

MINUTES
REGULAR PENSION BOARD MEETING
CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT FUND
FEBRUARY 25, 2020

1. CALL TO ORDER, ROLL CALL

Chair Weber called the meeting to order at 10:02 a.m.

Board Members present: Chair Paul Weber, Vice-Chair Jim Hoesley (departed at 11:35 a.m.), Secretary Jeffrey Rasor, Henry "Chip" Dickson, and Scott Privitera (departed at 11:50 a.m.).

Also present: Board Attorney Janice Rustin (Lewis, Longman & Walker as designated by City Attorney), Investment Consultant Brendon Vavrica (AndCo Consulting), Joseph Mendell (NFP), and Pension Administrator Lisa Castronovo.

Guests: Marie Kalka, John Mainville, James Smith

2. AGENDA ADOPTION

MOTION made by Mr. Hoesley, seconded by Mr. Dickson, to adopt the February 25, 2020 Agenda. In a voice vote by the members present, **Motion** passed 5-0.

3. COMMENTS

a. Public

James Smith, Chair of Delray Beach General Employees' Retirement Plan Retirement Committee

b. Board of Trustees of Police Officers' Retirement System
Scott Privitera and Chip Dickson introduced themselves.

c. Active and Retired Members of the Plan
None

4. CONSENT AGENDA

- a. November 20, 2019 Regular Meeting Minutes
- b. January 30, 2020 Workshop Minutes
- c. Warrant Ratification (#231-233)
- d. Warrant Approval (#234)
- e. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities
- f. Ratify/Approve – Deposits

MOTION made by Mr. Hoesley, seconded by Mr. Rasor, to approve Consent Agenda Items 4.a.-f. In a voice vote by the members present, **Motion** passed 5-0.

5. REPORTS

a. NFP Retirement, Inc. December 31, 2019 Quarterly Report – Joseph Mendell
Report made part of these Minutes

Mr. Mendell reviewed the December 31, 2019 Quarterly Report noting that most of the selected investment funds at ICMA-RC performed as expected in the quarter with the exception of three: Fidelity Puritan (fourth consecutive quarter of underperformance), LSV Small Cap Value (second consecutive quarter of underperformance), and Fidelity Diversified International (fourth consecutive quarter of underperformance).

Regarding the Fidelity Puritan fund, Mr. Mendell explained that while the fixed income portion of the fund continued to be managed by two experienced portfolio managers, the equity portion was managed by a relatively new portfolio manager. Mr. Mendell continued that due to the fact Fidelity Puritan was one of Fidelity's flagship funds, he felt comfortable stating the managers would get it turned around at some point in the near future.

Mr. Mendell informed the Board that while they had voted to replace the Fidelity Select Technology fund at their last meeting, they needed to decide on the specific replacement fund between actively managed funds MFS Technology R4, BlackRock Technology Opportunities, Columbia Global Technology Growth or passively managed Vanguard Information Technology Index Adm. After discussion, the Board agreed they wanted to replace Fidelity Select Technology with the technology indexed fund.

MOTION made by Mr. Hoesley, seconded by Mr. Rasor, to approve the replacement of Fidelity Select Technology with Vanguard Information Technology Index Adm. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Mendell stated he would handle the replacement of Fidelity Select Technology with Vanguard Information Technology Index Adm within the timeframe of about 75 days.

Mr. Mendell concluded his presentation by noting the recently passed Setting Every Community Up for Retirement Enhancement Act ("SECURE Act") would increase the required minimum distribution age requirement from 70 ½ to 72.

Discussion ensued regarding the services currently provided by NFP Retirement ("NFP," formerly known as Fiduciary First) versus what some Board members thought was going to be provided when the contract was signed three years earlier. Chair Weber questioned the services NFP was providing since he, as a DROP participant with monies held at ICMA-RC, had never received from NFP any educational materials or correspondence regarding the investment funds available to him. Chair Weber added that he thought that was why NFP had been hired – to provide education to DROP members. Mr. Mendell responded that while that was something offered by NFP, that service was not included in the contract signed by the City. The only service NFP was contracted to provide was investment monitoring of the funds held at ICMA-RC.

Since NFP's fee schedule was set to expire in July 2020, Mr. Mendell stated he would provide at the next Board meeting a breakdown of proposed fees for the final two years of the contract. Ms. Rustin added that she would review the original RFP's scope of services to compare what was requested when the RFP was issued versus the contract signed by the City versus the services provided. Ms. Rustin said she would report her findings at the May Board meeting.

After Mr. Mendell left the meeting, Mr. Vavrica cautioned the Board that as a Board they could not provide investment advice to plan members.

