

MINUTES
FEBRUARY 22, 2023 REGULAR BOARD MEETING
CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM

1. CALL TO ORDER, ROLL CALL

Chair Rasor called the meeting to order at 9:05 a.m.

Board Members present: Chair Jeffrey Rasor, Vice-chair Paul Weber, Secretary Meer Deen, Jim Hoesley (virtual attendance, exited meeting at 10:01 a.m.), and Scott Privitera (virtual attendance).

Also present: Brendon Vavrica (AndCo Consulting), Pedro Herrera (Sugarman, Susskind, Braswell & Herrera as designated by City Attorney), Karen Russo (Salem Trust), Matt Dickey (NFP Retirement), Lisa Castronovo (City of Delray Beach), and Elizabeth Brown (City of Delray Beach)

2. AGENDA ADOPTION

MOTION made by Mr. Rasor, seconded by Mr. Privitera, to move Agenda Item 5.c. to immediately after Agenda Item 3. In a voice vote by the members present, **Motion** to adopt Agenda passed 5-0.

3. COMMENTS

a. Public Comments – Ron Cohen inquired as to when could the Board hold the initial disability hearing for Ofc. Nicole Lucas. The Board agreed on March 23, 2023 if Mr. Hoesley would be present in person. Mr. Cohen said he would confer with Ofc. Lucas to determine if she was okay to waive a full board hearing if Mr. Hoesley could not attend in person.

b. Board of Trustees of Police Officers' Retirement System

MOTION made by Mr. Deen, seconded by Mr. Weber, to move the start time of the May 24, 2023, regular Board meeting from 9:00 a.m. to 12:00 p.m. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Deen said he would like Taurus Private Markets to give a presentation to the Board. Mr. Privitera added he would like Waycross Partners to make a presentation. Mr. Vavrica said Taurus Private Markets was like Neuberger Berman & PA Capital and that Waycross Partners was similar to RhumbLine. Mr. Vavrica said the Board should bring in not only Taurus but other similar managers.

Chair Rasor said he, with Mr. Deen's assistance, would send a letter to each officer who had a leave of absence stating that for the officer to be credited with service for the length of their leave, they must make employee contributions to the Retirement System for the time they were out or lose such time.

c. Active and Retired Members of the System - None

5. REPORTS

c. AndCo Consulting – Brendon Vavrica

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

Report made part of these Minutes.

Mr. Vavrica reported the Retirement System's net rate of return for the quarter ended December 31, 2022, was 6.2% compared to its benchmark of 5.6%. The System's market value increased from \$109.9M on September 30, 2022 to \$122.9M on December 31, 2022.

ii. Flash Report – January 2023

Report made part of these Minutes.

January 2023 saw positive returns that started in the fourth quarter of 2022. As bad as the market was in fiscal year 2022, markets rebounded in the first four months of fiscal year 2023. The market was starting to reflect the overall expectation that interest rates would decrease later in 2023. For the month ended January 31, 2023, the System's return, net of fees, was 7.1% vs. the benchmark of 5.6%. Polen Capital bounced back in January 2023 which was a step in the right direction after their poor returns in calendar year 2022.

Mr. Vavrica noted specifically that active value managers Brandywine and Clarkston Partners had very good returns that beat their respective benchmarks. Conversely Mr. Vavrica noted, ABS Emerging Markets' return of -2.1% was significantly behind its benchmark of 7.6%. Mr. Hoesley stated he wanted to replace ABS due to its extreme poor performance; Mr. Vavrica replied he would bring replacement alternatives to the next meeting.

Mr. Vavrica reported \$1.5M-\$2.0M was needed to cover upcoming benefit payments. He suggested transferring the needed funds from the large and SMID cap funds since they were performing the best. He would lean to taking 500K from Clarkston and the rest from Mass Mutual and Fidelity Mid Cap or from Brandywine and Rhumblin.

MOTION made by Mr. Hoesley, seconded by Mr. Weber, to transfer \$750,000 from RhumbLine Value fund and \$250,000 each from Clarkston Partners Fund, MassMutual Premier Small Cap Fund, and Fidelity Mid-Cap Index Fund to Fidelity Total Market Index Fund. In a voice vote by the members present, **Motion** passed 5-0.

iii. Real Estate Asset Review

Report made part of these Minutes.

Mr. Vavrica briefly reviewed his report noting he included three managers in his core real estate manager search: Harrison Street Real Estate Capital, TA Realty, and Blue Owl Capital. Investment strategies: Harrison Street: invest solely in specialty property types like medical office, senior and student housing, self-storage and life science; TA Realty: primarily multi-family housing and industrial; Oak Street: some office but primarily industrial and retail.

Mr. Weber and Mr. Hoesley asked Mr. Vavrica to bring information to the next meeting about closed and open real estate funds.

4. CONSENT AGENDA

- a. November 16, 2022 Regular Meeting Minutes
- b. Warrant Ratification (#264)
- c. Warrant Approval (#265)
- d. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities

MOTION made by Mr. Weber, seconded by Mr. Deen, to approve the Consent Agenda amended to remove the invoice payment to Ms. Feraldo as applicable to a Firefighters' Retirement System member. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Hoesley left the meeting.

5. REPORTS

a. Salem Trust

Ms. Russo presented information about the new Pensioner Portal offered by Salem Trust. If the Board decided to offer the Portal to its retirees, each retiree would have access to the Portal's "core" services of 1) ACH deposit confirmation within the Portal rather than mailed paper confirmations, 2) access to historical payment information, 3) ability to print tax forms, and 4) access to any documents the Board made available through the Portal. If the Board chose to do so, it could allow the retirees to update their address, tax withholding, and direct deposit directives through the Portal. Ms. Russo explained the Portal would require two-step authentication to protect the retiree as much as possible.

