

MINUTES
REGULAR PENSION RETIREMENT COMMITTEE MEETING
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
THURSDAY, FEBRUARY 21, 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, Susan Grant (departed at 1:28 p.m., returned at 2:28 p.m.), Adam Frankel, and Thomas MacManus (departed at 3:02 p.m.). Also present: AndCo Consultant Brendon Vavrica, City of Delray Beach ("DB") Assistant Finance Director Laura Thezine, DB Assistant Director Human Resources Duane D'Andrea, DB City Attorney Lynn Gelin, Lewis Longman & Walker Attorney Janice Rustin, DB Utilities Director Marjorie Craig, Corbin Capital Partners Director Ralph Vasami, DB Pension Administrator Nancy Graham, and DB Pension Administrator Lisa Castronovo.

2. WELCOMING NEW MEMBER – DELRAY BEACH ASSISTANT CITY MANAGER / INTERIM FINANCE DIRECTOR SUSAN GRANT

Chair Smith welcomed Susan Grant to the Retirement Committee ("Committee") (introductory Statement is made part of these Minutes). The rest of the Committee welcomed Ms. Grant.

3. APPROVAL OF THE GENERAL EMPLOYEES' PENSION BOARD FEBRUARY 21, 2019 AGENDA

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to approve the February 21, 2019 Agenda. In a voice vote by the members present, **Motion** passed 5-0.

4. APPROVAL OF THE GENERAL EMPLOYEES' PENSION BOARD NOVEMBER 15, 2018 MINUTES

MOTION made by Mr. Ellingsworth, seconded by Mr. Frankel, to approve the November 15, 2018 Regular Pension Board Meeting Minutes. In a voice vote by the members present, **Motion** passed 5-0.

5. COMMENTS FROM THE PUBLIC

Marjorie Craig requested that the 3% Enhanced Multiplier be approved to begin on her date of hire. Ms. Craig stated that the former Finance Director, Kimberly Ferrell, had told her it was denied due to not filing the form in a timely manner.

6. CONSENT AGENDA

A. Approval of Invoices:

Name, Amount

1. Gabriel, Roeder, Smith & Company, \$2,970.00
2. Gabriel, Roeder, Smith & Company, \$399.00
3. Gabriel, Roeder, Smith & Company, \$537.00
4. Gabriel, Roeder, Smith & Company, \$1,074.00
5. Relation Insurance Services of Florida, \$2,622.00
6. BNY Mellon, \$13,245.96
7. AndCo Consulting, \$8,200.55
8. AndCo Consulting, \$8,200.55
9. FiduciaryFirst, \$8,702.19
10. RhumbLine Advisers, \$6,605.00
11. Garcia Hamilton & Associates, \$13,147.63
12. Garcia Hamilton & Associates, \$13,114.42
13. Lewis, Longman & Walker, \$1,650.00
14. Lewis, Longman & Walker, \$1,012.00
15. Lewis, Longman & Walker, \$465.50
16. Rosen Centre Hotel (FPPTA – Nancy Graham), \$555.00
17. FPPTA (Trustees' School & CPPT Registration), \$1,550.00
18. FPPTA (2019 Pension Board Membership), \$600.00

B. Approval of DROP Retirement:

Name, Benefit Amount, Commencement Date, Benefit Option Selected

1. Jennifer Costello, \$4,430.19, August 1, 2018, 10 Year Certain & Life
2. Margarita Castillo, \$3,041.04, October 1, 2018, Life Annuity
3. Frances D. Rangel, \$2,779.09, November 1, 2018, 100% Joint & Survivor
4. Toni Byrd, \$1,347.84, October 1, 2018, 10 Year Certain & Life
5. Katie Hartmann, \$6,296.10, February 1, 2019, Life Annuity
6. Joseph Vashlishan, \$2,177.42, March 1, 2019, 10 Year Certain & Life
7. Regina Hart, \$3,585.41, December 1, 2018, 50% Joint & Survivor
8. Roxanne Tilghman, \$2,947.83, December 1, 2018, 100% Joint & Survivor

