

**MINUTES  
REGULAR PENSION BOARD MEETING  
CITY OF DELRAY BEACH FIREFIGHTERS' RETIREMENT FUND  
FEBRUARY 22, 2022**

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

Chair Giaccone called the meeting to order at 9:03 a.m.

Board Members present: Chair Gregory Giaccone, Vice-Chair Craig Mahoney, Thomas Glanfield, Alan Kirschenbaum, and Secretary Jack Warner.

Also present: Karen Russo (Salem Trust), Pedro Herrera (Sugarman, Susskind, Braswell & Herrera), Brendon Vavrica (AndCo Consulting), Matt Dickey and Jamie Hayes (NFP), Lisa Castronovo (Pension Administrator), and Elizabeth Brown (Pension Specialist).

Public attendees: John Mainville

**2. AGENDA ADOPTION**

**MOTION** made by Mr. Warner, seconded by Mr. Mahoney, to adopt the February 22, 2022 Agenda. In a vote by the members present, **Motion** passed 5-0.

**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. December 9, 2021 Regular Meeting Minutes
- b. Warrant Ratification (#262)
- c. Warrant Approval (#263)
- d. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities
- e. Ratify/Approve - Legal Services Agreement with Sugarman, Susskind, Braswell & Herrera, P.A.

**MOTION** made by Mr. Warner, seconded by Mr. Kirschenbaum, to approve the Consent Agenda. In a vote by the members present, **Motion** passed 5-0.

**5. REPORTS**

- a. Salem Trust – Karen Russo  
Ms. Russo told the Board that in the next few months, Salem Trust, in conjunction with USBank, would be rolling out a portal for retirees to use to access all of their payment information – gross and net monthly check amounts, federal tax withholding, IRS Form 1099-R's, City benefit deductions, direct deposit information, address. If the Board so chose, it could allow the retirees to update, on their own through the portal, their address, federal tax withholding, and direct deposit information.

Discussion ensued. Ms. Castronovo said she liked the new service especially considering retirees had recently begun asking for a way to access their benefit information at Salem Trust. Mr. Warner said if the Board authorized Salem Trust to offer the service, the Pension office should send a "heads-up" letter to all retirees in advance of any information provided by Salem Trust directly to the retirees. Ms. Castronovo said her only request was that she be notified of each change made by a retiree to which Ms. Russo said Salem Trust's system would produce a monthly report of all changes that Ms. Castronovo could access. Ms. Russo said she would attend the next Board meeting to provide further details and to find out from the Board exactly how much access they wanted to grant the retirees.

Ms. Russo asked the Board if they were okay with closing an open account at Salem Trust that had carried a \$0 balance for many months.

**MOTION** made by Mr. Mahoney, seconded by Mr. Glanfield, to close the "transition" account held at Salem Trust. In a vote by the members present, **Motion** passed 5-0.

- b. NFP Retirement Inc. December 31, 2021 Quarterly Report – Matt Dickey & Jamie Hayes  
Report made part of these Minutes

Mr. Dickey provided federal legislation and market updates for the year ended December 31, 2021. Mr. Dickey noted the large cap growth equity market was being driven largely by Facebook, Amazon, and Microsoft. If any fund was heavily invested in one of the top seven companies, they had a bad 2021. Luckily, the DROP had a great diversified investment line-up.

Mr. Dickey continued his review by noting specifically Fidelity Puritan's outstanding performance as well as PIMCO's. Mr. Dickey noted five funds on the watch list: American Funds Washington Mutual (large cap blend, third consecutive quarter), Fidelity Contrafund (large cap growth, fifth consecutive quarter), Invesco Emerging Markets Equity Fund (second consecutive quarter), T. Rowe Price Growth Stock Advantage (first time), and Janus Henderson Small Cap Value fund which he recommended moving its assets to American Century SCV, another small cap value equity fund already in place.

Mr. Dickey said if Fidelity Contrafund remained on the watchlist in the first quarter 2022, NFP would recommend replacing it, and possibly the T. Rowe Price large cap growth fund, with a passive large cap growth index fund, another actively managed large cap growth fund, or a combination of the two. If American Funds Washington Mutual continued to perform poorly, NFP would recommend moving its assets to a passive large cap blend fund since actively managed blend funds historically do not perform well. The remainder of the line-up was strong with positive returns and great up/down captures.

Mr. Glanfield asked why was it NFP's policy to not recommend replacing a fund on a watchlist until six consecutive quarters. Mr. Dickey responded that historically it was their practice to give every manager 18 months to turn their respective fund around. If they could not turn it around in 18 months, then it was time to replace it. Mr. Dickey said the Board could shorten the watchlist quarters to four if they wanted to.