- b. AndCo Consulting – Brendon Vavrica
 - i. Portfolio Performance Review – Quarter End December 31, 2019

Report made part of these Minutes.

Mr. Vavrica presented the Investment Performance Review Report for quarter end December 31, 2019 noting that calendar year 2019's returns were outstanding with quarter end December 2019 being phenomenal. The excellent returns were due in part to decreasing fears about a United States trade war with China. Mr. Vavrica continued that for the first time in 2019 the yield curve did not dip but rather steadily inclined. The Retirement System's rate of return, net of fees, for quarter end December 31, 2019 was 5.85% and the return for the twelve months ended December 31, 2019 at 20.15%. Mr. Vavrica cautioned that the optimism experienced in the fourth quarter of 2019 could turn to pessimism due to fears over the coronavirus sweeping through China and the rest of the world.

Discussion turned to Garcia Hamilton's recent returns. Mr. Hoesley said he did not want a manager who attempted to predict the future but rather one who would perform up to expectations. Mr. Hoesley continued that he did not want to keep holding an underperforming manager and thus requested the Board to further review Garcia Hamilton's performance at the next Board meeting.

Mr. Hoesley requested Mr. Vavrica to bring to the next meeting any information he could gather about the Molpus timber investment since it was set to close in the next two years. Mr. Hoesley also asked Mr. Vavrica to provide a summary at the next meeting of how each recently established investment had been funded.

Mr. Vavrica shared a chart showing annual asset class performance over the last 15 years which demonstrated the reason for investment diversification: not one single asset class had consistently performed at the top, middle or bottom. Mr. Vavrica also shared a graph showing how markets historically performed in an election year and in the year immediately following an election year.

- ii. January 2020 Flash Report

Report made part of these Minutes

Mr. Vavrica reviewed the January 2020 investment returns noting that the national markets in general performed poorly and as did the Retirement System. The System's overall return for January was -0.23% compared to the benchmark of 0.16%. Mr. Vavrica explained that the poor performance for January was not cause for alarm, though, since it was only one month.

Mr. Vavrica stated that approximately \$2.0 million needed to be transferred into the cash account to cover administrative expenses, benefit payments and DROP deposits for the upcoming three months. Mr. Vavrica recommended taking \$300,000 from Harding Loevner International Equity, \$700,000 from Vanguard Mid-Cap Index, and \$1,000,000 from large cap manager Polen Advisors. Mr. Vavrica stated he based his recommendation with the intent to rebalance the fund back to target weights.

Discussion followed. Mr. Hoesley said he wanted to take the majority of the needed funds from Garcia Hamilton due to its recent poor performance. Chair Weber agreed with Mr. Hoesley and stated that since Polen Advisors was performing so well, he wanted to leave as much money with them as possible. Mr. Dickson said he thought more should be taken from the international funds especially considering the growing concerns about the coronavirus.

MOTION made by Mr. Hoesley, seconded by Mr. Dickson, to transfer \$\$750,000 from Garcia Hamilton, \$750,000 from Harding Loevner, and \$500,000 from Vanguard Mid-Cap Index to the Vanguard Total Stock Market Index fund in order to maintain the required cash position to meet upcoming monthly expense and benefit payment requirements. In a voice vote by the members present, **Motion** passed 5-0.

iii. Asset Allocation Discussion

Mr. Vavrica summarized his discussions with the Firefighters' Board of Trustees and the General Employees' Retirement Committee regarding how each would like to proceed based on the alternatives' investment presentation made in January. The Firefighters' Board said they were interested primarily in private debt investments but did not want to proceed unless the General Employees' Retirement Committee or Police Officers' Board wished to proceed. The General Employees' Retirement Committee said they were interested but did not wish to currently pursue making such alternative investments.

Mr. Vavrica explained that AndCo was required to follow approval guidelines before they could offer information to outside parties about various private equity or debt investments. At the moment, AndCo did not have any approved private equity products for Mr. Vavrica to share. However, AndCo had approved three private debt companies - Blackrock, Deerpath, and Golub - so Mr. Vavrica distributed a handout on them. No discussion followed.

c. Lewis, Longman & Walker – Janice Rustin

Ms. Rustin reviewed her memorandum on the "Setting Every Community Up for Retirement Enhancement" (SECURE) Act. Ms. Rustin explained that the most significant change affecting the City's three retirement plans was the increase in the age limit for required minimum distributions from 70 ½ to 72 which became effective after December 31, 2019. Ms. Rustin said she would work with the City Attorney to update the City's Ordinance.

