

MINUTES
REGULAR PENSION BOARD MEETING
CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT FUND
SEPTEMBER 13, 2018

1. CALL TO ORDER, ROLL CALL

Chair Weber called the meeting to order at 1:00 PM.

Board Members present: Chair Paul Weber, Trustee James Hoesley, and Trustee Jeffrey Rasor. Members absent: Secretary Raymond Jones, Trustee Barry Feldman. Also present: Board Attorney Bonni Jensen (Klausner, Kaufman, Jensen & Levinson), Investment Consultant Brendon Vavrica (AndCo), and Pension Administrator Lisa Castronovo.

Guests: Janice Rustin, John Mainfield, Karen Russo, Tyler Adams, Jeffrey Amrose, Trisha Amrose

2. AGENDA ADOPTION

MOTION made by Mr. Hoesley, seconded by Mr. Rasor, to adopt the September 13, 2018 regular Board meeting Agenda as presented. In a voice vote by the members present, **Motion** passed 3-0.

3. COMMENTS

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

4. CONSENT AGENDA

MOTION made by Mr. Hoesley, seconded by Mr. Rasor, to approve Items 4.a.-e. In a voice vote by the members present, **Motion** passed 3-0.

5. WARRANTS

MOTION made by Mr. Hoesley, seconded by Mr. Rasor, to approve payment of Warrants 202, 204 and 205. In a voice vote by the members present, **Motion** passed 3-0.

6. REPORTS

- a. AndCo – Brendon Vavrica
 - i. Portfolio Performance Review – Quarter End June 30, 2018
Mr. Vavrica reviewed the Investment Performance Review for the period ending June 30, 2018. Mr. Vavrica noted that in the financial market at large international equity returns were down after being up and leading for the previous 6-9 months while domestic growth equities dramatically outperformed value equities and fixed income returns were negative in the increasing interest rate market.

Mr. Vavrica stated that the Police Officers' fund had performed well in the second quarter of 2018 with the overall return of 1.61% beating the policy return of 1.59%. Mr. Vavrica concluded by noting that in general the Fund was headed in the right direction with the new investment managers the Board had recently hired.

ii. August 2018 Flash Report

Mr. Vavrica reported the Fund's net rate of return for the current fiscal year through August 31, 2018 was 7.75% compared to the policy index of 8.44%, so while the actual return was lower than the benchmark, the Fund was on pace to hit the assumed rate of return for the fiscal year.

b. Gabriel, Roeder, Smith & Company ("GRS") – Jeffrey Amrose and Trisha Amrose
October 1, 2017 Actuarial Valuation Report – DRAFT
(Report made part of these Minutes)

Highlights of the October 1, 2017 Actuarial Valuation Report:

- The City's required contribution decreased from \$5,379,284 for the 2017-18 fiscal year to \$5,356,018 for the 2018-19 fiscal year, a \$23,266 decrease and a 2.09% decrease as a percent of payroll. Mr. Amrose reminded the Board that while the dollar amount of contributions fluctuates from year-to-year, there is typically little to no fluctuation in contributions as a percent of payroll.
- Because of the City paid excess contributions in the past, the City can apply the excess contributions to decrease future required contributions or reduce the unfunded actuarial accrued liability ("UAAL").
- There were no benefit revisions.
- The mortality assumption was revised to comply with Florida House Bill 1309 which required all Florida public pension plans to use the same mortality tables as used by Florida Retirement System.
- The Fund experienced a net actuarial gain of \$622K for the year meaning actual experience was more favorable than anticipated. The gain was due primarily to lower than expected salary increases but was partially offset by losses due to investment returns below the 8.0% assumed rate of return. The actuarial gain decreased the required contribution by 0.50% of covered payroll.
- The funded ratio on October 1, 2017 was 67.4% compared to 65.3% on October 1, 2016.
- The market value of assets exceeded the actuarial value of assets by \$2M. The excess would gradually be recognized over subsequent years resulting in a decrease in the required contribution.
- The Fund's normal cost will trend down in future years since all new hires after September 2016 have lower benefits than those hired before October 2016.
- The actuarial value of assets was calculated using a method Mr. Amrose believed did not comply with actuarial standards of practice. Mr. Amrose recommended changing the method to one more widely accepted noting that changing the method would have the affect of immediately decreasing the required contribution.

