

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF DELRAY BEACH FIREFIGHTERS' RETIREMENT FUND
NOVEMBER 8, 2018**

1. CALL TO ORDER, ROLL CALL

Chair Giaccone called the meeting to order at 3:00 PM.

Board Members present: Chair Gregory Giaccone, Secretary Thomas Glanfield, Trustee Alan Kirschenbaum, and Trustee Jack Warner. Members absent: Trustee Craig Mahoney. Also present: Board Attorney Janice Rustin (Lewis, Longman & Walker as designated by the City Attorney), Investment Consultant Brendon Vavrica (AndCo), and Pension Administrator Lisa Castronovo.

Guests: Tyler Adams, Duane D'Andrea, Kimberly Ferrell, and John Mainfield

2. AGENDA ADOPTION

MOTION made by Mr. Warner, seconded by Mr. Kirschenbaum, to adopt the November 8, 2018 regular Board meeting Agenda as presented. In a voice vote by the members present, **Motion** passed 4-0.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Glanfield, to no longer record the Board of Trustees' meetings. 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

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

Mr. Glanfield requested that someone from the City's Finance Department make a presentation to the Board on how Plan expenses, contributions, benefit payments, etc. are tracked on an on-going basis.

5. REPORTS

- a. AndCo – Brendon Vavrica
 - i. Portfolio Performance Review – Quarter End September 30, 2018
Report made part of these Minutes.
Mr. Vavrica reviewed the Investment Performance Review Report for the quarter ended September 30, 2018. Mr. Vavrica noted that in the financial market at large, international equity returns continued a downward track as started in the prior quarter while domestic equity returns remained strong and fixed income returns remained flat.

Mr. Vavrica reported the Firefighters' Fund performed well in 2018's third quarter with an overall return of 3.23% only slightly behind the 3.50% policy index return. The overall return placed the Firefighters' Fund in the top 15% of all measured funds and top 40% of measured public funds.

Mr. Warner noted the Fund was out of compliance in many areas and requested that Mr. Vavrica present quarterly reports about how the Fund performed and stayed in compliance with set parameters. Mr. Glanfield stated since it was well-known that fixed income would produce zero-to-low positive returns for the foreseeable future the Board should look into moving out of fixed income investments to better performing alternative investments.

Mr. Warner requested Mr. Vavrica to provide an educational session to the Board at its next quarterly meeting regarding asset allocation and new investment managers in some of the asset classes presented. Mr. Vavrica agreed to provide such a presentation.

ii. October 2018 Flash Report

Report made part of these Minutes

Mr. Vavrica reported the overall market for October 2018 as negative and the Fund's net rate of return was no different. The return for the month of October 31, 2018 was -4.91% compared to the policy index of -4.78%. The fixed income return of 0.0% countered some of the Fund's losses due to poor equity performance in October.

Mr. Vavrica noted historically during the twelve months following a split-Congress mid-term election (as happened on November 6, 2018), the financial markets experience average returns in the 15-16% range.

iii. Westwood Income Opportunities Fund Review

Report made part of these Minutes.

Mr. Vavrica reported that Westwood Income Opportunities Fund's current portfolio manager announced he was retiring March 2019 and was being replaced by an individual who had only minimal experience and only with a fund outside the United States that was not even close in size to the Westwood fund. Mr. Vavrica stated that given the upcoming change of Westwood portfolio managers, AndCo was not comfortable having the funds they represent remain invested in the Westwood fund.

Mr. Vavrica recommended the Board move its Westwood investment into another global tactical asset allocation ("GTAA") fund managed by BlackRock Advisors, JP Morgan Investment Management, or Pacific Investment Management. Mr. Vavrica presented information on all three managers and their respective funds.

Mr. Kirschenbaum suggested holding off on any further discussion on replacing Westwood until after the next quarterly meeting at which Mr. Vavrica would provide his asset allocation educational session at which point the Board might decide to cease its investment in the GTAA strategy entirely. Mr. Glanfield requested Mr. Vavrica to bring information regarding other direct lending funds to the next meeting. Mr. Warner requested Mr. Vavrica to provide information at the next meeting as to how the City's General Employees' fund was allocated.

iv. IPS Addendum for Polen Capital

This Item was taken out of order.

