

**MINUTES
REGULAR RETIREMENT COMMITTEE MEETING
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
JUNE 24, 2019**

CALL TO ORDER

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

1. ROLL CALL

Retirement Committee Members present: James Smith, William Ellingsworth, Adam Frankel, Thomas MacManus, and Laura Thezine. Also present: Actuary Jeffrey Amrose (Gabriel, Roeder, Smith & Company), Attorney Janice Rustin (Lewis, Longman & Walker), and City of Delray Beach Accounting Manager John Mainville.

Chair Smith requested Mr. Mainville to inform the Pension Administrator, Lisa Castronovo, that she would need to post a Notice of Meeting for the General Employees' Retirement Committee for the September 12, 2019 Police and Fire Board meetings since some Committee members might attend those meetings. Chair Smith also introduced and welcomed Police Chair Paul Weber.

2. APPROVAL OF JUNE 24, 2019 AGENDA

The Agenda was amended to defer Items 4.C. and 4.D. to the August 15, 2019 Retirement Committee ("Committee") meeting, add new Item 5 – "Discussion of Proposed State Law," and renumber Items 5 – 8 to 6 – 9.

MOTION made by Mr. MacManus, seconded by Mr. Ellingsworth, to adopt the revised June 24, 2019 Agenda. In a voice vote by the members present, **Motion** passed 5-0.

3. PUBLIC COMMENTS

There were no public comments.

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, 2018 Actuarial Valuation Report:

- The City's required contribution decreased from \$2,402,252 for the 2018-19 fiscal year to \$2,347,616 for the 2019-2020 fiscal year, a \$54,636 decrease and a 1.55% decrease as a percent of payroll. The components accounting for the change in the required contribution were a \$194,000 increase in the normal cost offset by a \$248,000 decrease in the amortization payment on the Unfunded Actuarial Accrued Liability.
- 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 \$2,306,894.
- There were no benefit revisions.
- The assumed rate of return was 7.25%.
- The Fund experienced a net actuarial gain of \$1,080,810 for the year meaning actual experience was more favorable than anticipated. The gain was due primarily to higher than expected investment returns. The gain was partially offset by mortality losses for retirees and more than expected new members entering the Plan with more than one year of service. The actuarial gain decreased the required contribution by \$248,000.
- The funded ratio on October 1, 2018 was 98.3% compared to 97.3% on October 1, 2017.

- The market value of assets exceeded the actuarial value of assets by \$9.3M. The excess would gradually be recognized over subsequent years resulting in a decrease in the required contribution.
- Due to the expiration of one amortization credit base as of September 30, 2019, the City's required contribution will increase \$390,000 absent any other changes. Further, due to the expiration of one amortization charge base as of September 30, 2020, the City's required contribution will decrease \$135,000 absent any other changes.
- Based on the October 1, 2018 Actuarial Valuation, the estimated City contribution for fiscal year end 2021 is \$2.64M assuming a 3% increase in total covered payroll and no gains, losses, or assumption changes.

**B. Experience Study (Experience Investigation for the 8 Years Ended September 30, 2018)
Report made part of these Minutes**

The Experience Investigation covered the 8-year period of October 1, 2010 to September 30, 2018 which provided sufficient data to form a basis for recommending updates in demographic and financial assumptions used in the annual actuarial valuations.

Recommended changes included updating:

- future salary increase assumption to reflect lower than expected real salary increases;
- assumed future retirement rates to reflect generally higher observed retirement experience than expected;
- assumed rates of future separation from employment to reflect generally higher than expected separation;
- assumed rates of future disability to reflect lower observed disability experience than expected; and
- net investment return assumption.

Effect on FYE 2020 City Contribution of each recommended change:

- lowered salary increase assumption: \$(235,000);
- adjusted retirement rates: \$84,000;
- adjusted termination rates: \$(149,000);
- adjusted disability assumption: \$13,000; and
- lowered net investment return assumption to 7.00%: \$452,000
- lowered net investment return assumption to 6.75%: \$914,000
- all assumption changes and 7.00% net investment rate of return: \$120,000
- all assumption changes and 6.75% net investment rate of return: \$566,000

Mr. Amrose stated that by updating the assumptions, future City contributions would be more level since actual experience would be more closely aligned with what was expected to happen. Lengthy discussion ensued.

Chair Smith handed the gavel to Vice-Chair Ellingsworth.

MOTION made by Mr. Smith, seconded by Mr. MacManus, to adopt the five proposed assumption changes with the assumed rate of return being reduced from 7.25% to 6.875%.

Vice-Chair Ellingsworth asked Mr. Smith if he would make a friendly amendment to the Motion by reducing the assumed rate of return to 6.75%. Mr. Smith agreed.

In a voice vote by the members present, **Motion** to adopt the five proposed assumption changes with the assumed rate of return being reduced from 7.25% to 6.75% for the current year, for each of the next several years and for the long term thereafter, passed 4-1.

MOTION made by Mr. Ellingsworth, seconded by Mr. MacManus, to approve the October 1, 2018 Actuarial Valuation subject to the adopted assumption changes voted on at this meeting. In a voice vote by the members present, **Motion** passed 5-0.

The gavel was returned to Chair Smith.

5. Discussion of Proposed State Law

The Committee discussed a proposed state law that would allow municipal pension boards the option of entering an agreement to purchase and sell at a nominal cost equities, fixed income and real estate directly from in-house Florida Retirement System (FRS) money managers.

Mr. Frankel, who had previously volunteered to lead the effort to work the Police and Fire Chairs, stated he would follow-up with both Chairs and report back at the August 15, 2019 Retirement Committee meeting.

6. Lewis, Longman & Walker – Janice Rustin

Ms. Rustin discussed a telephone participation policy, a revised policy and procedures manual. Ms. Rustin agreed to 1) update the draft telephone participation policy with the recommendations made by the Committee members, 2) draft an attendance policy that included partial and excused attendance, and 3) draft a resolution/policy regarding the retention of Committee members who relocate outside the City's physical boundaries. The Committee stated they would like Ms. Rustin to bring each item back for further discussion at the next regular Committee meeting in August.

7. Suggestions for Agenda Items for August 15, 2019 Committee Meeting

In addition to the legal items the Committee requested Ms. Rustin bring back for further discussion at the August meeting, the Committee also wanted to: 1) hear a presentation from Salem Trust, 2) hold further discussions regarding the proposed State law for purchasing/selling investments directly from in-house FRS money managers, 3) have a final presentation from GRS regarding the October 1, 2018 Actuarial Valuation, cash flow projections, and a sample actuarial funding policy, 4) hear an update from the City's Human Resources department regarding the open Pension Administrator position, and 5) hear presentations from two investment managers, Garcia Hamilton & Associates and The Boston Company.

8. Other Business

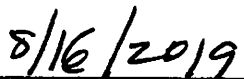
Chair Smith thanked Ms. Thezine for having Mr. Mainville present to record the Committee meeting and take notes for Ms. Castronovo during her absence. There was no other business brought up for discussion.

7. ADJOURNMENT

Chair James Smith declared the meeting adjourned at 4:24 p.m.



James Smith, Chair



Date