

**MINUTES
REGULAR RETIREMENT COMMITTEE MEETING
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
NOVEMBER 18, 2021**

1. Call to Order

Chair Ellingsworth called the meeting to order at 1:01 p.m.

Roll Call

Committee Members present: Chair Howard Ellingsworth, Adam Frankel, John Lege, Thomas MacManus, and Joanna Oberhofer (arrived at 1:12 p.m.).

Also present: Board Attorney Janice Rustin (Lewis, Longman & Walker as designated by City Attorney), Brendon Vavrica and Ben Baldrige (AndCo Consulting), Pension Administrator Lisa Castronovo, and Pension Specialist Elizabeth Brown.

Guests present: Kelly Brandon, Jenna Hamilton, Jeffrey Detwiler

Agenda Adoption

MOTION made by Mr. Frankel, seconded by Mr. Lege, to adopt the November 18, 2021 Agenda. In a voice vote by the members present, **Motion** passed 4-0.

2. Public Comments

There were no public comments.

3. Consent Agenda

- A. September 29, 2021 Regular Meeting Minutes
- B. Ratification of Plan Expenses and Termination Refunds
- C. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

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

4. Garcia Hamilton & Associates Presentation

Report made part of these Minutes.

Janna Hamilton and Jeffrey Detwiler presented their report.

5. AndCo Consulting – Brendon Vavrica

- A. 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 Plan's return, net of fees, was -0.46% vs. -0.77% for the benchmark. For the fiscal year ended September 30, 2021, the net rate of return was 25.73% vs. the benchmark of 24.56%. From June 30, 2021 to September 30, 2021, the Plan's assets decreased from \$175.6M to \$172.9M.

- B. Flash Report – October 2021

Report made part of these Minutes.

For the month ended October 31, 2021, the Plan's return, net of fees, was 4.6% vs. 4.2%. Mr. Vavrica noted the Vanguard Total Stock Index fund needed money to cover upcoming monthly benefit payments.

MOTION made by Mr. Lege, seconded by Mr. MacManus, to transfer \$1.5M from Boston (now known as Newton) to the Vanguard Total Stock Index fund. In a voice vote by the members present, **Motion** passed 5-0.

C. Senior Direct Lending Review

Report made part of these Minutes.

Ben Baldrige, with AndCo Consulting, reviewed his report on senior direct lending. Mr. Baldrige explained the major benefit of senior direct lending is it is expected to outperform public equity, core real estate and fixed income over the next 10-15 years and is less volatile than private equity and value-added real estate. The major downside of senior direct lending is its illiquidity. Compared to other types of direct lending, senior direct lending has lower expected returns, but also less risk and it has an earlier income feed back to the investor. Finally, fees are paid on the capital called, not the total commitment.

Mr. Baldrige presented three senior direct lending candidates with funds that were accepting new investments: Deerpath Capital Management, GC Advisors (Golub), and TCW Asset Management Company.

Discussion ensued. Both Chair Ellingsworth and Mr. MacManus asked if the Plan should invest in levered or unlevered funds. Mr. Vavrica asked how the plan should pace their investment in direct lending to which Mr. Baldrige responded the investment could be about \$2.25M per year over the next 5-7 years. Different managers had different deployment timelines so the pacing would be different from one manager to the next. Mr. MacManus said he was leaning toward Deerpath and would be very comfortable with them. Mr. MacManus asked if a direct lending commitment was a revolving commitment to which Mr. Vavrica responded the commitment must be evaluated every 12-18 months since the amount committed may need to be adjusted periodically.

Mr. MacManus said he would like to commit \$5M to Deerpath as he liked their portfolio and the consistency of their returns. Mr. Lege said he would like to be conservative with the commitment and do a split between levered and unlevered. Mr. MacManus suggested \$2.5M each to levered and unlevered with the ultimate commitment goal of \$9M.

MOTION made by Mr. MacManus, seconded by Mr. Frankel, to commit \$5M to Deerpath Capital Management with \$2.5M to levered and \$2.5M to unlevered with a target allocation of 3.0% (range of 0.0% to 8.0%) coming from traditional fixed income. In a voice vote by the members present, **Motion** passed 5-0.

D. Fixed Income Discussion

Report made part of these Minutes.

Mr. Vavrica provided information on five core fixed income candidates: Agincourt Capital Management, Baird Advisors, C.S. McKee, Pacific Investment Management Company (Pimco), and Legg Mason Partners Fund Advisor (subadvisor: Western Asset Management Company - Wamco). Mr. Vavrica reviewed each candidate's number of holdings, average duration, and quality distribution. Mr. Vavrica noted Baird and Wamco had significantly out-performed the other candidates over the last three and five years.

MOTION made by Mr. MacManus, seconded by Mr. Frankel, to transfer \$9M from Garcia Hamilton and place \$4.5M with Baird Advisors (BIMIX) and \$4.5M with Western Asset Management Company (WABSX). In a voice vote by the members present, **Motion** passed 5-0.

- E. Review Near Term Cash Requirements and Possible Asset Rebalancing
This item was covered during the review of the October 2021 flash report.

6. Legal Items

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

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

7. PENSION ADMINISTRATOR REPORT

Ms. Castronovo: 1) provided a preliminary detail of the actual administrative and investment-related expenses for October 1, 2020 through September 30, 2021 and a detail of actual administrative and investment-related expenses for October 1, 2021 through November 10, 2021; 2) reported that the City's contribution received on October 1, 2021 was invested per the Committee's direction; and 3) requested if any Committee member wanted to attend FPPTA's Winter Trustees' School in Orlando in January 2022 to let her know.

Ms. Castronovo presented a proposed 2022 Committee meeting schedule.

MOTION made by Mr. Frankel, seconded by Ms. Oberhofer, to adopt the 2022 quarterly Committee meeting schedule. In a voice vote of the members present, **Motion** passed 5-0.

Ms. Castronovo requested Committee 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. MacManus, seconded by Mr. Frankel, to amend the Committee'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 5-0.

Ms. Castronovo explained that in December 2019, the Committee authorized the payout of 75% of the March 31, 2019 balance of the Administrative Allowance Account ("AAA") held at ICMA-RC (now MissionSquare) to all participants in the DROP on the date of distribution with the payout done in late December 2019. However, due to various reasons, a like distribution was not done in December 2020. Ms. Castronovo recommended the Committee approve payout of 75% of the March 31, 2021 AAA balance in December 2021 to all participants in the DROP on the date of the distribution.

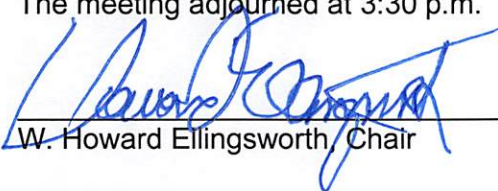
MOTION made by Mr. MacManus, seconded by Mr. Lege, to payout in December 2021, 75% of the March 31, 2021 Administrative Allowance Account balance to all participants in the DROP on the date of the distribution. In a voice vote of the members present, **Motion** passed 5-0.

8. OTHER BUSINESS

No discussion.

9. ADJOURNMENT

The meeting adjourned at 3:30 p.m.



W. Howard Ellingsworth, Chair

2/17/2022
Date