

**MINUTES**  
**REGULAR PENSION BOARD MEETING**  
**CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT FUND**  
**NOVEMBER 17, 2021**

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

Chair Weber called the meeting to order at 9:06 a.m.

Board Members present: Chair Paul Weber, Vice-Chair Jim Hoesley (departed at 11:50 a.m.), Secretary Jeffrey Rasor, and Scott Privitera. Trustee Meer Deen was absent.

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

Guests present: Eddie DeMicco, Kelly Brandon

**2. AGENDA ADOPTION**

**MOTION** made by Mr. Privitera, seconded by Mr. Rasor, to adopt the November 17, 2021 Agenda. In a voice vote by the members present, **Motion** passed 4-0.

**3. Comments**

a. Public Comments

None

b. Board of Trustees of Police Officers' Retirement System

None

c. Active and Retired Members of the System

None

**4. Consent Agenda**

a. September 22, 2021 Regular Meeting Minutes

b. Warrant Ratification (#253)

c. Warrant Approval (#254)

d. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities

**MOTION** made by Mr. Rasor, seconded by Mr. Hoesley, to approve Consent Agenda Items 4.a. – 4.d. In a voice vote of the members present, **Motion** passed 4-0.

**5. ADMINISTRATIVE ITEMS**

a. Annual Board Officers' Election

**MOTION** made by Mr. Hoesley, seconded by Mr. Privitera, for Paul Weber to serve as Board Chair. In a voice vote by the members present, **Motion** passed 4-0.

**MOTION** made by Mr. Privitera, seconded by Mr. Weber, for Jim Hoesley to serve as Board Vice-Chair. In a voice vote by the members present, **Motion** passed 4-0.

**MOTION** made by Mr. Privitera, seconded by Mr. Hoesley, for Jeffrey Rasor to serve as Board Secretary. In a voice vote by the members present, **Motion** passed 4-0.

b. 2022 Board Meeting Schedule

**MOTION** made by Mr. Rasor, seconded by Mr. Hoesley, to adopt the 2022 quarterly Board meeting schedule with all meetings to start at 9:00 a.m. In a voice vote by the members present, **Motion** passed 4-0.

c. Fiduciary Liability Insurance

**MOTION** made by Mr. Hoesley, seconded by Mr. Privitera, to accept the fiduciary liability insurance policy for \$5M coverage with a premium of \$15,125.14. In a voice vote by the members present, **Motion** passed 4-0.

6. Reports

a. Salem Trust

Ms. Russo provided an update on Salem Trust.

b. NFP Retirement, Inc. September 30, 2021 Quarterly Report

Report made part of these Minutes.

Mr. Dickey reviewed NFP's September 30, 2021 report noting three funds on the watch list: American Funds Washington Mutual (a large cap blend fund) for the second quarter in a row, Fidelity Contrafund (a large cap growth fund) for the fourth consecutive quarter, and Invesco Emerging Markets for the first time. Mr. Dickey said once a fund is on the watchlist for six consecutive quarters, NFP would recommend a change to another manager in the same asset class. The rest of the funds, both active and passive, experienced strong returns and great up/down captures.

Chair Weber said he was not pleased that MissionSquare allocates money in the Plus fund into conservative investments resulting in low returns for those who invest in that fund. Chair Weber asked Mr. Dickey if NFP could do anything to help. Mr. Dickey said he would contact MissionSquare to find out what could be done and he will report back at the next Board meeting.

c. AndCo Consulting, Investment Consultant

i. Portfolio Performance Review - Quarter End September 30, 2021

Report made part of these Minutes.

Mr. Vavrica presented the September 30, 2021 performance report noting the quarter was rather flat with emerging markets performing the worst (-8% for the quarter), fixed income flat due to flat interest rates and concern over inflation, and equity doing well. For the quarter ended September 30, 2021, the System's return, net of fees, was -0.84% vs. -0.02% for the benchmark. For the fiscal year ended September 30, 2021, the net rate of return was 21.61% vs. the benchmark of 18.47%. From June 30, 2021 to September 30, 2021, the System's assets decreased from \$134.7M to \$132.2M. The asset allocation was a bit overweight to equity (due to high returns over the last 12 months) and was underweight in both fixed income and real estate.

ii. Flash Report – October 2021

Report made part of these Minutes.

For the month ended October 31, 2021, the System's return, net of fees, was 3.36% vs. 3.75% for the benchmark with domestic equity managers Brandywine and Polen performing slightly behind their respective benchmarks. After lagging in the prior months, international equity manager Harding Loevner had a very good month and fixed income manager Garcia Hamilton was in line with its benchmark.

