

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF DELRAY BEACH FIREFIGHTERS' RETIREMENT FUND
JUNE 20, 2022**

1. CALL TO ORDER, ROLL CALL

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

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

Also present: Matt Dickey (NFP Retirement, Inc.), Moises Ariza and Scott Montgomery (Marcum LLP), Jeffrey Amrose (Gabriel, Roeder, Smith & Company), Brendon Vavrica (AndCo Consulting), Pedro Herrera (Sugarman, Susskind, Braswell & Herrera as designated by City Attorney), Lisa Castronovo (City of Delray Beach), and Elizabeth Brown (City of Delray Beach)

Public attendees: None

2. AGENDA ADOPTION

MOTION made by Mr. Warner, seconded by Mr. Mahoney, to adopt the June 20, 2022 Agenda. 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. February 22, 2022 Regular Meeting Minutes
- b. Warrant Ratification (#264)
- c. Warrant Approval (#265)
- 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. Mahoney, seconded by Mr. Warner, to approve the Consent Agenda. In a voice vote by the members present, **Motion** passed 4-0.

5. REPORTS

- a. NFP Retirement Inc. March 31, 2022 Quarterly Report – Matt Dickey
Report made part of these Minutes
Mr. Dickey reviewed the March 31, 2022 quarterly report mentioning the recent market downturn. Mr. Dickey stated that per the Board's decision at their February meeting, Large Cap Growth Fund III I1 (AB Large Cap Growth), a large cap passive growth fund, was added and Janus Henderson Small Cap Value Fund was mapped to American Century SCV.

Mr. Dickey said three international equity funds were on the watch list: Invesco Emerging Markets Equity Fund (third consecutive quarter), Invesco Global Opportunities Fund (first time), and Invesco Global (first time).

Mr. Dickey recommended mapping out American Funds, Fidelity Contrafund, and TRowe Price Growth Stock Adv to one large cap growth fund since there was redundancy between the funds, especially between Fidelity Contrafund and TRowe Price Growth Stock Adv. Chair Giaccone replied there would be a lot of upset members if the Fidelity Contrafund was closed.

MOTION made by Mr. Mahoney, seconded by Mr. Warner, to map TRowe Price Growth Stock Adv to a large cap growth fund. In a voice vote by the members present, **Motion** passed 4-0.

b. Marcum LLP

September 30, 2021 Audit Report
Report made part of these Minutes

Mr. Ariza reviewed the draft September 30, 2021 Financial Statements emphasizing the auditor's opinion was clean and "unmodified" meaning it was the best opinion that could be issued. Upon the completion of his report overview, Mr. Ariza stated there were no material weaknesses, deficiencies in internal controls, or non-compliance issues.

MOTION made by Mr. Warner, seconded by Mr. Glanfield, to accept the September 30, 2021 Financial Statements as presented by Marcum LLP. In a voice vote by the members present, **Motion** passed 4-0.

c. 2021 Annual State Report – Lisa Castronovo

Report made part of these Minutes

Ms. Castronovo said she was seeking Board approval to submit the 2021 annual State Report to the Florida Division of Retirement now that the September 30, 2021 Financial Statements Report was accepted. Ms. Castronovo reminded the Board the State uses the information provided in the annual State Report to issue Chapter 175 premium tax distributions.

MOTION made by Mr. Mahnoey, seconded by Mr. Warner, that the information provided for the 2021 State Report had been reviewed by the Board and was approved to be submitted to the Florida Division of Retirement. In a voice vote by the members present, **Motion** passed 4-0.

d. Gabriel, Roeder, Smith & Company ("GRS") – Jeffrey Amrose

i. October 1, 2021 Actuarial Valuation Report

Report made part of these Minutes

Highlights of the October 1, 2021 Actuarial Valuation Report:

- The City's required contribution increased from \$8,422,061 for the 2021-22 fiscal year to \$8,726,916 for the 2022-23 fiscal year, an increase of \$304,855, an increase of 3.49% as a percent of payroll. The increase was almost entirely due to to actuarial assumption changes.
- If the City paid the 2022-23 required contribution on October 1, 2022, the first day of the fiscal year as done in the past, the contribution would be \$8,406,511.
- There were no revisions in benefits since the prior valuation.
- The amortization period was decreased from 19 years to 18 years (with the period to be lowered by one (1) year each year until a 15-year amortization period is attained). In addition, the amortization of the unfunded actuarial accrued liability was changed from the percent of payroll method with a 1.17% payroll growth assumption to a level dollar method (in which no payroll growth assumption is needed).

- The plan experienced a net actuarial gain of \$751,000 for the year meaning actual experience was more favorable than anticipated. The gain was due primarily to a higher-than-expected investment salary increases (11.0% compared to 6.625% expected). The gain was slightly offset by more than expected retirements and less retiree deaths than expected.
- The funded ratio on October 1, 2021 was 69.2% compared to 65.6% on October 1, 2020. For every additional \$1M in contributions, the funded ratio would increase 0.6%.
- The market value of assets exceeded the actuarial value of assets by \$17.1M. The excess would gradually be recognized over subsequent years resulting in decreased required contributions.
- The estimated required City contribution for fiscal year end 2024 is \$8,450,000 assuming a 5.55% increase in total covered payroll and no gains, losses, or assumption changes.

ii. Actuarial Studies Review

Letter report made part of these Minutes

Per the Board's request, GRS prepared a supplemental report summarizing the cost to the Plan to adjust the pension credit dates for Fire Chief Tomey and Assistant Fire Chief Green from April 25, 2020 to their dates of hire, December 27, 2016 and June 4, 2012, respectively. If the pension credit dates were adjusted to their respective dates of hire, the Plan's Unfunded Actuarial Accrued Liability would increase by \$440,000. The \$440,000 represents the present value of the additional contributions that would have been paid to the Plan by the City and the members if they had entered the Plan on their original dates of hire.