C. Approval of Termination Refunds:

Name, Amount Refunded

1. Robert Ramlochan, \$15,112.97
2. Elvira Yulan, \$1,235.86
3. Joseph Vera, \$1,083.32
4. Faye Henry, \$1,833.92

D. Approval of Deferred to Normal Retirement:

Name, Benefit Amount, Commencement Date, Benefit Option Selected

1. William Rodriguez, \$1,337.50, October 1, 2018, 100% Joint & Survivor

E. Benefit Cessation:

Name, Benefit Amount, Date of Death

1. Alfred Mari, \$97.46, December 9, 2018
2. Mary Odom, \$500.00, December 10, 2018

F. City of Delray Beach General Employees' Retirement Plan Deposits Received:

Name, Amount, Purpose

1. Kimberly Drinkwater, \$450.00, Calculation of 3% enhanced multiplier for prior years of svc
2. Keith Tomey, \$450.00, Calculation of 3% enhanced multiplier for prior years of svc
3. BettyJo Clay, \$450.00, Calculation of 3% enhanced multiplier for prior years of svc
4. BettyJo Clay, \$28,034.00, Purchase of 3% enhanced multiplier for prior years of svc
5. Victor Majtenyi, \$450.00, Calculation of 3% enhanced multiplier for prior years of svc
6. Victor Majtenyi, \$167,463.00, Purchase of 3% enhanced multiplier for prior years of svc

G. Summary Plan Description for Fiscal Year Beginning 10/1/2018

H. Saxena White Select Investor Monitoring Report Fourth Quarter 2018

Chair Smith requested that Item 6.A.1. - Gabriel, Roeder, Smith & Company's invoice for \$2,970 - be pulled from the Consent Agenda and renumbered as 6.1. Chair Smith also requested Item 6.A.9. be renumbered to 11.C.1.

MOTION by Mr. MacManus, seconded by Mr. Ellingsworth, to approve the revised Consent Agenda. In a voice vote by the members present, **Motion** passed 5-0.

Agenda Item 6.1.: Chair Smith wanted to know if the \$501 charge in this invoice was for the City or the Retirement Plan. Ms. Graham stated she would research and report back. Since the invoice had already been paid in full, Ms. Graham said she would ensure the Retirement Plan received a credit if warranted.

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to approve payment of the GRS invoice for \$2,970. In a voice vote by the members present, **Motion** passed 5-0.

7. APPROVE REVISED MISSION STATEMENT

Ms. Graham presented a revised Mission Statement:

“Our mission is to provide exceptional investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.”

The Committee discussed and agreed that the Statement could not be further improved.

MOTION made by Mr. MacManus, seconded by Ms. Grant, to approve the revised Mission Statement. In a voice vote by the members present, **Motion** passed 5-0.

8. REVIEW DELRAY BEACH GENERAL EMPLOYEE MARJORIE CRAIG'S MULTIPLIER REQUEST

In the spirit of fairness and based on past practice, City Attorney Gelin asked the Committee to consider Marjorie Craig's request for the 3% Enhanced Multiplier to be approved effective on her date of hire. Per Ms. Craig, former Finance Director, Kimberly Ferrell, told Ms. Craig that the Enhanced Multiplier would not be retroactive to her date of hire since the required paperwork was not been completed and submitted in a timely manner. Ms. Rustin said it was the Committee's prerogative to approve Ms. Craig's request.

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to approve Ms. Craig's request to be granted the 3% Enhanced Multiplier effective on her date of hire with the City. In a voice vote by the members present, **Motion** passed 5-0.

9. REQUIRED REVIEW OF PENSION ADMINISTRATION'S COST ALLOCATION

For the benefit of the two new Committee members, Chair Smith provided background information:

At the General Employees' December 2017 joint Board meeting with the Board of Trustees of the Police ("P") and Fire ("F") Retirement Systems, the Boards agreed to allocate total Pension Administrator ("PA") expenditures for the next year (2018) on a 1/3, 1/3, 1/3 basis with a "look back" provision at the close of the year. The 1/3 allocation was based on existing staffing at the time which consisted of an outside contractor for some of the P and F administrative services and a City employee for all Retirement Plan administrative services as well as some administrative services for the P and F plans. In mid-2018, P and F's outside contractor was replaced with a full-time City employee allowing for one PA to provide services for the General Employees' Retirement Plan and one to provide services for the P & F Retirement Systems but with each able to substitute for the other. It was Chair Smith's hope that both PAs would attend all three Plan's Board/Committee meetings to stay current on all Board/Committee activities.

