

**MINUTES  
REGULAR PENSION BOARD MEETING  
CITY OF DELRAY BEACH FIREFIGHTERS' RETIREMENT FUND  
DECEMBER 11, 2020**

**1. CALL TO ORDER, ROLL CALL**

Chair Giaccone called the meeting to order at 9:01 a.m.

Due to the virtual nature of the Board meeting, Chair Giaccone read a prepared script. Script made part of these Minutes.

Board Members present via communication media technology: Chair Gregory Giaccone, Vice-Chair Craig Mahoney, Thomas Glanfield, and Alan Kirschenbaum (departed at 11:28 a.m). Board member absent: Jack Warner.

Also present via communication media technology: Board Attorney Janice Rustin (Lewis, Longman & Walker as designated by City Attorney), Investment Consultant Brendon Vavrica (AndCo Consulting), DROP Investment Consultant Jamie Hayes (NFP), Pension Administrator Lisa Castronovo, and Pension Specialist Elizabeth Brown.

Guests present via communication media technology: John Mainville

**2. AGENDA ADOPTION**

**MOTION** made by Mr. Mahoney, seconded by Mr. Kirschenbaum, to adopt the December 11, 2020 Agenda. In a voice vote by the members, **Motion** passed 4-0.

**3. COMMENTS**

- a. Public  
None
- b. Active and Retired Members of the Plan  
None
- c. Board of Trustees of Police Officers' Retirement System  
None

**4. ADMINISTRATIVE ITEMS**

- a. Selection of Fifth Board Member

**MOTION** made by Mr. Mahoney, seconded by Mr. Glanfield, to select Paul Jack Warner as the Board of Trustees' fifth member. In a roll call vote of the members, **Motion** passed 4-0.

Mr. Warner joined the meeting at 9:09 a.m.

- b. Annual Board Officers' Election

**MOTION** made by Mr. Warner, seconded by Mr. Kirschenbaum, for Gregory Giaccone to serve as Board Chairperson and Craig Mahoney to serve as Board Vice-Chairperson. In a roll call vote of the members, **Motion** passed 5-0.

**MOTION** made by Mr. Kirschenbaum, seconded by Mr. Warner, for Jack Warner to serve as Board Secretary. In a roll call vote of the members, **Motion** passed 5-0.

- c. 2021 Board Meeting Schedule

The Trustees discussed proposed dates and decided to hold the 2021 quarterly meetings on February 11<sup>th</sup>, May 13<sup>th</sup>, August 12<sup>th</sup>, and November 10<sup>th</sup>.

d. Administrative Expense Budget for 2020-21

Ms. Castronovo provided a draft Administrative Expense Budget for fiscal year 2020-21 with a proposed budget of \$350,000. The Firefighters' plan's actual administrative expenses October 1, 2019 - September 30, 2020 were \$225,000 versus the \$350,000 maximum budget set for fiscal year end 2020.

**MOTION** made by Mr. Mahoney, seconded by Mr. Kirschenbaum, to adopt an Administrative Expense Budget of \$350,000 for fiscal year end 2021. In a roll call vote of the members, **Motion** passed 5-0.

e. Paperless Meetings & Electronic Devices

Ms. Castronovo told the Board that the General Employees' Retirement Committee approved the purchase of electronic devices (laptop or tablet) for any Committee member who would like one for exclusive Committee purposes. While they approved the purchase, to date no one had requested such purchase. Ms. Castronovo suggested that if there was interest from all three Retirement boards for such purchase, she could purchase up to six total devices to be shared by the boards with the cost split evenly between them.

The Trustees Board collectively agreed that they did not need a device specific for Board purposes and thus did not want to pursue the purchase of any devices.

c. Fiduciary Liability Insurance

Ms. Castronovo presented the Board with the 2021 fiduciary liability insurance quote of \$14,481 for \$5 million coverage. Mr. Glanfield asked Ms. Rustin if she knew when the insurance coverage would start once a claim was filed. Ms. Rustin asked for a bit of time to research. This item was moved to Item 6.c.

**5. CONSENT AGENDA**

- a. September 17, 2020 Regular Meeting Minutes
- b. Warrant Ratification (#249-250)
- c. Warrant Approval (#251)
- d. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities
- e. Board of Trustee Elections Policy & Procedures

**MOTION** made by Mr. Kirschenbaum, seconded by Mr. Warner, to approve Consent Agenda Items 5.a.-e. In a roll call vote of the members, **Motion** passed 5-0.

