

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF DELRAY BEACH EMPLOYEES' RETIREMENT FUND
THURSDAY, JUNE 21, 2018**

CALL TO ORDER

Chair James Smith called the meeting to order at 1:01 p.m.

1. ROLL CALL

Board Members present: Chair James Smith, William H. Ellingsworth, Kimberly Ferrell, Faye Henry, and Thomas MacManus. Board Members absent: None. Also present: Gabriel, Roeder, Smith & Company ("GRS") Actuarial Consultant Jeffrey Amrose, AndCo Consultant Brendon Vavrica, City of Delray Beach ("DB") Assistant Finance Director Laura Thezine, DB Labor & Employee Relations Manager Duane D'Andrea, DB Assistant City Attorney II Janice Rustin, DB Chief Information Officer Mickey Baker, followed by DB Pension Administrators Karen Schell and Lisa Castronovo.

2. APPROVAL OF THE GENERAL EMPLOYEES' PENSION BOARD AGENDA FOR JUNE 21, 2018

Proposed revisions are as follows:

- The date on the agenda needs to be updated from May 17, 2018, to June 21, 2018.
- It is also proposed that the section titled, Other Business, include:
 - Recognition Karen Schell's service to the City of Delray Beach;
 - Review of Next Regular Pension Board Meeting's Agenda; and,
 - Board Member Comments.

It should be noted that the speaker on Cybersecurity made a request that the presentation begin at 2:15 p.m.

MOTION made by Thomas MacManus, seconded by Kimberly Ferrell, to approve the June 21, 2018, Regular Pension Board Meeting Agenda as revised. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

3. A. APPROVAL OF THE GENERAL EMPLOYEES' PENSION BOARD MINUTES

MOTION made by William H. Ellingsworth, seconded by Kimberly Ferrell, to approve the Regular Pension Board Meeting minutes of December 14, 2017. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

B. APPROVAL OF THE GENERAL EMPLOYEES' PENSION BOARD MINUTES

The minutes as presented, erroneously state, 'Vice Chairperson' James Smith in the first sentence. It is proposed that the first sentence include the appropriate title for Chair James Smith.

MOTION made by William H. Ellingsworth, seconded by Thomas MacManus, to approve the Regular Pension Board Meeting minutes of February 15, 2018, subject to the change. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

4. COMMENTS FROM THE PUBLIC

None.

5. CONSENT AGENDA

A. Approval of the Following Invoices:

1. Gabriel, Roeder, Smith & Company, dated February 12, 2018, in the amount of \$8,166.00 for benefit calculations for Schell, Palmer, Williams & Ribeiro and further preparation of the October 1, 2017 actuarial valuation report and employee benefit statements and GASB 67 actuarial disclosures for FYE 2017.
2. AndCo Consulting, LLC, dated February 16, 2018, in the amount of \$8,031.89 for performance monitoring for the quarter ending December 31, 2017.
3. Relation Insurance Services of Florida, Inc. dated February 21, 2018, in the amount of \$6,070.00 for fiduciary liability for General Employee's Pension Board for policy period March 1, 2018 to March 1, 2019.
4. FPPTA, dated March 15, 2018, in the amount of \$30.00 for CPPT Re-Certification for James Smith.
5. Gabriel, Roeder, Smith & Company, dated March 13, 2018, in the amount of \$3,094.00 for further preparation of the October 1, 2017 actuarial valuation report and preparation for and attendance at 02/15/2018 board meeting.
6. RhumbLine Advisers dated April 9, 2018, in the amount of \$5,878.00 for quarterly management fee for the period of January 1, 2018 through March 31, 2018.
7. Gabriel, Roeder, Smith & Company, dated April 4, 2018, in the amount of \$1,361.00 for benefit calculations for Beldowicz, Normil and Williamson and further preparation of the October 1, 2017 actuarial valuation report and employee benefit statements.
8. The Boston Company Asset management, LLC, dated April 18, 2018, in the amount of \$14,264.77 for quarterly management fee for the period of April 1, 2018 through June 30, 2018.
9. AndCo Consulting, LLC, dated April 20, 2018, in the amount of \$8,200.55 for performance monitoring for the quarter ending March 31, 2018.

B. Approval of the Following DROP Retirement(s):

1. Name: Marianne Anderson
Age: 57
Monthly Pension Amount: \$4,250.97
Benefit Commenced: May 1, 2018
Benefit Requested: 100% Joint and Survivor
2. Name: Ilonka Weinstein
Age: 64
Monthly Pension Amount: \$1,893.88
Benefit Commenced: June 1, 2018
Benefit Requested: 100% Joint and Survivor
3. Name: Vasillios Soufis
Age: 63
Monthly Pension Amount: \$751.93
Benefit Commenced: June 1, 2018
Benefit Requested: Normal Form

C. Approval of the Following Normal Retirement(s):

1. Name: Thomas Watson (From Disability to Normal)
Age: 65
Monthly Pension Amount: \$2,310.94
Benefit Commenced: December 1, 2017
Benefit Requested: 10 Year Certain