Chair Smith stated that as far as a new allocation was concerned, it seemed reasonable to charge the Retirement Plan for Ms. Graham's salary and related benefits and to charge P and F for Ms. Castronovo's salary and related benefits with the end result of allocating 50% of the total PA expenditures to the Retirement Plan and the remaining 50% paid by P and F. Ms. Castronovo stated the Fire Board approved the same concept except they decided to allocate individual PA costs rather than sharing the two PAs' costs. In other words, F decided, if it was agreeable with P, that it would pay 50% of Ms. Castronovo's salary and related benefits with P paying the other 50% of her salary and related benefits and then let the Retirement Plan pay all of Ms. Graham's salary and related benefits.

MOTION made by Mr. Ellingsworth, seconded by Mr. MacManus, for the Retirement Plan to pay 100% of Ms. Graham's salary and related benefits. In a voice vote by the members present, **Motion** passed 5-0.

10. REVIEW GENERAL EMPLOYEES' RETIREMENT PLAN ADMINISTRATIVE AND INVESTMENT EXPENDITURE DETAIL

Ms. Graham recapped the Administrative and Investment Expenditure Detail by noting that it was a seven-year column comparison which included five years' information regarding actual expenses and that one year was subject to audit. Ms. Graham thanked Mr. Vavrica for the investment expense information he provided.

The report was in two parts: Administrative Expenses and Investment Expenses. Items of note: 1) the Expense Ratio found at the bottom of the page was the percentage of investment expenses to total market value assets at year-end; 2) the Expense Ratio did not include any administrative expenses; 3) the budgeted

expenses were a "living budget" in that those expenses would be discussed during board meetings to determine if any adjustments were needed; 4) Pension Administrator expenses, followed by the Legal Consultant fees, made up the largest share of the estimated Administrative Expenses; 5) Other GRS Services made up the third largest share of the estimated Expenses; 6) the Pension Administrator expense was derived by taking 50% of the total salary plus benefits for both Pension Administrators, with the remaining 50% to be paid by the Police and Fire Retirement Systems; 7) the Legal Consultant Fees were budgeted for \$3,500 per month, and 8) Other GRS Services included the Experience Study which was budgeted at \$15,000.

Chair Smith noted that although the Administrative Expenditures had been budgeted to increase substantially, it was the result of the City hiring a second Pension Administrator and signing an agreement for services with the Pension Attorney. Chair Smith pointed out that Retirement Plan's Administrative Expenditures paled in comparison to the Florida Retirement Service administrative expenses when adjusted for the difference in size. The Committee was most appreciative of Ms. Graham's work with Mr. MacManus adding that it was one of the most useful reports the Board had.

11. OTHER ONGOING PENSION ADMINISTRATOR PROJECTS

A. Fiduciary Liability Insurance for Governmental Plans Renewal for March 1st

Ms. Graham noted that the renewal application for the Committee's fiduciary liability insurance was being review by Relation Insurance Services' underwriting department and that she would update the Committee about the application status at the next Committee meeting.

B. Correct City's website concerning errors related to the General Fund

Ms. Graham reported the Lauren Czencz, Assistant to the Finance Director, had started updating the Pension Administrator's website, but that there was more work to do in addition to the City's website still needing work. Ms. Graham said she would report on the progress at the next Committee meeting.

C. Seek the return of investment fees from FiduciaryFirst

Ms. Graham reported that Ms. Castronovo asked FiduciaryFirst to provide a breakdown of their April 1, 2018 invoice between the services provided for the City's 457 plans versus the services provided for Retirement Plan's 401(a) plan. It was noted that in addition to the invoice questioned, there might be forthcoming additional charges and/or credits. Ms. Castronovo volunteered to report on the breakdown of the fees if received by the next meeting.