Discussion ensued regarding how to proceed. Chief Tomey, Assistant Chief Green and the City made contributions to the General Employees' Retirement Plan ("GE Plan") from the members' respective one-year employment anniversary through April 24, 2020. Since to date those contributions have not been transferred from the GE Plan to the Firefighters' Plan, the Board decided the first order of business was to determine how much money the GE Plan needs to transfer to the Firefighters' Plan.

MOTION made by Mr. Mahoney, seconded by Mr. Warner, to direct Gabriel, Roeder, Smith & Company to calculate as of October 1, 2022, the amount (employee, employer and earnings) the Delray Beach General Employees' Retirement Plan owes the Delray Beach Firefighters' Retirement System for Fire Chief Tomey and Assistant Fire Chief Green who participated in the General Employees' Retirement Plan from their respective dates of hire until they were transferred to the Firefighters' Retirement System on April 25, 2020. Further, Attorney Pedro Herrera is directed to draft a letter from the Firefighters' Board of Trustees to the General Employees' Retirement Committee detailing the issue and the total monies due from the General Employees' Retirement Plan to the Firefighters' Retirement System. In a voice vote of the members present, Motion passed 4-0.

MOTION made by Mr. Warner, seconded by Mr. Mahoney, to accept the October 1, 2021 Actuarial Valuation Report as presented. In a voice vote by the members present, **Motion** passed 4-0.

Mr. Amrose and Mr. Vavrica recommend using 6.625% as the expected rate of return.

MOTION made by Mr. Warner, seconded by Mr. Glanfield, to approve an expected rate of return of 6.625% for the current year, the next couple of years, and long-term thereafter as recommended by the Plan's actuary and investment consultant. In a voice vote by the members present, **Motion** passed 4-0.

e. AndCo Consulting – Brendon Vavrica

i. Portfolio Performance Review – Quarter End March 31, 2022

Report made part of these Minutes.

Mr. Vavrica presented the March 31, 2022, performance report noting returns overall for the quarter were poor. The Plan's return for the quarter ended March 31, 2022, was -4.77% (net of fees) vs. the benchmark of -4.26%. The Plan's assets decreased from \$162.7M on December 31, 2021 to \$152.8M on March 31, 2022.

ii. Flash Report – May 2022

Report made part of these Minutes.

For the month ended May 31, 2022, the Plan's return, net of fees, was -0.66% vs. the benchmark of -0.01%. The fiscal year to date return was -5.61% vs. the benchmark of -5.63%. Mr. Vavrica reported specifically 1) Newton and Mass Mutual, active domestic value equities managers, outperformed their respective benchmarks while Polen Capital, the active domestic growth equity manager, underperformed its benchmark, 2) international equities and fixed income underperformed, and 3) real estate continued with very strong month-to-month returns.

Mr. Glanfield asked Mr. Vavrica to bring to the next meeting information on other active growth equity managers for the Board to consider as a replacement for Polen. Mr. Vavrica noted that over the last 20 years, Polen had been a very strong downside performer and because of that performance, AndCo liked Polen as a growth manager. Mr. Vavrica said he would bring information on other growth managers to the next meeting.

Mr. Vavrica said the Plan was overweight in equity, underweight in fixed income. Within equity, the Plan was overweight in value by \$15M which helped the Plan perform better in the last few months than if it had been more heavily invested in growth equities.

Mr. Vavrica reported a \$1.9M capital call was due June 30, 2022, for American Realty and \$1M was needed in the Fidelity Total Stock Index Fund to cover upcoming monthly benefit payments. Mr. Vavrica stated that since the Plan had \$12M in the cash fund, the needed \$3M could be taken from there.

MOTION made by Mr. Mahoney, seconded by Mr. Glanfield, to fund the \$1.9M American Realty capital call and \$1M Fidelity Stock Index fund from the funds held in cash. In a voice vote by the members present, **Motion** passed 4-0.

Mr. Vavrica reported that investment manager Crescent Capital requested a two-year extension to close their Direct Lending Levered Fund, but required the approval of at least 50% of the investors for the extension.

MOTION made by Mr. Warner, seconded by Mr. Glanfield, to approve a two-year extension to the original closing date of the Crescent Direct Lending Levered Fund. In a voice vote by the members present, **Motion** passed 4-0.

d. Sugarman, Susskind, Braswell & Herrera – Pedro Herrera

Mr. Herrera reported that the proposed Florida bill adding COVID-19 to the existing list of communicable and infectious diseases which presumptively occurred in the line of duty for disability or death purposes for public safety employees did not pass in either the House or Senate.

Mr. Herrera reminded the Trustees to file their financial disclosure forms with the State on or before June 30, 2022. are due 6/30/22

e. Pension Administrator – Lisa Castronovo

Ms. Castronovo: 1) provided the trustees with the 2021-22 administrative expense budget versus actual expenses through mid-June; and 2) reported the Pension office mailed 121 benefit verification letters of which 120 had been returned.

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 June 20, 2022 regular meeting of said body. These Minutes were formally approved and adopted by the Board on 9/14/2022.



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.