Mr. Hoesley suggested that, given current concerns about rising inflation rates, assets be moved out of fixed income and into the Blackrock Multi-asset Income fund. While Mr. Vavrica acknowledged there was always a question regarding how much money to keep invested in fixed income when fixed income had poor returns, he recommended staying invested in it since it was the portfolio's anchor. Investments in Blackrock were riskier than investments in fixed income. Mr. Hoesley said he did not mind having more risk in return for better returns; with inflation increasing, core fixed income was basically producing negative returns.

iii. Fixed Income Discussion

Report made part of these Minutes.

This item was taken out of order.

Mr. Vavrica provided information on five candidates to replace core fixed income manager Garcia Hamilton & Associates who had struggled over the last couple of years to meet their benchmark: Agincourt Capital Management, Baird Advisors, C.S. McKee, Harbor Capital Advisors, and Franklin Templeton Investments (subadvisor: Western Asset Management Company - Wamco). Mr. Vavrica noted Garcia Hamilton was very concentrated in 32 investments whereas Baird Advisors had over 1,400 investments and Western Asset had over 2,500. Mr. Vavrica also noted that the five candidates had duration periods of six or more years whereas Garcia Hamilton was less than five. Mr. Vavrica explained that a portfolio will never see large over- or under-performance from any core fixed income fund.

Mr. Vavrica noted of the five candidates, Wamco had the best performance over the last ten years but if they kept their current positioning, they were the most at risk. Mr. Vavrica suggested if the Board wanted to make a change and invest in mutual funds instead of separately managed accounts (like Garcia Hamilton), they could select two core mutual funds like Baird and Wamco. Mr. Hoesley said it was very hard to judge who would out-perform the benchmark and while it was easier to get money out of a mutual fund, he would prefer a manager who could be held accountable which could not be done with a mutual fund.

Mr. Vavrica said AndCo did not think Garcia Hamilton was fundamentally broken but rather got stuck in some recent bad decisions but that they were on course to turn around in the next few quarters. Mr. Hoesley responded that he wanted to liquidate the \$16M Garcia Hamilton held, place \$4M with Blackrock and the balance with Baird Advisors. Mr. Rasor said he would like to put \$7M in Blackrock and the balance with Baird.

**MOTION** made by Mr. Rasor, seconded by Mr. Hoesley, to liquidate cored fixed income manager Garcia Hamilton and invest \$7M of the liquidated funds with Blackrock Multi-asset Income fund and the balance with Baird Advisors (BAGIX). In a voice vote of the members present, **Motion** passed 4-0.

Mr. Vavrica said the target allocation of core fixed income in the investment policy would need to be lowered to 10%.

iv. Private Equity Discussion

Report made part of these minutes.

Mr. Vavrica provided an overview of private equity ("PE") emphasizing that PE does not correlate with the public equity market so investing in PE provides significant portfolio diversification. One con of PE investments was they are very illiquid so if an investor

needed their money back in a hurry, they would take a big hit on their investment. Mr. Vavrica explained PE returns vary greatly over time so there was value to committing to investing in PE over an extended period of time over time rather than all at once.

Mr. Vavrica shared information about the secondaries category of private equity, noting that secondaries were private equity partnership interests purchased from a current limited partner usually at a discount to the fair market value. Secondaries are in the middle of the private equity categories for risk and return. Since secondaries investors enter the private equity market later than do investors in venture capital or growth equity, they get a bit less return. Most PE investments experience “j-curve” returns meaning the investment has negative returns for the first one to four years and then positive returns thereafter. Secondaries, however, have positive returns in the beginning because the investor is coming into the investment after it has already started. Most often, secondary investments are a good place to start in PE because the investor starts with positive returns and stays there for the duration of the investment.

Mr. Vavrica provided information on four possible PE Secondaries candidates: Neuberger Berman, PA Capital, JP Morgan PE Group, and RCP Advisors. He noted that at any given time, there only a limited number of funds open for investment so while the candidates provided may have funds open today for investment, they most likely won't have any open 3-4 months from now.

Discussion ensued. Chair Weber said he was ready to make a commitment to PE. Mr. Hoesley said PE Secondaries was a good place to start in PE investing since secondaries rarely experienced negative returns like the other PE investments do. Mr. Vavrica suggested the Board make small commitments to PE but more of them over time, like \$1M now to PE, maybe \$1M in 9-12 months to private debt (“PD”), and then another \$1M in 2-4 years to another PE/PD investment for a total commitment of \$5M over the next few years. Mr. Hoesley suggested the Board revisit PE/PD investing every November to keep the investment in this asset class continuous. Mr. Vavrica recommended a \$3M commitment to Neuberger Berman. Mr. Hoesley suggested a \$3M commitment to Neuberger Berman and \$2M commitment to PA Capital.

