

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF DELRAY BEACH FIREFIGHTERS' RETIREMENT FUND
SEPTEMBER 17, 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, Secretary Jack Warner, Thomas Glanfield, and Alan Kirschenbaum. Board Member absent: Vice-Chair Craig Mahoney.

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 Consultants Jamie Hayes and Matt Dickey (NFP), Karen Russo (Salem Trust), and Pension Administrator Lisa Castronovo.

Guests present via communication media technology: John Mainville

2. AGENDA ADOPTION

Chair Giaccone amended the Agenda to make Item 5.b. (in its entirety) Item 5.c. and make Item 5.c. Item 5.b.

MOTION made by Mr. Warner, seconded by Mr. Kirschenbaum, to adopt the September 17, 2020 Agenda, as amended. In a roll call vote of the members, **Motion** passed 4-0.

3. COMMENTS

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

4. CONSENT AGENDA

- a. May 21, 2020 Regular Meeting Minutes
- b. August 7, 2020 Special Meeting Minutes
- c. August 24, 2020 Special Meeting Minutes
- d. Warrant Ratification (#245 - 247)
- e. Warrant Approval (#248)
- f. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities

MOTION made by Mr. Warner, seconded by Mr. Kirschenbaum, to approve Consent Agenda Items 4.a.-f. In a roll call vote of the members, **Motion** passed 4-0.

5. REPORTS

- a. NFP Retirement Inc. June 30, 2020 Quarterly Report – Jamie Hayes and Matt Dickey
Report made part of these Minutes

Before Ms. Hayes and Mr. Dickey started their presentation, Ms. Rustin told the Board that NFP's DROP consulting services' invoices were currently being paid by the Retirement System rather than by funds accumulated in an Administrative Allowance Account ("AAA") within the DROP account at ICMA-RC that was set up specifically to pay for such invoices. Ms. Rustin stated that in her review of other municipalities' contracts for similar services, their retirement plan did not pay these invoices because the AAA accounts paid them.

Ms. Castronovo reminded the Board that in 2019 they voted to pay out the entire AAA March 31, 2019 balance in December 2019 to all then current DROP participants. Ms. Castronovo stated that the Board needed to decide how they wanted to pay out any excess AAA balance in 2020 but to keep in mind if they decided to deduct NFP's quarterly invoices and ICMA-RC's quarterly fees from the AAA they would not be able to pay out the entire March 31, 2020 balance as there wouldn't be enough funds left in the AAA on December 31, 2020 to pay that quarter end's NFP invoice and ICMA-RC fees.

MOTION made by Mr. Warner, seconded by Mr. Kirschenbaum, to pay all future NFP invoices and ICMA-RC fees directly related to the Firefighters' ICMA-RC DROP account out of the Firefighters' ICMA-RC DROP account's Administrative Allowance Account and also for NFP to work with ICMA-RC to amend ICMA-RC's agreement so that it would reflect that ICMA-RC's fees will be paid out of the Administrative Allowance Account. In a roll call vote of the members, **Motion** passed 4-0.

MOTION made by Mr. Warner, seconded by Mr. Glanfield, to pay out in December 2020 to all then DROP participants 75% of the March 31, 2020 Administrative Allowance Account balance. In a roll call vote of the members, **Motion** passed 4-0.

Mr. Dickey proceeded to review the June 30, 2020 quarterly report noting that overall the DROP participants were offered a great line of investment products. Mr. Dickey 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.

Mr. Dickey noted that two funds – LSV Small Cap Value Institution and Fidelity Diversified International – that were performing poorly and should be replaced with better performing funds in the same asset class. He recommended replacing the LSV Small Cap Value Institution fund with the Small Cap Value II I1 fund and replacing the Fidelity Diversified International fund with MFS International Growth fund. In both cases, ICMA-RC would manage the transition of funds and would notify all participants of the changes.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Glanfield, to replace the LSV Small Cap Value Institution fund with the Small Cap Value II I1 fund and replace the Fidelity Diversified International fund with MFS International Growth fund. In a roll call vote of the members, **Motion** passed 4-0.