Mr. Vavrica presented the IPS Addendum for Polen Capital noting it needed to be adopted and signed in order to proceed with implementation of Polen Capital as one of the Fund's investment managers.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Glanfield, to approve the IPS Addendum for Polen Capital. In a voice vote by the members present, **Motion** passed 4-0.

b. Lewis, Longman & Walker – Janice Rustin

Ms. Rustin presented a legal contract which outlined the relationship between the Board and Lewis, Longman & Walker ("LLW"). Ms. Rustin noted she drafted the contract to meet both the City's Safe Harbor provisions and State of Florida Chapter 175 requirements. Chair Giaccone voiced his concern about Item 6.a. by stating that he did not believe the Board had control over who they hired for legal services if there was a conflict between the Board, the City and LLW such that LLW could not provide services to the Board. Mr. Glanfield stated he did not want to place a cap on each month's fees because he did not want LLW, and Ms. Rustin in particular, to have their hands tied and stop providing legal services simply because the monthly cap was going to be exceeded. The Board collectively agreed to strike "substantial" in Item 6.a. and to strike Item 6.b. completely.

MOTION made by Mr. Glanfield, seconded by Mr. Kirschenbaum, to accept the legal agreement as presented and have Chair Giaccone execute after it was amended to strike "substantial" in Item 6.a. and Item 6.b. completely. In a voice vote by the members present, **Motion** passed 4-0.

Ms. Rustin stated that with the execution of the legal contract, the Plan and the Board were in compliance with the City's safe harbor provisions so she would work with Ms. Castronovo to draft a letter to the City Manager stating such compliance with a request that the City Manager provide a response of his agreement that compliance was met.

Ms. Rustin concluded by noting that a share plan had officially been adopted by the City Commission.

- c. **Fiduciary First – Joseph Mendell**
Mr. Mendell provided a brief update on the status of the new investment accounts available to DROP participants at ICMA-RC in the next few weeks. Mr. Mendell stated administrative allowance accounts (“AAA”) would soon be established for all of the City’s ICMA-RC accounts with the AAA being “holding” accounts into which the savings generated by reduced administrative expenses would be placed for later disbursement to the participants via payment toward individual administration fees.
- d. **Pension Administrator – Lisa Castronovo**
Ms. Castronovo had nothing to report.

6. ADMINISTRATIVE ITEMS

- a. **Fiduciary Liability Insurance**
Ms. Castronovo reported that the Board’s fiduciary liability insurance was up for renewal on January 1, 2019. Ms. Castronovo noted the Board’s current limit of liability was \$1 million but based on information provided by the insurance agent, the median amount limit of liability for funds with assets between \$50 and \$100 million was \$5 million. The Board collectively agreed to request the agent provide quotes for limits of liability from \$1 - \$15 million.
- b. **2018-19 Administrative Expense Budget**
Ms. Castronovo presented a proposed Administrative Expense Budget to the Board. Mr. Vavrica stated that while actual expenses could exceed each individual expense item, the total actual expenses could not exceed the total administrative expense budget.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Warner, to set the 2018-19 fiscal year Administrative Expense Budget at \$350,000. In a voice vote by the members present, **Motion** passed 4-0.

- c. **Proposed 2019 Quarterly Board Meeting Schedule**
Ms. Castronovo presented a proposed 2019 Board meeting schedule noting that the proposed meeting dates/times were in the morning of the 3rd Thursday of the 2nd month following the end of each calendar quarter. The Board accepted the presented 2019 Quarterly Board meeting schedule.
- d. **Nomination/Election of Chairperson and Vice-Chairperson**

MOTION made by Mr. Kirschenbaum, seconded by Mr. Warner, to have Mr. Giaccone serve as Chairperson and Mr. Mahoney serve as Vice-Chairperson. In a voice vote by the members present, **Motion** passed 4-0.

ADJOURNMENT

Meeting adjourned at 5:11 PM.

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 November 8, 2018 regular meeting of said body. These Minutes were formally approved and adopted by the Board on February 21, 2019.



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.mydelraybeach.com.