard work to complete the audit timely and with high marks.

**MOTION** made by Mr. Ellingsworth, seconded by Ms. Thezine, to accept the September 30, 2018 audit as presented. In a voice vote by the members present, **Motion** passed 4-0.

**8. Pension Administrator's Report on Last Meeting's Open Items and Update on Continuing Projects**

- A. Follow-up on GRS Invoice Item in the amount of \$501

Ms. Castronovo reported that GRS credited the \$501 back to the Plan since the charge was for services done per the City's request.

- B. Explanation, discussion & action on FiduciaryFirst invoice for \$8,702.19

It was noted that the Committee does not have a stand-alone contract with Fiduciary First or ICMA-RC but that it has a fiduciary responsibility to oversee investments held at ICMA-RC for members participating in the DROP. Lengthy conversation ensued regarding how much authority the Committee has versus how much authority rests with the City. Mr. Vavrica and Ms. Rustin both stated the City delegated its administrative duties and hiring of service providers to the Committee. Discussion continued regarding whether or not an RFP for an investment advisor for the 401(a) Money Purchase Plans (DROP plans) as well as the City's 457 Deferred Compensation Plan should be issued.

**MOTION** made by Mr. MacManus, seconded by Mr. Ellingsworth, to recommend to the City that the City issue an RFP for an investment advisor for the General Employees' DROP (401(a) Money Purchase Plan) in conjunction with the Police and Firefighters' respective DROP plans and the City's 457 Deferred Compensation Plan and 401(a) Money Purchase Plan. In a voice vote by the members present, **Motion** passed 4-0.

**MOTION** made by Mr. MacManus, seconded by Mr. Ellingsworth, to direct the Plan to pay the City \$98.17 for Fiduciary First that was paid inadvertently by the City. In a voice vote by the members present, **Motion** passed 4-0.

- C. Administrative and Investment Expenditure Detail

Ms. Castronovo presented an updated Administrative and Investment Expenditure Detail. Chair Smith requested Ms. Castronovo to provide a more detailed worksheet that showed budgeted vs. actual expenditures by month.

- D. Update City's website related to the General Employees' Retirement Plan  
Ms. Castronovo stated that Lauren Czencz, Executive Assistant to the Finance Director, had worked on updating the City's website where it applied to the three Retirement Plans as time allowed. Chair Smith asked Ms. Castronovo to make sure all references to Ms. Graham were updated to reference herself.
- E. Fiduciary Liability Insurance update  
Ms. Castronovo stated that Nancy Graham had obtained \$5M fiduciary liability insurance coverage effective March 1, 2019 for a premium of just over \$15,000.
- F. Pursue goal of a "paperless" meeting  
Ms. Castronovo reported that the idea of paperless Board meetings had been discussed with both the Police Officers' and Firefighters' Boards of Trustees and both agreed they did not wish to go paperless as they liked receiving and reviewing hard copies of meeting materials. Chair Smith said former Assistant City Manager Susan Grant had offered to take on the project of paperless meetings but since she was no longer on the Committee, there was no one to continue pursuing it so he recommended that the Committee not further pursue paperless Committee meetings unless and until the idea of paperless meetings was initiated by the City for all of its Boards/Committees. Chair Smith noted the Committee had successfully converted to paperless Agendas and backup thus eliminating a lot of copying, the saving postal costs and the delivery of the Agenda materials on the Friday preceding the meetings rather than arriving sometimes just days before a meeting.
- G. Status of Delray General Pension Ordinance change  
Chair Smith stated he had spoken to and worked with various City officials and Ms. Rustin to address areas of the City's Code of Ordinances applicable to the Plan that needed to be updated, specifically application of the enhanced multiplier and changing the name of the Retirement Committee to Board of Trustees. It was noted that while the Committee can offer its input regarding future Ordinance changes, the ultimate decision to amend rests with the City.
- H. Other Cities' Actuarial Valuation Reports and Assumed Rate of Return Intent  
Ms. Castronovo stated that Chair Smith had asked Ms. Graham to reach out to other local cities to obtain copies of their most current actuarial valuation report and to also find out if the cities contacted had intentions to increase/decrease the actuarial assumed rate of return. Ms. Castronovo concluded by noting that as of her departure, Ms. Graham had not reached out.
- I. LeRoy Collins Institute Report  
Ms. Castronovo provided each Committee member with a copy of the LeRoy Collins Institute Report. In brief, the LeRoy Collins Institute periodically reviews and grades municipal plans using a five-measure approach: 1) funded ratio, 2) UAAL relative to active payroll, 3) annual contribution relative to active payroll, 4) assumed return on asset investments, and 5) employee contribution levels. After evaluating how each plan "measures up," the Institute then applies a grade from A to F to each plan. In May 2019, the Institute gave an "A" to the Plan as it has done for the prior 6 grading periods. This grade puts the Plan in the Institute's list of "Top Performing Plans."
- J. Disability Retiree Follow-up  
Ms. Castronovo stated that recently it was suggested that all three Retirement Plans do a follow-up with its respective disability retirees to determine if they continued to be disabled. Regarding the GE Plan specifically, the Ordinance provided that if the Committee finds that a participant receiving disability retirement income was no longer disabled, the Committee shall direct that the retirement income be discontinued, but it did not provide direction on how the Committee was to determine if a disability participant was no longer disabled. As of June 1, 2019, there were two disability retirees receiving disability retirement income from the Retirement Plan.

Ms. Rustin said she was researching the issue for the Police and Firefighter Boards and would look into it further for the Committee also.

**9. New Pension Administrator Hiring**

**MOTION** made by Mr. Ellingsworth, seconded by Mr. MacManus, to have the three Retirement Plan Chairpersons involved in the interview process of the new Pension Administrator. In a voice vote by the members present, **Motion** passed 3-1.

**11. Other Business**

Chair Smith explained that it was necessary to move the previously scheduled May 16, 2019 Committee meeting for a variety of reasons. First, he did not feel there was sufficient time for all Members to review all of the actuarial material from when it would be ready to the date of the meeting. Second, it was necessary to break the meeting in two since there was a lot of material to cover and because the presenters could not all be present on the same day. Specifically, Mr. Vavrica nor anyone else from AndCo could attend a meeting during the week of June 24 and since there was a statutory requirement that the Committee meet at least once each calendar quarter, it was necessary to schedule the Investment portion of the meeting on June 20<sup>th</sup>.

The Committee discussed the ramifications of Mr. MacManus's recent move out of Delray Beach. The Committee collectively agreed they wanted Mr. MacManus to continue to serve as a Committee member and thus would work with the City to formulate a way for him to continue to serve.

Ms. Castronovo reported she would not be able to attend the June 24, 2019 or August 15, 2019 Committee meetings.

Chair Smith stated he was very interested in the Committee reviewing and adopting a funding policy which would establish a "road map" for future Committees to follow. Chair Smith said he hoped to have ready a draft funding policy for review at the August Committee meeting.

The Committee discussed the importance of members of each Plan's Board/Committee attending the other groups' meetings. Mr. MacManus stated he would attend the Police and Firefighter meetings as long as his schedule allowed.

**12. ADJOURNMENT**

The meeting adjourned at 4:15 p.m.

  
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James Smith, Chair

8/16/2019  
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Date