Ms. Rustin summarized her meeting with a representative of Robbins Gellar Rodman & Dowd, one of the fund's securities monitoring law firm, noting that the firm had recovered substantial amounts of money for several Florida plans, most note-worthy the City of Tampa. Ms. Rustin said she would do more research with Ms. Castronovo's help to identify the law firms the legacy fund had entered agreements with and would report back at the next meeting at which point the Board could decide if they would like to enter new agreements with the same firms.

d. Pension Administrator – Lisa Castronovo

Ms. Castronovo provided two financial items: 1) financial statement of the Retirement System through September 30, 2019, and 2) the 2019-20 administrative expense budget versus actual expenses through February 12, 2020. Ms. Castronovo provided information shared by Salem Trust regarding their transition to TMI Trust Company (which would be complete by the end of February 2020).

Ms. Castronovo explained she would like to acquire a credit card specifically for the Board for her use when registering trustees for conferences and making their travel arrangements (hotel reservations, flight reservations, etc.).

MOTION made by Mr. Dickson, seconded by Mr. Razor, to authorize the acquisition of a Board credit card to be used exclusively for Board travel and educational training purposes. In a voice vote by the members present, **Motion** passed 3-0.

6. ADMINISTRATIVE ITEMS

a. NFP Retirement, Inc. Agreement

Ms. Rustin explained that while preparing a contract for the General Employees' Retirement Plan and Fiduciary First, it came to her attention that Fiduciary First, LLC had changed their name to NFP Retirement, Inc. As a result, Ms. Rustin requested NFP Retirement to prepare an amendment regarding the name change for Board execution.

MOTION made by Mr. Dickson, seconded by Mr. Razor, to execute Amendment No. 1 to the Investment Monitor/Consultant Agreement between the City of Delray Beach Police Officers' Retirement System and Fiduciary First, LLC in which "NFP Retirement, Inc." is substituted for "Fiduciary First, LLC." In a voice vote by the members present, **Motion** passed 3-0.

b. Administration of Deferred Vested Members' Benefit Distributions

Ms. Castronovo reviewed her memorandum that explained there were two deferred members who left the City's employment with less than 20 years of service but more than 10 years whose benefit had not started, but per the City Ordinance should have started when they reached what would have been their 20 employment anniversary date.

Discussion ensued regarding the intent of the Ordinance amendment that added age 55 and 10 years of service as an additional normal retirement date versus what the Ordinance actually stated. Chair Weber and Mr. Razor both said the intent was for any officer who left the City after 10 years of service but before completing 20 years of service would not receive their benefit until they reached age 55. Ms. Rustin and Ms. Castronovo pointed out that was not what the Ordinance stated.

Everyone agreed the Ordinance had been updated multiple times with little thought given as to how one update would affect another provision that was not updated. Ms. Rustin said she would do more research and compare the Ordinance to respective collective bargaining agreements to determine if the Ordinance reflected what was agreed to in the CBA. Ms. Rustin will provide a legal memorandum at the May meeting.

c. Disability Beneficiary Recipients Due Cost-of-Living Increases

Ms. Castronovo reviewed her memorandum explaining that the Board of Trustees of the Delray Beach Police and Firefighters' Retirement System at a September 1999 meeting agreed to extend the retirement benefit enhancement (COLA) provided in the City Ordinance to disability retirees and their beneficiaries who retired or terminated employment between October 1, 1993 and August 31, 1999. Ms. Castronovo said she found two disability retiree beneficiaries had not received COLA's even though their disability retiree spouses retired between October 1, 1993 and August 31, 1999.

Chair Weber said that before any monies were paid to the two beneficiaries, he wanted to know if the September 1999 minutes stated that the COLAs would only be paid to retirees or if beneficiaries of such retirees were included. Ms. Rustin and Ms. Castronovo said they would find the minutes in question and report their findings at the May meeting.

ADJOURNMENT

MOTION made by Mr. Dickson, seconded by Mr. Rasor, to adjourn the meeting. Meeting adjourned at 12:32 p.m.

I, *Paul Weber*, the undersigned, am the *Chairman*
of the Board of Trustees of the City of Delray Beach Police Officers' Retirement System ("Board"). The information provided herein is the Minutes of the February 25, 2020 regular meeting of said body. These Minutes were formally approved and adopted by the Board on *May 29, 2020*.

Paul Weber
Board of Trustees, City of Delray Beach
Police Officers' Retirement System

NOTE TO THE READER: If the Minutes you have received are not complete as indicated above, this means these are not the official minutes of the Board of Trustees of the City of Delray Beach Police Officers' Retirement System. Minutes will become official Minutes only after they have been reviewed and approved, which may involve some amendments, additions or deletions to the Minutes as set forth above.

NOTE: upon official approval by the Board of Trustees, the Minutes will be posted on the City of Delray Beach website at: www.delraybeachfl.gov.