Discussion ensued. The Board agreed the Portal was a good idea. Ms. Castronovo said she was very much in favor of the Portal with two exceptions: address changes and direct deposit changes. Ms. Russo said any option the Board did not authorize at this time options could be added at a later date once the Board, staff and retirees were comfortable with the Portal.

MOTION made by Mr. Weber, seconded by Mr. Deen, to implement Salem Trust's Pensioner Portal core services and the tax withholding service of the optional services. In a voice vote by the members present, **Motion** passed 4-0.

b. NFP Retirement, Inc. December 31, 2022 Quarterly Report – Matt Dickey Report made part of these Minutes.

Mr. Dickey opened his presentation by reporting that MissionSquare had not, as of the date of this meeting, distributed the DROP account's administrative allowance account ("AAA"), which the Board directed be distributed in November 2022. Mr. Dickey said that even after recent discussions with various MissionSquare representatives, there was not an idea of when the AAA would be distributed. Mr. Dickey added that the investment fund changes within the DROP account the Board approved at its December meeting had not yet been made.

Mr. Dickey said many of NFP's clients were experiencing issues with MissionSquare since they changed their administrative website in October 2022 from the one used when they were known as ICMA-RC to their new one.

Mr. Dickey continued his presentation by briefly summarizing a few of the main points of the recently adopted SECURE Act 2.0 including: the required minimum distribution age increases from age 73 in 2023 to age 75 in 2025; provision changes for catch-up contributions to various defined contribution plans; employees can change their desired contribution rate at any time during the month rather than only on the first day of the month; and first responders can use up to \$2,500 from a 457 or 401(a) plan to pay long-term health care premiums.

Mr. Dickey concluded his presentation by recommending several investment fund changes: add AB Large Cap Growth III I1, PIMCO Small Cap Value III, and Victory RS Global R6; remove American Funds Washington Mutual R4, T. Rowe Price Growth Stock Advantage, Fidelity Contrafund, Janus Henderson Small Cap Value T, Invesco Emerging Markets Select Equity Y, and Invesco Global Opportunities R6.

Chair Rasor asked about the status of allowing the employees who receive 3% matching contributions from the City to be able to change the match directive from the 457 plan to the 401(a) plan. Ms. Castronovo replied that Hugh Dunkley, the City's chief financial officer, was working with MissionSquare on an amendment that would allow such a change.

Mr. Weber said he was disappointed that so many participants continued to be “invested” in the Plus fund and asked if NFP could work with MissionSquare and/or the City to offer investment education at least to the active members of the DROP plan. Mr. Dickey replied he would check with the City to find out if the City would allow NFP to offer such education.

MOTION made by Mr. Weber, seconded by Mr. Deen, to have NFP direct MissionSquare to add AB Large Cap Growth III I1, PIMCO Small Cap Value III, and Victory RS Global R6 AND remove American Funds Washington Mutual R4, T. Rowe Price Growth Stock Advantage, Fidelity Contrafund, Janus Henderson Small Cap Value T, Invesco Emerging Markets Select Equity Y, and Invesco Global Opportunities R6 as recommended by Mr. Dickey. In a voice vote by the members present, **Motion** passed 4-0.

Mr. Privitera left the meeting.

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

Mr. Herrera said his office was waiting for medical records from some of disability retiree Terry Jones’s doctors. Once received, the records would be forwarded to an independent physician who will review and then set an exam date with Mr. Jones.

Mr. Herrera said that due to SECURE Act 2.0, the City Ordinance will need to be amended to reflect the new required minimum distribution age though there was no rush since the change did not need to be made for but five years.

Mr. Herrera reported that a bill was introduced in the Florida House of Representatives that, if adopted, would dictate that government plans could not consider anything other than pecuniary factors when selecting money managers and investment funds. Mr. Herrera said the Retirement System already only considered pecuniary factors, so if the bill passed, it would not affect the System.

Mr. Herrera reviewed the issue of 3% non-compounded interest being credited to employee contribution refunds for each year a terminated, non-vested officer did not take their refund. Ms. Castronovo explained there were several terminated officers to whom she had provided their respective refund information to no avail resulting in them continuing to be credited with 3% interest on the first of each year.

Discussion ensued. Mr. Weber said that trainee officers owe the City money for their police training. He directed Ms. Castronovo to find out if any of the officers due a refund owed the City money when they terminated and, if they did, to withhold those monies from the refund otherwise payable. The trustees directed Ms. Castronovo to mail to each terminated officer due a refund the necessary documents with a cover letter stating the officer needed to return the paperwork within 60 days and if they did not, then a refund would be issued automatically via a check (no rollovers).

e. Pension Administrator

Ms. Castronovo: 1) provided the trustees with the 2022-23 administrative expense budget versus actual expenses through February 15, 2023; and 2) reported the Pension office mailed 148 benefit verification letters of which 128 had been returned to date.

6. ADMINISTRATIVE ITEMS

a. Direct Deposit Authorization Form

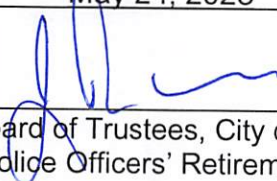
Ms. Castronovo recommended adding a notary signature to Salem Trust's direct deposit authorization form as one way to combat fraud.

MOTION made by Mr. Weber, seconded by Mr. Deen, to add a notary signature to Salem Trust's direct deposit authorization form. In a voice vote by the members present, **Motion** passed 3-0.

ADJOURNMENT

The meeting adjourned at 12:25 p.m.

I, Jeffrey Rasor, 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 February 22, 2023 regular meeting of said body. These Minutes were formally approved and adopted by the Board on May 24, 2023.



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.