Discussion ensued regarding decreasing the assumed investment rate of return in steps from the current 8.0% to ultimately 7.0% based on scenarios presented by Mr. Amrose.

MOTION made by Mr. Rasor, seconded by Mr. Hoesley, effective October 1, 2017, to refresh the assets and decrease the assumed investment rate of return from 8.0% to 7.25% and decrease the assumed rate of return on October 1, 2018 from 7.25% to 7.00%. In a voice vote by the members present, **Motion** passed 3-0.

MOTION made by Mr. Rasor, seconded by Mr. Hoesley, to approve the October 1, 2017 Actuarial Valuation Report as revised (to reflect an assumed rate of return of 7.25% and resetting of asset smoothing method effective October 1, 2017). In a voice vote by the members present, **Motion** passed 3-0.

MOTION made by Mr. Rasor, seconded by Mr. Hoesley, to approve an expected rate of return of 7.25% for both near term and long term. In a voice vote by the members present, **Motion** passed 3-0.

c. Salem Trust Company – Karen Russo

This Item was taken out of order.

Ms. Russo explained that Salem Trust provided complete class action services for the Fund at no cost to the Fund but such service was no longer feasible without charging a fee. Mr. Russo asked the Board to consider continuing the full class action services for a fee equal to 12% of any award won on behalf of the Fund.

MOTION made by Mr. Hoesley, seconded by Mr. Rasor, to continue Salem Trust's class action services for a fee of 12% of any award won on behalf of the Fund. In a voice vote by the members present, **Motion** passed 3-0.

Ms. Russo briefly reviewed Salem Trust's Service Report Summary, Electronic Communication Acknowledgment, cyber security practices, and Certificate of Liability Insurance.

d. Klausner, Kaufman, Jensen & Levinson – Bonni Jensen

Ms. Jensen informed the Board: 1) that the Board Chair and approved duty-disability applicant Terry Jones must sign the Final Order Granting Service-Connected Disability Retirement that she had drafted and provided, and 2) she needed to complete some documents to finalize the splitting of one last investment between the Firefighters' and Police Officers' retirement funds.

e. 2017 Annual State Report

No discussion.

f. Pension Administrator – Lisa Castronovo

Ms. Castronovo presented the Board with items for discussion: 1) accepting her as the Retirement System's Pension Administrator, 2) adding the City's other Pension Administrator, Nancy Graham, as another authorized signer for transactions and directives involving Salem Trust, 3) rejoining Florida Public Pension Trustees Association, 4) optional ways of listing and paying invoices rather than producing and approving individual Warrants for each invoice.

MOTION made by Mr. Rasor, seconded by Mr. Hoesley, to accept Lisa Castronovo as the Pension Administrator under terms and conditions that were agreeable to the Board. In a voice vote by the members present, **Motion** passed 3-0.


MOTION made by Mr. Hoesley, seconded by Mr. Rasor, to have both Lisa Castronovo and Nancy Graham as authorized signers for transactions and directives involving Salem Trust. In a voice vote by the members present, **Motion** passed 3-0.

MOTION made by Mr. Rasor, seconded by Mr. Hoesley, to rejoin the Florida Public Pension Trustees Association effective January 1, 2019. In a voice vote by the members present, **Motion** passed 3-0.

ADJOURNMENT

MOTION made by Mr. Rasor, seconded by Mr. Hoesley, to adjourn the meeting. The Meeting adjourned at 3:08 PM.

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 July 17, 2018 special meeting of said body. These Minutes were formally approved and adopted by the Board on 12/13/18.



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 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.mydelraybeach.com.