Mr. Vavrica told the Committee that even though the DROP funds were individual employee-titled, the funds themselves were part of the defined benefit plan and thus the Committee was responsible for monitoring them, not the City. Chair Smith said the Board had been kept in the dark on this item since it first came before the Committee in August 2016. At that time, the City issued a Request for Quote ("RFQ"), but the next time the Committee heard about it was over a year later when the former Pension Administrator reported that there was nothing new to report. Both City Attorney Gelin and Ms. Rustin suggested the Committee take responsibility from the City. Mr. MacManus questioned whether the employees' transaction fees were as low as they could go or if they were still being overcharged.

D. Pursue goal of "paperless" meetings?

Chair Smith stated the Committee had accomplished its goal of providing paperless agendas and backup materials in advance of the Committee meetings, but the meetings themselves were not paperless because the Committee did not possess the needed hardware – tablets or laptops - on which to view the material. Chair Smith said he thought the total cost to purchase the needed tablets/laptops would not exceed \$10,000 and could be properly charged to the Fund as an administrative expenditure. Chair Smith suggested that since Ms. Grant was responsible for both the City's Purchasing and IT departments, she would be the ideal person to move forward the goal of paperless meetings.

MOTION made by Mr. Ellingsworth, seconded by Mr. Frankel, to appoint Ms. Grant to lead the effort to acquire the hardware needed to move forward with paperless meetings. In a voice vote by the members present, **Motion** passed 4-0.

Note: When Ms. Grant returned to the meeting, Mr. Ellingsworth explained the preceding which she accepted. Ms. Grant agreed to report back with price quotes at the August Committee meeting.

- E. Obtain most recently available actuarial valuation reports from other Cities. In addition, find out if the assumed investment rate of return has been either changed or is under consideration.**
Ms. Graham stated she would have the information available for the May meeting.

12. REVIEW GENERAL EMPLOYEE TRUSTEES' DUTIES AND RESPONSIBILITIES

Ms. Rustin presented "Duties and Responsibilities of the Pension Board" (presentation made part of these Minutes). Included in the presentation was the City's Code of Ordinances that pertains to the Committee's administration of the Retirement Plan. Ms. Rustin's presentation included a few examples to help the trustees better understand their duties and responsibilities.

Following her presentation, Ms. Rustin distributed a letter stating that current Florida Statutes did not require the Committee to be described as "Board of Trustees." Ms. Rustin suggested, however, that since the Committee included the duty to be a trustee of the Plan's Trust Fund, the Committee might want to ask the City to amend Ordinance Section 35.105(A) to change its name to "Board of Trustees."

13. STATUS OF THE PROPOSED STATE LAW PERMITTING INVESTMENTS BY LOCAL BOARDS WITH FRS MONEY MANAGERS

Chair Smith reminded the Board that Mr. Frankel volunteered at the last Committee meeting to lead an effort to draft a bill described in the February 21, 2019 Agenda backup. As a first step, Mr. Frankel volunteered to discuss the proposed bill with the City's lobbyist. Both Police and Fire volunteers agreed to assist Mr. Frankel in his effort. City Mayor Petrolia and City Manager Lauzier told Chair Smith they would lobby for the bill when they were in Tallahassee.

Mr. Frankel reported he had not had the opportunity to discuss the proposed bill with the City lobbyists, but he hoped to do so at the upcoming Palm Beach County Day in Tallahassee. Mr. Frankel added that he would also try to meet with State Representative Mike Caruso. Mr. Frankel said he would update the Committee at its next meeting.

14. REVIEW PLAN'S PERFORMANCE

A. December 31, 2018 Quarterly Report

Prior to the meeting Mr. Vavrica issued the following Executive Summary:

The domestic equity markets were very weak for the quarter, with the S&P 500 down 13.5%. The markets were very concerned over a number of issues including the ongoing trade war fear with China, the mid-term election and government shutdown, and the continued increases in interest rates from the Fed. International stocks outperformed slightly with the MSCI EAFE Index down 12.5%. Interest rates fell along much of the yield curve during the quarter as bonds were seen as a safe haven during the equity sell-off.

The Plan's assets were \$119,806,804 and all asset classes are within their normal ranges meaning that no rebalancing is needed at this time. For the quarter, the plan was down 10.84% vs. 8.88% for the benchmark and placed in the 96th percentile. The plan's 1-year return was -5.69% vs. -3.91% for the benchmark. Most of the active managers struggled in the quarter with Boston, Harding Loevner, Garcia Hamilton, and Westwood underperforming their benchmark, while Blackrock came in ahead of their benchmark.