- | | |
|------------------------|----------------------------|
| 2. Name: | Donna Beldowicz |
| Age: | 64 |
| Monthly Pension Amount | \$1,338.64 |
| Benefit Commenced: | March 1, 2018 |
| Benefit Requested: | 66 2/3% Joint and Survivor |

D. Approval of the Following Deferred Retirement(s):

- | | |
|------------------------|-------------------------|
| 1. Name: | Robert Williamson |
| Age: | 60 |
| Monthly Pension Amount | \$559.50 |
| Benefit Commenced: | April 1, 2018 |
| Benefit Requested: | 100% Joint and Survivor |

E. Approval of the Following Termination Refund(s):

1. Jose Hidalgo (Purchasing) in the amount of \$852.96.
2. MacArthur Megie (Planning & Zoning) in the amount of \$4,437.29.
3. David Pusey (Information Technology) in the amount of \$2,837.96.
4. Justin Walton (Parks & Recreation) in the amount of \$449.93.

F. Approval of the Following Beneficiary Disbursement(s):

1. Dianne Ganser, beneficiary of Michael Hurd, to receive payments for the remainder of Mr. Hurd's contributions. \$1,380.13 for five months and final payment for \$110.32.
2. Martha Mitchell, beneficiary of Matthew Mitchell, Jr, 100% Joint and Survivor Annuity in the amount of \$288.69.

G. The General Employees' Pension Board Accepts the Plan has Received the Following Check(s) Which Have Been Deposited in the Trust Account:

1. James Smith in the amount of \$0.74, deposited February 9, 2018 for travel reimbursement for FPPTA School January 28, 2018 through January 31, 2018.

MOTION made by Kimberly Ferrell, seconded by William H. Ellingsworth, to approve the Consent Agenda. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

6. INTRODUCTION OF PENSION ADMINISTRATOR LISA CASTRONOVO

7. REVIEW OF THE PLAN'S OCTOBER 1, 2017 ACTUARIAL VALUATION REPORT

A. REVIEW OF ACTUARIAL VALUATION REPORT (GRS Actuarial Consultant, Jeffrey Amrose ("Amrose"), report made part of these minutes.)

Highlights of the October 1, 2017 Actuarial Valuation Report:

- The plan funding on an actuarial asset basis is 97.3%, as compared to 102.8% market value.
- The required employer contribution (if paid on October 1st) based on the 10/1/2017 valuation of covered payroll is 13.07% as compared to 13.68% for the prior year. The required contribution decreased as a percentage of payroll.
- No change in benefit level nor assumptions.

James Smith inquired if the employer contribution could be paid on July 1st. Consultant Amrose responded there is nothing to say that this can't be done.

Chair James Smith requested that the Consultant be more specific regarding the Assumption Change reported under the Unfunded Actuarial Accrued Liability. He proposed that the source information be revised to include the actual underlying assumption. Furthermore, that the remaining years in the expected amortization schedule be broken down annually, instead of on a five-year basis.

James Smith further proposed that an explanation be given as to why the Required Employer Contribution Dollar Amount increased in the current reporting period. It was suggested that this revision be included under the Discussion of Valuation Results.

MOTION made by William H. Ellingsworth, to accept the GRS Actuarial Valuation Report as of October 1, 2017, based on the revisions as discussed; seconded by Thomas MacManus. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

AndCo Consultant Brendon Vavrica recommended that the Expected Rate of Return of 7.25% be approved at this time.

MOTION made by William H. Ellingsworth, to approve an Expected Rate of Return of 7.25% for the next year, the next couple years, and the long term thereafter; seconded by Kimberly Ferrell. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

B. CONSIDERATION OF REDUCING THE ASSUMED RATE OF RETURN (GRS Actuarial Consultant, Jeffrey Amrose, report made part of these minutes.)

The following projections estimate the impact on the Actuarially Determined Employer Contribution ("ADEC") due to the expiring amortization bases; recognition of prior investment experience; and, reducing the investment return assumption.

- Scenario 1: Lower the return assumption to 6.75% over a six-year period, with no impact on the 2019 valuation results and double the impact on the 2017 results.
- Scenario 2: Lower the return assumption to 6.75% over an eight-year period, with no impact on the 2019 valuation results and double the impact on the 2017 results.
- Scenario 3: Lower the return assumption to 6.75% over an eleven-year period, with no impact on the 2019 valuation results and double the impact on the 2017 results.
- Scenario 4: Lower the return assumption to 6.50% over a six-year period, with no impact on the 2019 valuation results and double the impact on the 2017 results.
- Scenario 5: Lower the return assumption to 6.50% over an eight-year period, with no impact on the 2019 valuation results and double the impact on the 2017 results.
- Scenario 6: Lower the return assumption to 6.50% over an eleven-year period, with no impact on the 2019 valuation results and double the impact on the 2017 results.

