

**MINUTES  
REGULAR PENSION BOARD MEETING  
CITY OF DELRAY BEACH FIREFIGHTERS' RETIREMENT FUND  
FEBRUARY 20, 2020**

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

Chair Giaccone called the meeting to order at 10:00 a.m.

Board Members present: Chair Gregory Giaccone, Vice-Chair Craig Mahoney, Secretary Jack Warner (arrived at 10:06 a.m.), Thomas Glanfield (arrived at 10:03 a.m.), and Alan Kirschenbaum.

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: John Mainville

**2. AGENDA ADOPTION**

Ms. Rustin stated Item 6.a. (Annual Audit Services Agreement) needed to be pulled from the Agenda.

**MOTION** made by Mr. Mahoney, seconded by Mr. Kirschenbaum, to adopt the February 20, 2020 Agenda as amended to remove Agenda Item 6.a. In a voice vote by the members present, **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. November 21, 2019 Regular Meeting Minutes
- b. January 30, 2020 Workshop Minutes
- c. Warrant Ratification (#240-241)
- d. Warrant Approval (#242)
- e. Ratify/Approve - Refunds/Benefit Enhancements/New Retirements/DROPs/Vested/Death Annuities
- f. Ratify/Approve - Deposits

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

**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 future. Mr. Mendell again expressed his opinion that there was not much need for the Puritan fund since investors could select from various target date funds that were very similar in nature. Mr. Kirschenbaum countered that the Puritan fund was considered a more balanced fund than target date funds so thus it should be retained as a viable option to the target date funds. Mr. Glanfield and Mr. Warner stated they were okay with replacing or removing the Puritan fund. Mr. Mendell stated he would keep Fidelity Puritan on the watch list for the next quarter and bring to the next meeting other balanced funds for Board consideration as a replacement for Fidelity Puritan.

Regarding the Fidelity Select Technology fund, Mr. Mendell said that while it experienced significant earnings in quarter end December 31, 2019, it would always be a volatile investment. After discussion about possible replacement funds, the Board agreed they wanted to replace Fidelity Select Technology with a technology indexed fund.

**MOTION** made by Mr. Kirschenbaum, seconded by Mr. Glanfield, 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 said he would handle the replacement of Fidelity Select Technology with Vanguard Information Technology Index Adm within a timeframe of about 75 days. Mr. Mendell concluded his presentation by stating he would bring to the next meeting in-depth information about the JPMorgan target date funds.

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 by stating that the returns for the quarter were 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 5.98% and for the twelve months ended December 31, 2019 was 20.77%. 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 entering the United States.

ii. January 2020 Flash Report

Report made part of these Minutes

Mr. Vavrica reviewed the January 2020 returns noting that the national markets in general performed poorly and as did the Retirement System. The fund's overall return for January was -0.44% compared to the benchmark of 0.16%. Mr. Vavrica explained that the poor performance for January was not cause for alarm for an entire year since it was only one month.

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.

Mr. Vavrica explained that approximately \$1.4 million needed to be transferred into the cash account to cover administrative expenses, benefit payments and DROP deposits for the next three months. Mr. Vavrica recommended taking the needed funds from the large cap growth accounts, specifically Polen Capital and/or RhumbLine Advisers, since the fund was slightly overweight in that particular asset group.

**MOTION** made by Mr. Kirschenbaum, seconded by Mr. Mahoney, to transfer \$1,400,000 from Polen Capital to the Vanguard Total Stock Market Index fund in order to maintain the required cash position to meet monthly benefit payment requirements. In a voice vote by the members present, **Motion** passed 5-0.

iii. Asset Allocation Discussion

Mr. Vavrica started the discussion by asking the Board how they wished to proceed regarding private debt and private equity investments. Mr. Warner said he wanted to see how the General Employees' retirement committee would move forward as he didn't think now was the time to start investing in private equity or private debt. Mr. Kirschenbaum agreed with Mr. Warner and said he wished to stay fully invested in public markets considering the majority of private investments made by the Retirement System in the past had not panned out very well.

Mr. Glanfield agreed that the Board should be prudent with the investments but that he would like to explore private equity or private debt investing in more detail. The Board collectively agreed they were more interested in private debt investments over private equity 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 that he could share. However, since AndCo had approved three private debt companies - Blackrock, Deerpath, and Golub - Mr. Vavrica distributed a handout regarding them. Mr. Vavrica noted specifically the managers' strategies, focus, strengths, and fees and that all three of the managers' products would work well in the Retirement System's portfolio. Mr. Vavrica concluded by stating he would bring to the next meeting another set of asset mixes that would exclude private equity but include private debt with different investment percentages.

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 the most significant change affecting the City's retirement plans was the increase in the age limit for required minimum distributions from 70 ½ to 72 which would become effective after December 31, 2019.

**Ms. Rustin explained that the Police Officers' Board of Trustees requested that she** research securities litigation monitoring law firms. Ms. Rustin asked the Board if they would like to know what her research turned up to which they responded they were more interested in knowing who they had already engaged for the services. Ms. Rustin stated she would look into it and report back at the next meeting.

- 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 as shared by Salem Trust regarding their transition to TMI Trust Company. Ms. Castronovo presented the idea of the Board acquiring a Board-specific credit card primarily for her use when registering the trustees for conferences and making their travel arrangements (hotel reservations, flight reservations, etc.). Ms. Castronovo said she wanted to discuss the idea further with the **City's Assistant Finance Director and would provide a follow-up report at the Board's next meeting.**

#### **6. ADMINISTRATIVE ITEMS**

- b. NFP Retirement, Inc. Agreement

Ms. Rustin explained **that while she was 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. Mahoney, seconded by Mr. Kirschenbaum, to execute Amendment No. 1 to the Investment Monitor/Consultant Agreement between the City of Delray Beach **Firefighters' 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 5-0.

#### **ADJOURNMENT**

**MOTION** made by Mr. Mahoney, seconded by Mr. Kirschenbaum, to adjourn the meeting. Meeting adjourned at 12:08 p.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 February 20, 2020 regular meeting of said body. These Minutes were formally approved and adopted by the Board on

May 21, 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](http://www.delraybeachfl.gov).