Mr. MacManus pointed out that RhumbLine was not fully compliant with the Committee's Investment Policy. Mr. Vavrica responded that while it was not a major concern at this time, it would be monitored in the future. Mr. Vavrica distributed a S&P 500 Total Return Index History for the period October 2007 - January 2019 as well as an Annual Asset Class Performance report for calendar years 2004 - 2018.

B. January 31, 2019 Flash Report

Mr. Vavrica reported that the net total fund performance was 6.67% which erased two-thirds of the loss experienced in the last quarter of 2018. Mr. Vavrica estimated that the return for February to date was up another 3-4%. Since the allocation was almost on target with the Investment Policy, there was no immediate need to reallocate.

C. Westwood GTAA Fund Review

MOTION made by Mr. MacManus, seconded by Mr. Frankel, to liquidate the Westwood Income Opportunity Fund and transfer the liquidated funds to JPMorgan Income Builder Fund. In a voice vote by the members present, **Motion** passed 5-0.

D. Asset allocation review and subsequent funding of the R&D Account

After discussion, the Board agreed to move \$1,500,000 from RhumbLine's Value Fund and \$1,500,000 from RhumbLine's Growth Fund to the Vanguard Total Asset Fund in the Plan's Receipts and Disbursements account.

15. SUGGESTIONS FOR AGENDA ITEMS FOR THE MAY 16, 2019 MEETING

Chair Smith stated the May Committee meeting already had a full agenda and that most of the meeting would be devoted to AndCo and GRS with GRS presenting their draft October 1, 2018 Actuarial Valuation Report, the results of their experience study, and projected annual net expenditures for the next ten years. In addition, Chair Smith advised that he might call a special meeting to address a revision in the City's General Employees' Pension Ordinance.

16. OTHER BUSINESS – STATUS OF THE FINANCE DEPARTMENT'S TRANSMITTAL OF VALUATION DATE TO GRS

Chair Smith asked Acting Finance Director Thezine if the March 1, 2019 deadline for transmitting the data to GRS would be met to which she responded the data was transmitted on February 11, 2019. Chair Smith congratulated Ms. Thezine on beating the deadline.

Chair Smith recommended that Ms. Graham be nominated for "Employee of the Month" since she had, in a short time 1) converted the General Board's Agenda meeting package to paperless eliminating the need for the copying and mailing of the pre-meeting package; 2) prepared a seven-year detailed comparison of the Retirement Plan's administrative and investment expenditures (including a budget column) which the Committee had been requesting for several years with Ms. Graham getting it completed shortly after being hired; 3) come to the office while recovering from an illness to prepare the February agenda and also came after-hours to complete the package; 4) recommended a revised Mission Statement; 5) was updating the Pension Administration website (with the help of Ms. Czencz); 6) identified the need for an actuarial experience study; 7) questioned the way things had been done in the past by identifying a problem in the way the 3% enhanced multiplier had been applied; and 8) started a survey of other Cities' Boards to compare the Retirement Plan's financial performance and actuarial assumptions and cost methods.

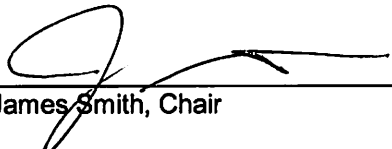
MOTION made by Mr. Frankel, seconded by Ms. Grant, to nominate Ms. Graham as Employee of the Month. In a voice vote by the members present, **Motion** passed 5-0.

Chair Smith proposed that a representative from the Committee attend the Police and Fire Board meetings and in turn provide updates at the Committee. Chair Smith noted that he discussed the idea with Fire Chair Giaconne and Police Chair Weber and they agreed to do the same. Ms. Grant stated it was her intent to attend the Police and Fire Board meetings so she volunteered to be the Committee's representative.

MOTION made by Chair Smith, seconded by Mr. Ellingsworth, for Ms. Grant to be the Committee's representative at the Police and Fire Board meetings. In a voice vote by the members present, **Motion** passed 4-0.

12. ADJOURNMENT

Chair James Smith declared the meeting adjourned at 3:09 p.m.



James Smith, Chair

6/20/2019
Date