Mr. Kirschenbaum inquired as to why were there two or more funds offered within each asset class (small-to-mid cap growth, large growth, fixed income, international equity, and global equity). He stated that maybe there should be some consolidation. Mr. Dickey noted that when lineups are stream-lined, there is higher participation, leading him to say it might be a good idea to consolidate funds within the various asset classes. Ms. Hayes said she would draft a memorandum regarding consolidation for the Trustees to review at their next meeting. Ms. Hayes also noted that if the Board wanted them to, NFP could for an additional fee assess the needs of the DROP participants and tailor an educational program specific to them.

c. Salem Trust Annual Update – Karen Russo

Ms. Russo reported that Salem Trust’s “back-office” transition had been completed and while there were a few hiccups along the way, everything was now completed and proceeding smoothly. Ms. Russo noted that one result of the back-office transition was that all retirees would receive two IRS Form 1099-Rs for 2020.

b. AndCo Consulting – Brendon Vavrica

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

Report made part of these Minutes.

Mr. Vavrica presented the Investment Performance Review Report for quarter end June 30, 2020 noting that after such a disastrous March 31, 2020 quarter and partly as a result of the Fed’s very aggressive moves in March and April (lowering interest rates and buying bonds), the markets had rebounded remarkably well. Mr. Vavrica noted that the markets were being challenged by politics, acts of nature, and societal unrest among other things, but were “weathering the storm” and continued to produce positive returns. Mr. Vavrica stated that domestic growth equity was the major driver of positive returns for the quarter and was also the main reason the fund was overweight in equities at quarter end. Mr. Vavrica concluded by noting that because fixed income manager Garcia Hamilton was heavily invested in corporate bonds as opposed to government bonds, they performed exceptionally well in the quarter.

ii. August 2020 Flash Report

Report made part of these Minutes

Mr. Vavrica reviewed the August 2020 investment returns noting the System’s total net return for August was 3.73% compared to the benchmark of 3.73% bringing the System’s net return for the fiscal year to date to 10.6%. Mr. Vavrica stated that through September 16, 2020, returns, though down, continued to be positive and the total estimated net return for the fiscal year to date was 8.0%.

iii. Polen IPS Addendum

Mr. Vavrica stated that Polen’s Focus Growth fund, in which the System was invested, was a very concentrated portfolio with only 15-25 total holdings. Because the fund had such few holdings, there were times when any one holding could be up to 15% of the total portfolio. As a result, Polen wanted an addendum to their contract allowing them to keep any single holding up to a maximum of 15% of their portfolio rather than the current limit of 12% of the portfolio. Mr. Vavrica suggested adding to the addendum that no single purchase could exceed 10% of the portfolio at the time of purchase.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Glanfield, to adopt Polen Capital's addendum that would allow any single holding to make up 15% of the portfolio and any single purchase could make up no more than 10% of the portfolio at the time of purchase. In a roll call vote of the members, **Motion** passed 4-0.

iv. Templeton Global Bond Portfolio Comparison
Report made part of these Minutes

Mr. Vavrica said he was making a presentation to the Board about the Templeton Global Bond fund because, while AndCo liked maintaining a global bond fund position, they were concerned about Templeton's poor performance over the last few years and thus felt the Board should consider replacing Templeton with another better performing global bond fund. AndCo recommended three funds as possible replacements: Legg Mason BW Global Opportunities Bond IS ("Brandywine"), Loomis Sayles Fixed Income, and PIMCO Diversified Income. When compared to Templeton, PIMCO was much more diversified with slightly higher fees and Brandywine and Loomis Sayles had about the same number of holdings with slightly lower fees. Mr. Vavrica explained that Brandywine was the most aggressive of the three funds (a bit more equity-like) and for that reason, he recommended the Board select Loomis Sayles or PIMCO.

Mr. Kirschenbaum stated that he would rather take more risk in equity investments, so he preferred replacing Templeton with the more conservative PIMCO even though Loomis Sayles had performed slightly better than PIMCO in the past five years. Mr. Glanfield questioned why keep the asset class at all when fixed income investments were not expected to generate positive returns in the future. Mr. Vavrica responded the Police Officers' Board had the same concerns but decided to keep the investment class and take needed funds in the future from Garcia Hamilton rather than any of the equity investments. Mr. Glanfield encouraged a move away from fixed income investments.

Mr. Vavrica suggested the Board liquidate the Templeton global bond fund and transfer its assets to PIMCO, transfer \$1.5M from Garcia Hamilton to the Vanguard indexed equity fund to cover upcoming benefits and expenses, and place all of the City's incoming annual contribution in the Vanguard indexed equity fund.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Glanfield, to 1) liquidate the Templeton global bond fund and transfer the assets to PIMCO, 2) transfer \$1.5M from Garcia Hamilton to the Vanguard Total Stock Index fund, and 3) invest the entirety of the City's incoming annual contribution in the Vanguard Total Stock Index fund. In a roll call vote of the members, **Motion** passed 4-0.