Mr. Kirschenbaum suggested instead of dropping the Fidelity Contrafund entirely that a passive large cap growth fund be added to the line-up.

**MOTION** made by Mr. Kirschenbaum, seconded by Mr. Warner, to add a passive large cap growth fund to the investment line-up. In a vote by the members present, **Motion** passed 5-0.

**MOTION** made by Mr. Kirschenbaum, seconded by Mr. Mahoney, to map the Janus Henderson Small Cap Value fund to American Century SCV. In a vote by the members present, **Motion** passed 5-0.

c. AndCo Consulting – Brendon Vavrica

i. Portfolio Performance Review – Quarter End December 31, 2021

Report made part of these Minutes.

Mr. Vavrica presented the December 31, 2021 performance report noting the quarter was fantastic with domestic equity value funds performing extremely well. The Plan's return for the quarter ended December 31, 2021, was 5.24% (net of fees) vs. the benchmark of 5.76%. The Fund outperformed 82% of other public funds. The Plan's assets increased from \$148.2M on September 30, 2021, to \$162.7M on December 31, 2021.

ii. Flash Report – January 2022

Report made part of these Minutes.

For the month ended January 31, 2022, the Plan's return, net of fees, was -4.52% vs. the benchmark of -4.37%. The fiscal year to date return was 0.48% vs. the benchmark of 1.14%.

iii. Multi-Sector Bond Discussion

Report made part of these Minutes

Mr. Vavrica said the attractive feature of multi-sector bond funds was the ability for them to be invested in a wide range of opportunities across sectors, credit ratings, term structures, geography and currencies. Unlike core fixed income strategies, where interest rate sensitivity tended to be a dominant source of returns, multi-sector credit strategies tended to be less sensitive to interest rate volatility though they were more exposed to credit risk. The various strategies offered managers positive risk/return trade-offs across a wide opportunity set of credit with the added benefit of allowing managers to rotate through sectors when perceived relative value diminished or when risks were deemed high. Multi-sector bond funds generally had a low correlation to traditional fixed income strategies.

The average rating for multi-sector bonds was usually BB or lower while core fixed income bond ratings were typically BBB or higher. The average rate of return experienced by multi-sector bond funds was 4 – 5% range which, while not huge, provided diversification from core fixed income funds. Multi-sector bond funds can invest in high-yield bonds which have performed well over the last few years.

Mr. Vavrica said he would not recommend lowering the Retirement System's fixed income allocation, although some monies could be moved from core fixed income to multi-sector fixed income if the Board wanted to make such a transfer. Mr. Vavrica added the Retirement System was already invested in one of the funds in his report - PIMCO Diversified Income Fund.

Mr. Glanfield and Mr. Kirschenbaum agree that nothing positive was going to happen in the fixed income markets in 2022. Mr. Vavrica emphasized the importance of keeping some funds in fixed income for liquidity purposes. Mr. Kirschenbaum suggested moving funds out of various asset classes and into cash since any money held in cash could not produce negative returns. Mr. Warner agreed with Mr. Kirschenbaum but further suggested getting out of any fund that had the potential to perform very badly in 2022.

Mr. Vavrica said he did not think any money needed to be moved from the System's core fixed income funds to a multi-sector bond fund. Mr. Warner said he was okay with selling some of the System's holdings and placing it in cash, considering the projected inflation rate of 7% for 2022.

Mr. Vavrica said that when it came to domestic equities, value stock was expected to outperform growth stock due to projected inflation. However, since the System was overweight in value equity, it should not invest any more funds in that asset class. If any funds were going to be invested in any other asset class, move such funds equally out of growth and value equity.

**MOTION** made by Mr. Mahoney, seconded by Mr. Kirschenbaum, to pull \$2M each from RhumbLine Growth, Newton Large Cap Value, Baird Aggregate Bond Fund, and Wamco Core Bond Fund and place the resulting \$8M in cash in the mutual fund account held at Salem Trust. In a vote of the members present, **Motion** passed 5-0.

d. Sugarman, Susskind, Braswell & Herrera – Pedro Herrera  
Mr. Herrera provided a brief introduction of himself.

i. Marcum Engagement Letter

Mr. Herrera told the Board he reviewed the engagement letter Marcum submitted to the City for the September 30, 2021 audit of the Firefighters' Retirement System, found a few things he felt should be revised, and discussed such revisions with Marcum who accepted them. In his legal opinion, the Board could sign Marcum's engagement letter.