**MOTION** made by Mr. Razor, seconded by Mr. Hoesley, to commit \$3M to Neuberger Berman and \$2M to PA Capital with the capital calls from each manager to be funded from overweight asset classes at the time of each respective capital call. In a voice vote of the members present, **Motion** passed 4-0.

d. Lewis, Longman & Walker, Legal Counsel

i. Attorney selection for formal disability hearing for Ofc. Marques Brown

Ms. Rustin provided information on four attorneys: Heather Hatch (the City's workers' compensation attorney who was familiar with Ofc. Brown's case), Gary Schloss, Brett Schneider, and Milton Collins. Chair Weber said he wanted an attorney who was good, impartial and responsive. Ms. Rustin said Ms. Hatch knew a lot about Ofc. Brown's claim, had worked on it quite a bit, and that she had some medical background making her a good candidate for the Board to consider.

**MOTION** made by Mr. Razor, seconded by Mr. Privitera, for Heather Hatch to represent the Board for Ofc. Brown's formal disability hearing. In a voice vote of the members present, **Motion** passed 4-0.

Ms. Rustin explained the Board needed to set the date of Ofc. Brown's formal disability hearing with such date within 90 days of receiving the request from Ofc. Brown for a formal hearing which was received October 12, 2021, making 90 days later January 10, 2022. Assistant City Attorney Kelly Brandon said City Attorney Lynn Gelin requested the formal hearing to be held on or before December 31, 2021. It was noted that Human Resources Director Duane D'Andrea had also requested the hearing to be held as soon as possible. Both the Board's attorney and claimant's attorney could request an extension of time for the hearing date to allow everyone sufficient time to prepare especially if they felt a hearing by the end of the year would not provide due process.

**MOTION** made by Mr. Rasor, seconded by Mr. Privitera, to have Ofc. Brown's formal disability hearing on January 6, 2022, and to delegate authority to the medical committee (Mr. Rasor, Ms. Castronovo and Ms. Rustin (and her successor, if applicable)) to continue the hearing based on a request from either party's attorney if either party was unable to acquire the required discovery. In a voice vote of the members present, **Motion** passed 3-0.

ii. Disability forms for Disability Retirees

Ms. Rustin presented two forms the Board could send to disability retirees for them to complete to verify their continued disability status – Continuing Disability Report and Physician's Report of Continuing Disability.

**MOTION** made by Mr. Rasor, seconded by Mr. Privitera, starting January 2022 and then each year thereafter, send the Continuing Disability Report and Physician's Report of Continuing Disability along with the police officers' job description to each disability retiree with a disability retirement date after December 31, 2014. In a voice vote of the members present, **Motion** passed 3-0.

i. DROP Plan Adoption Agreement for MissionSquare

Ms. Rustin explained that the Board had never officially adopted an agreement for the DROP with MissionSquare (formerly ICMA-RC).

**MOTION** made by Mr. Rasor, seconded by Mr. Privitera, to adopt the Governmental Money Purchase Plan Adoption Agreement as presented. In a voice vote of the members present, **Motion** passed 3-0.

e. Pension Administrator – Lisa Castronovo

Ms. Castronovo: 1) provided the trustees with the 2021-22 administrative expense budget versus actual expenses through November 8, 2021; 2) reported that the State Premium Tax monies and the City's contribution received in September/October had been invested per the Board's direction; and 3) requested if any trustee wished to attend FPPTA's Winter Trustees' School in Orlando in January 2022 to let her know.

Ms. Castronovo requested Board approval for the Pension Specialist, Elizabeth Brown, to acquire FPPTA's CPPT certification and to be able to attend one FPPTA conference once she acquired the CPPT to keep such certification with all associated costs to be shared evenly the City's three retirement plans. Ms. Castronovo also requested the Travel Policy be amended to allow any future Pension Specialist the ability to acquire and maintain their CPPT certification.

**MOTION** made by Mr. Rasor, seconded by Mr. Privitera, to amend the Board's Travel Policy to allow anyone in the Pension Specialist position to acquire FPPTA's CPPT certification and attend one FPPTA conference per year after attainment of the CPPT certification. Further, the expenses associated with acquiring the certification and attendance at FPPTA conferences will be shared equally by the City's three retirement plans. In a voice vote of the members present, **Motion** passed 3-0.

So that she would not have to ask in advance of each conference she wished to attend, Ms. Castronovo asked for broad Board approval for her to attend any future conference covered by the Board's Travel Policy with the cost of such attendance to be paid evenly by the City's three retirement plans.

**MOTION** made by Mr. Rasor, seconded by Mr. Privitera, for Ms. Castronovo to be able to attend any future conference covered by the Board's Travel Policy without advance approval and for the cost of such attendance to be shared equally with the City's two other retirement plans. In a voice vote by the members present, **Motion** passed 3-0.

#### **ADJOURNMENT**

**MOTION** made by Mr. Privitera, seconded by Mr. Rasor, to adjourn the meeting. Meeting adjourned at 12:31 p.m.

I, Paul Weber, the undersigned, am the Chair 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 November 17, 2021 regular meeting of said body. These Minutes were formally approved and adopted by the Board on February 23, 2022.

  
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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 Police Officers' 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).