Mr. Kirschenbaum asked if the System was facing a problem for not following its set investment guidelines. Mr. Vavrica responded that it was somewhat of a problem but he would bring to the November meeting a new asset allocation for Board consideration and it was on record that the issue would be addressed as quickly as possible at the next possible Board meeting.

v. Fidelity Index Fund as possible alternative to Vanguard's Index Fund

Mr. Vavrica stated that Vanguard had typically been the provider of index funds with the lowest basis points. Recently, Fidelity started rolling out index funds to compete with Vanguard and was offering such funds at 2 basis points less than Vanguard (2% vs. 4%),

which equated to \$2,000/year savings. Mr. Vavrica noted that the two funds perform basically the same. Mr. Vavrica stated if the Board wants to change from Vanguard to Fidelity, they should not make the change until after the Templeton assets have been transferred to PIMCO and the City's contribution had been received.

Since there was a possibility that Vanguard would lower its fees, Chair Giaccone suggested the Board make a motion to change from Vanguard to Fidelity in October after the transfer of assets from Templeton to PIMCO and the City's contribution was received contingent on Vanguard not lowering their fees to match Fidelity.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Glanfield, to transfer the assets held in the Vanguard Total Stock Index fund to a similar index fund offered by Fidelity in October 2020 after the assets held by Templeton have been transferred to PIMCO and the City's contribution has been received, but only if Vanguard has not lowered its basis points to match Fidelity. In a roll call vote of the members, **Motion** passed 4-0.

d. Lewis, Longman & Walker – Janice Rustin

Ms. Rustin told the Board that she was working closely with GRS's Jeffrey Amrose to work out the specifics of the agreement between the Board and GRS for the annual fees and services associated with the new pension administration software.

Ms. Rustin stated she provided the Board with a memorandum detailing the specifics of a new law that took effect July 1, 2020 which states that a local government pension board may not enter into an agreement with a contractor on or after January 1, 2021 unless the contractor has registered with and uses E-Verify. E-Verify is a free, internet-based system through which a City or Board may quickly confirm if a new vendor is authorized to work in the United States. The new law allows a Board to terminate an agreement with a contractor if they have a good faith belief that the contractor is not authorized to work in the U.S. Ms. Rustin suggested the Board send a letter to each of its contractors notifying them of their obligation to register with E-Verify.

6. ADMINISTRATIVE ITEMS

a. Board of Trustee Elections Police & Procedures

Ms. Rustin stated that all five trustee positions would expire in the next 2-3 months. She noted that when the employee-elected positions were filled in 2016, the City handled the election, but the Ordinance stated that it was the responsibility of the Board to adopt a policy and procedures for all employee-elected positions held after 2016. Ms. Rustin then asked the Board general questions around which she would draft an election policy/procedure.

Ms. Castronovo stated that since the two employee-elected positions expired in November 2020, the Board needed to set a date on which to hold the employee election.

MOTION made by Mr. Warner, seconded by Mr. Glanfield, to hold the election for the two upcoming employee-elected vacancies November 4, 2020 – November 6, 2020. In a roll call vote of the members, **Motion** passed 4-0.

b. Letter to ICM regarding possible future change of Actuarial Assumptions

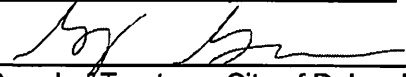
Mr. Warner submitted his suggested changes to the letter to the ICM as drafted by Ms. Rustin. Chair Giaccone stated he liked the suggested changes but added that he thought the letter should include specifics regarding the City's, the member's and the State's contributions to the Plan. It was noted that the State has stated that a 20-year amortization period was reasonable and reducing the amortization period to 15 years was also reasonable. Chair Giaccone suggested adding to the letter reference that the Plan's reduction to 15 years would be gradual over time.

Mr. Warner wanted to know when the Board would discuss adopting the change. The Board collectively agreed to send the letter to the ICM in the next few weeks as a "heads up" and then discuss whether or not to proceed with change at their February 2021 meeting.

ADJOURNMENT

MOTION made by Mr. Glanfield, seconded by Mr. Kirschenbaum, to adjourn the meeting. Meeting adjourned at 11:22 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 September 17, 2020 regular meeting of said body. These Minutes were formally approved and adopted by the Board on December 11, 2020.


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 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.