MOTION made by William H. Ellingsworth to recommend the first scenario to the City, seconded by Thomas MacManus as presented. The **MOTION** was then amended by William H. Ellingsworth to recommend the first scenario to the City Manager and City Commission, which was seconded by Thomas MacManus as presented. In a voice vote by the members present, all members but one voted in favor. The **MOTION** was dissented by Kimberly Ferrell. **Motion** passed 4-1.

8. REVIEW OF SUNSHINE LAW

MOTION made by William H. Ellingsworth to defer the presentation scheduled to be made by Attorney Janice Rustin concerning the Sunshine Law to our next meeting. This was seconded by Thomas MacManus. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

9. REVIEW OF CYBERSECURITY

James Smith provided a handout titled, "What Keeps the CIOs Up at Night?" as reported by the Wall Street Journal.

Chief Information Officer ("CIO") for the City of Delray Beach, Mickey Baker, made a presentation on Cybersecurity. Included was a review of the City of Delray Beach's security program.

The Cities of Delray Beach and Wellington use the same software in their utility departments regarding billing. It was recently discovered that the City of Wellington utilities system was hacked on March 22, 2018. After careful examination, it was determined that the City of Delray Beach's utilities billing system had also been hacked on the same date. Fortunately, the City of Delray Beach was proactive in that we had run a scan that same evening along with anti-virus software. We were able to get rid of the virus and patch the system. The City of Delray Beach, according to Mickey Baker, is doing as much as we can in the anti-virus and hacking world.

The Florida Department of Law Enforcement conducts an audit of the City of Delray Beach networks. Our most recent review was in 2016. At that time, it was recommended that the personal computers at the police department be encrypted. We are in the process of correcting this now.

It was recommended by James Smith that we have external cybersecurity experts speak to the group. This would be at no cost. Kimberly Ferrell suggested that the meeting be in the form of a workshop. She further recommended that CIO Mickey Baker be in attendance. It was decided by consensus, that a workshop be conducted. It was also agreed that CIO Mickey Baker would attend the session.

10. REVIEW OF PLAN'S PERFORMANCE EVALUATION FOR THE PERIOD ENDING MARCH 31, 2018.

A. ASSET ALLOCATION REBALANCING AND CASH DISBURSEMENTS

AndCo Consultant Brendon Vavrica discussed the Investment Performance Review for the period ending March 31, 2018.

- Market returns were broadly negative.
- The U.S. Treasury yield curve reveals a significant upward shift in interest rates in the first quarter of 2018.

This was followed by a review of the Monthly Investment Performance Review (Flash Report) for the period ending May 31, 2018.

- The reported Fiscal-Year-to-Date ("FYTD") Total Fund Composite is 6.47%.
- Results for Garcia Hamilton Fixed Income (incepted February 1, 2018) were positive, though we are in a negative environment.
- It is proposed that \$3.1 million of the Rhumblin Large Cap Growth ("LCG") investment, be put into the Vanguard Total Stock Market equity, to provide funds necessary for benefit payments.
- The portfolio statistics are linear for the past five years. This means that we are maintaining the same profile: incremental return for incremental risk.

Chair James Smith suggested that the ticker symbols and prices be included for the international equities. Consultant Brendon Vavrica concurred.

In addition, James Smith requested that the Garcia Hamilton Fixed Income report be provided. Consultant Brendon Vavrica responded that the account should be available from Salem Trust. In a follow-up, Brendon Vavrica will notify Salem Trust to make sure that the new account number has been applied to the user profile.

Brandon Vavrica provided a handout titled, "S&P 500 Total Return Index History", for the period 10/9/2007 – 3/31/2018.

MOTION made by Thomas MacManus, to move \$3.1 million from Rhumblin LCG into Vanguard Total Stock Market as proposed; seconded William H. Ellingsworth. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

B. REVIEW OF INVESTMENT POLICY GUIDELINE

The Pension Fund Investment Policy was amended February 2018.

11. OTHER BUSINESS

- A. RECOGNITION OF DB PENSION ADMINISTRATOR KAREN SCHELL'S SERVICE**
- B. REVIEW OF NEXT MONTH'S AGENDA**
- C. BOARD MEMBER COMMENTS**


Chair James Smith recommended that an estimated \$300 be used to purchase a Years-of-Service Award gift for Pension Administrator Karen Schell. Further, that a retirement party be given in her favor.

MOTION made by William H. Ellingsworth, to purchase a crystal clock, not to exceed \$300, to be presented to Karen Schell in recognition of her years of public service; seconded Faye Henry. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

James Smith developed a project list for the new Pension Administrator, Lisa Castronovo. He requested that she begin working on the first two items initially.

12. ADJOURNMENT

MOTION made by Chair James Smith to adjourn the meeting. **Motion** passed 5-0. Meeting adjourned at 3:57 p.m.



James Smith, Chair
9/18/18

Date