**6. REPORTS**

- a. NFP Retirement Inc. September 30, 2020 Quarterly Report – Jamie Hayes  
Report made part of these Minutes

Ms. Hayes reviewed the September 30, 2020 quarterly report noting that the fund lineup was really strong with a large variety of investment options available to the DROP participants from passive to active strategies or any combination in between. Ms. Hayes noted that the majority of the DROP participants' assets continued to be in cash or target date funds which was not unexpected in a DROP account.

Ms. Hayes noted three funds which had previously been discussed – Fidelity Diversified International, LSV Small Cap Value, and Janus Henderson Small Cap Value T – would be liquidated and moved to similar, but better performing funds once the legal documents were completed. Fidelity Diversified International would be moved to MFS International Growth and both LSV Small Cap Value and Janus Henderson Small Cap Value would be moved to American Century Small Cap Value.

Ms. Castronovo reported that ICMA-RC had provided her with an amendment to their initial Administrative Services Agreement which provided their fees would be paid by the Administrative Allowance Account.

**MOTION** made by Mr. Warner, seconded by Mr. Kirschenbaum, to accept and sign ICMA-RC's amendment to the initial agreement. In a roll call vote by the members, **Motion** passed 5-0.

b. AndCo Consulting – Brendon Vavrica

i. Portfolio Performance Review – Quarter End September 30, 2020

Report made part of these Minutes.

Mr. Vavrica presented the Investment Performance Review Report for quarter end September 30, 2020 remarking no one would have expected immediately after the March 31, 2020 calendar quarter that any retirement fund would see investment returns anywhere near their actuarial assumed rate of return yet it happened. Mr. Vavrica pointed out one notable item of interest in the domestic equity markets: the 43-basis point difference between growth equity returns (36.1%) and value equity returns (-5.7%).

For the Firefighters' Retirement System ("System") in particular, the net rate of return was 8.64% which, while trailing the total fund benchmark of 10.4%, exceeded the 6.75% assumed rate of return. The System's total assets on September 30, 2020 were \$106.6M compared to \$92.5M on March 31, 2020. Due to the excellent returns experienced by growth equity stock, the System was overweight in equities.

ii. November 2020 Flash Report

Report made part of these Minutes

Mr. Vavrica reviewed the November 2020 investment returns noting the System's total net return for November was 8.82% compared to the benchmark of 7.86%.

As vaccines for COVID-19 are announced and people start moving around again (shopping in malls, flying, taking vacations), it was expected that value stocks would rebound and perform better. As a case in point, value equity manager BNYMellon started seeing improved performance shortly after the November elections.

Mr. Vavrica noted Great Lakes Advisors and Harding Loevner performed behind their respective benchmarks. Mr. Glanfield asked if the strategy used by Great Lakes had missed the boat completely since they were behind their benchmark by over 800 basis points since they were hired in August 2019. Mr. Glanfield suggested that Great Lakes be replaced sooner rather than later. Mr. Vavrica agreed that an 800 basis points under-performance was unacceptable. Mr. Kirschenbaum wondered if the Great Lakes money should be moved to Polen's small cap growth fund. Mr. Vavrica said he

felt Great Lakes should be given more time to turn things around, but Mr. Glanfield and Mr. Kirschenbaum both stated they wanted to liquidate Great Lakes immediately. Mr. Vavrica then recommended evenly splitting the Great Lakes money between a small cap index fund and a mid cap index fund as a way to maintain the overall asset allocation.

**MOTION** made by Mr. Glanfield, seconded by Mr. Kirschenbaum, to terminate investment manager Great Lakes Advisors and split the money managed by them equally between two Fidelity funds: Mid Cap Index Fund and Small Cap Index Fund. In a roll call vote by the members, **Motion** passed 5-0.

iii. Review Investment Policy draft

Draft Investment Policy and Asset Allocation Analysis Report made part of these Minutes

Mr. Vavrica stated the current asset allocation was approximately 56% domestic equity, 16% international equity, 16% fixed income, 6% real estate, and 6% alternatives. Mr. Vavrica presented the Board with various asset allocation strategies that more closely matched the actual allocation rather than the current investment policy allocation. The alternative strategies each provided higher returns for similar risk.