**MOTION** made by Mr. Mahoney, seconded by Mr. Warner, to sign Marcum's engagement letter for the September 30, 2021 audit of the Firefighters' Retirement System. In a vote of the members present, **Motion** passed 5-0.

ii. Legislative Update

Mr. Herrera reported the only bill related to public pension funds moving through the Florida House and Senate was one adding, for disability or death purposes for public safety employees, COVID-19 to the existing list of communicable and infectious diseases that presumptively occurred in the line of duty. The bill had been stalled since late January so it was not a given it would make it into law. If it did, it did not include a retroactive provision so it would only apply for disabilities or deaths occurring after it was signed into law.

iii. Trustee Educational Opportunities

Mr. Herrera told the Board about upcoming educational opportunities: the annual FPPTA conference and the Police and Firefighters' Fall 2022 educational school hosted by the Division of Retirement.

e. Pension Administrator – Lisa Castronovo

Ms. Castronovo: 1) provided the trustees with the 2021-22 administrative expense budget versus actual expenses through mid-February; 2) reported the Pension office mailed 121 benefit verification letters of which 102 had been returned to date; 3) said she submitted to the actuaries in mid-January the data needed by them to prepare the October 1, 2021 actuarial valuation; and 4) said she hoped to roll out the new pension software system to all active firefighters' by the end of the first week of March.

**6. ADMINISTRATIVE ITEMS**

a. File Scanning

Ms. Castronovo stated she wanted to make the pension office as “paperless” as possible and as such wanted to scan and eventually eliminate all of the Retirement System’s physical files in the pension office and eventually destroy the physical files. Ms. Castronovo said the City had a scanning contract with Advanced Data Solutions (“ADS”) who provided a quote to scan the Retirement System’s member files for approximately \$1,800.

Ms. Castronovo said the main issue she faced was how/where the digital files would be stored once scanned since all Retirement System-related files belong to the Board, not the City. Thus, Ms. Castronovo sought Board guidance on 1) if they wanted to use ADS since ADS’s contract was with the City, not the Board, 2) once the files were scanned, where would the digital files be stored as the Board might not want to store them on City-owned servers, and 3) what would be done with the physical files once scanned – retain or destroy.

**MOTION** made by Mr. Mahoney, seconded by Mr. Glanfield, to authorize Ms. Castronovo to pick the best scanning company and to spend no more than \$5,000 to scan, shred and store all Firefighters’ Retirement System files contingent on Mr. Herrera’s and Chair Giaccone’s approval. In a vote by the members present, **Motion** passed 5-0.

b. Funds due Firefighters’ Retirement System

Ms. Castronovo reminded the Board of a matter Ms. Rustin brought to their attention in 2019 regarding how the City allowed four certified firefighters upon their hire to be covered by the General Employees’ Retirement Plan (“GE plan”) rather than the Firefighters’ Retirement System (“Fire plan”). Ms. Rustin informed the City in 2019 that State law required all certified firefighters participate in a city’s fire retirement plan; participation in any other city-sponsored plan was not allowed. Before any action could be taken to move the four firefighters into the Fire plan, two left the City’s employment.

On April 25, 2020, Chief Tomey and Assistant Chief Green were transferred out of the GE plan into the Fire plan at which time they ceased contributing to the GE plan and began contributions to the Fire plan. Prior to the transfer, Chief Tomey contributed \$27,031 to the GE plan and Asst. Chief Green contributed \$27,540. If both firefighters had contributed 9.0% of their pay to the Fire plan from their respective dates of hire through April 24, 2020, Chief Tomey would have contributed \$46,039 and Asst. Chief Green would have contributed \$87,898.

The money Chief Tomey and Asst. Chief Green contributed to the GE plan had not yet been transferred to the Fire plan. The Board needed to decide how much money should be transferred from the GE Plan to the Fire Plan and from whom the remaining balance due the Fire Plan should be collected.



Discussion ensued. The Board decided they wanted more information regarding the cost impact on the Fire plan.


**MOTION** made by Mr. Mahoney, seconded by Mr. Glanfield, to authorize Gabriel, Roeder, Smith & Company to provide in their October 1, 2021 actuarial valuation the cost impact for including in the Fire plan the credited service for Fire Chief Tomey and Asst. Fire Chief Green from their respective dates of hire through April 24, 2020. In a vote by the members present, **Motion** passed 4-1 (Mr. Warner voted in opposition).

**ADJOURNMENT**

The meeting adjourned at 12:23 p.m.

I, Gregory Giaccone, the undersigned, am the Chair of the City of Delray Beach Firefighters' Retirement System Board of Trustees ("Board"). The information provided herein is the Minutes of the February 22, 2022 regular meeting of said body. These Minutes were formally approved and adopted by the Board on May 24, 2022.

*June 20*

  
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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 Firefighter's 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).