Mr. Glanfield wanted specifics regarding the System's real estate investments and Mr. Vavrica's thoughts on how such investments might perform in the future considering the changing dynamics of where people will work in the future – home or in an office. Mr. Vavrica responded that all of the investments are core investments, specifically various commercial sites, malls, multi-family residences. Mr. Vavrica said office space had not yet been impacted by the shift of people working from home instead of in an office, but such impact was likely on the way, though the significance of the impact was a big question mark. Mr. Glanfield stated he would like to move into real estate funds that were more residential geared.

Mr. Kirschenbaum stated he wanted to keep the System invested more heavily in domestic equity and for that reason liked Mix 3 the best. Mr. Kirschenbaum added that he liked Mix 3 as it most closely reflected how the System was currently allocated meaning if the Board adopted it, the System would not have to be rebalanced. Mr. Glanfield agreed. Mr. Vavrica noted that even if Mix 3 was adopted, but System was still overweight in domestic equity and underweight in real estate.

**MOTION** made by Mr. Warner, seconded by Mr. Glanfield, to terminate investment manager Great Lakes Advisors and split the money managed by them equally between two Fidelity funds: Mid Cap Index Fund and Small Cap Index Fund. In a roll call vote by the members, **Motion** passed 5-0.

c. Lewis, Longman & Walker – Janice Rustin

Fiduciary Liability Insurance – continued

In answer to Mr. Glanfield's question as to when the insurance coverage starts, Ms. Rustin said she found in the most recent policy that coverage and payment is effective as soon as a claim is filed. The insurance company will pay all claim-related fees including attorney fees. Further, a trustee can have their own legal counsel so long as

the insurance company pre-approves such attorney. Mr. Glanfield asked if the insurance company had set hourly legal fee amounts to which Ms. Rustin said she would research and provide an answer.

**MOTION** made by Mr. Mahoney, seconded by Mr. Warner, to accept the fiduciary liability insurance policy for \$5 million coverage and pay the premium. In a roll call vote of the members, **Motion** passed 4-0.

- i. Virtual/Electronic Attendance Policy  
Ms. Rustin presented the Board with a policy adopted by the General Employees' Retirement Committee regarding attending meetings virtually via telephone or other electronic means. The approved policy set forth the Committee's electronic attendance policy and procedures to be followed when a Committee member was unable to attend a Committee meeting. Ms. Rustin asked the Board if they would like to adopt a similar policy for themselves.

**MOTION** made by Mr. Warner, seconded by Mr. Glanfield, to adopt a virtual/electronic attendance policy similar to that adopted by the General Employees' Retirement Committee and Police Officers' Board of Trustees. In a roll call of the members, **Motion** passed 4-0.

- d. Pension Administrator – Lisa Castronovo  
Ms. Castronovo provided three financial items: 1) financial statement of the Retirement System as of June 30, 2019, 2) a comparison of the 2019-20 administrative expense budget versus actual administrative expenses through September 30, 2020, and 3) the 2020-21 administrative expense budget versus actual expenses through December 2, 2020. Ms. Castronovo reported that the Retirement System received the 2019 Premium Tax Distribution of \$1,109,338 on October 6, 2020 and the City's 2020-21 contribution of \$7,798,004 on October 1, 2020 with all funds invested as per the Board's September 17, 2020 direction. Ms. Castronovo reported that she acquired her notary certification as well as a City purchase card to be used for conference attendance and travel-related expenses.

Ms. Castronovo told the Trustees that while she and Ms. Rustin were drafting a travel policy for the General Employees' Retirement Committee, they noted that the Board's travel policy was not only out-of-date (last updated in 2007), it was for the Police & Firefighters' legacy board of trustees. Ms. Castronovo recommended the Board allow her and Ms. Rustin to draft a new travel policy that they could present at the next quarterly meeting. The Board agreed.

**ADJOURNMENT**

The meeting adjourned at 11:44 a.m.

I, Gregory Giaccone, the undersigned, am the Chair of the Board of Trustees of the City of Delray Beach Firefighters' Retirement System ("Board"). The information provided herein is the Minutes of the December 11, 2020 regular meeting of said body. These Minutes were formally approved and adopted by the Board on February 11, 2021.



Board of Trustees, City of Delray Beach  
Firefighters' 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 Firefighters' Retirement System. Minutes will become official 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](http://www.delraybeachfl.gov).