

**MINUTES**  
**MAY 24, 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 12:03 p.m.

Board Members present: Chair Jeffrey Rasor, Vice-chair Paul Weber, Secretary Meer Deen, Jim Hoesley, and Scott Privitera (virtual attendance).

Also present: Matt Dickey (NFP Retirement, Inc.), 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. Weber, seconded by Mr. Hoesley, to adopt the May 24, 2023 Regular Board Meeting Agenda. In a voice vote by the members present, **Motion** passed 5-0.

**3. COMMENTS**

a. Public

None

b. Board of Trustees of Police Officers' Retirement System

Mr. Weber asked about the status of the independent medical examinations ("IME") for disability applicant Nicole Lucas and disability retiree Terry Jones. Mr. Herrera replied said Mr. Jones's IME was scheduled for July 2023. Mr. Herrera said the IME for Ms. Lucas had been set, but subsequently was canceled by her attorney, Ron Cohen, a few days before the appointment. Per Mr. Herrera, Mr. Cohen requested to attend the IME as well as have a court reporter and videographer attend. The physician said all interested parties could attend, but additional fees for their attendance would be applied. Mr. Herrera said the Retirement System would not cover the additional fees.

Chair Rasor asked Mr. Herrera if he knew anything about allowing employees to change their contributions from the 457 to 401(a) plan. Chair Rasor said that in the past, the payroll administrator allowed officers to change their 3% match election from the 457 to the 401(a) once they were promoted to lieutenant. Mr. Herrera said he saw no reason why the 401(a) could not be amended to allow for the change. Ms. Castronovo stated that, to her knowledge, the 401(a) plan did not allow an employee to change contributions from the 457 to the 401(a) once they commenced in the 457. Mr. Herrera said there was no legal reason an employee could not redirect their contribution, so it was most likely an administrative issue to be handled by the City by updating the 401(a) document.

c. Active and Retired Members of the Plan

None

**4. CONSENT AGENDA**

a. February 22, 2023 Regular Meeting Minutes

b. March 23, 2023 Special Meeting Minutes

c. Warrant Ratification (#266, 267)

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. In a voice vote by the members present, **Motion** passed 5-0.

**5. REPORTS**

a. NFP Retirement Inc. March 31, 2023 Quarterly Report  
Report made part of these Minutes

Mr. Matt Dickey provided several updates: 1) NFP was working with MissionSquare and other record-keeping providers to begin implementation of certain parts of SECURE Act 2.0, specifically the catch-up provision for those earning over \$145k that must be in place by January 1, 2024; 2) Florida governor Ron DeSantis signed legislation prohibiting all Florida public funds from investing in any asset containing pecuniary factors geared toward environmental, social and governance factors (ESG); 3) NFP did not give preference to ESG funds so there were no issues with any of the funds MissionSquare offered for DROP participants; and 4) MissionSquare had not yet disbursed the Administrative Allowance Account nor could they provide a timetable for when the distribution would be made.

Mr. Dickey said MissionSquare executives acknowledged their missteps with the rollout of their new website in late 2022 and as a result had recently replaced their CEO, Human Resources director, and chief legal advisor. MissionSquare's record-keeping service fees for all of the City plans, including the three DROP plans, is approximately 3 basis points. Mr. Dickey said he found that if only the Firefighters' DROP plan moved to a different provider, the fees would be 14-15 basis points. If both the Firefighters' and Police DROP plans moved, the fees would be 12-14 basis points and if all three DROP plans moved, the fees would be approximately 10-11 basis points, and if all of the City's plans moved, the fees would be similar to MissionSquare's 3 basis points.

Mr. Weber said he felt his hands were tied unless the City joined the three retirement boards in seeking an RFP for record-keeping services. Mr. Dickey said NFP could do the RFP for the City at no cost to the City and, since NFP did not offer record-keeping services, they would be neutral in their involvement. Mr. Weber said since the City had used MissionSquare (fka ICMA-RC) since at least 1998, it was time for them (the City) to do an RFP.

**MOTION** made by Mr. Deen, seconded by Mr. Weber, contingent on the General Employees' Retirement Committee joining the Firefighter and Police boards, send a letter to the City urging the City to join the Boards in an RFP for record keeping services for all of the City's plans served by MissionSquare. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Dickey said on May 19, 2023, five map-overs the Board approved in late 2022 had been completed: American Funds Washington Mutual R4 to iShares S&P 500 Index Investor A; T. Rowe Price Growth Stock Advantage and Fidelity Contrafund to AB Large Cap Growth III I1; Invesco Emerging Markets Select Equity Y to MFS International Diversification; and Invesco Global Opportunities R6 to Victory RS Global R6. Mr. Dickey said no additional changes were needed at this time.

Chair Razor asked Mr. Dickey if, once an employee has made the maximum pre-tax contribution to the 457, does everything after that go into a ROTH. Mr. Dickey replied that most systems were not set up to accommodate this, so was a lot of push-back to the IRS. Also, IRS hasn't clarified how the \$145k will be determined.

b. Marcum LLP

September 30, 2022 Audit Report  
Report made part of these Minutes

Mr. Scott Montgomery reviewed the draft September 30, 2022 Financial Statements emphasizing the auditor's opinion was clean and "unmodified" meaning it was the highest opinion that could be issued. Upon the completion of his report overview, Mr. Montgomery stated there were no material weaknesses, deficiencies in internal controls, or non-compliance issues.

**MOTION** made by Mr. Weber, seconded by Mr. Hoesley, to accept the September 30, 2022 Financial Statements as presented by Marcum LLP. In a voice vote by the members present, **Motion** passed 5-0.

c. 2022 Annual State Report

Report made part of these Minutes

Ms. Lisa Castronovo said she needed Board approval to submit the 2022 annual State Report to the Florida Division of Retirement now that the September 30, 2022 Financial Statements Report was accepted. Ms. Castronovo reminded the Board the State uses the information provided in the annual State Report to issue Chapter 185 premium tax distributions.

**MOTION** made by Mr. Weber, seconded by Mr. Deen, that the information provided for the 2022 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 5-0.

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

i. October 1, 2022 Actuarial Valuation Report

Report made part of these Minutes

Mr. Jeffrey Amrose presented the October 1, 2022 Actuarial Valuation Report.

Highlights:

- The City's required contribution increased from \$8,170,187 for fiscal year end September 30, 2023 to \$8,453,063 for fiscal year end September 30, 2024, a dollar increase of \$282,876, but a 1.43% decrease as a percent of payroll. The increase was due primarily to actuarial losses.
- If the City paid FYE 2024 required contribution on October 1, 2023, the first day of the fiscal year as done in the past, the contribution would be \$8,155,823.
- For members hired after July 7, 2015, the benefit accrual rate will increase from 2.75% of final average earnings to 3.0% of final average earnings, prospectively, for each year of service commencing on October 25, 2022. The contribution rate for members hired after July 7, 2015 increased from 9% to 10% commencing on October 25, 2022.
- There were no revisions in actuarial assumptions.
- The plan experienced a net actuarial loss of \$3.3M meaning actual experience was less favorable than anticipated. The loss was due primarily to a lower-than-expected investment return.
- The funded ratio on October 1, 2022, was 68.8% compared to 67.8% on October 1, 2021.
- The estimated required City contribution for fiscal year end 2025 was \$8.90M assuming a 5.67% increase in total covered payroll and no gains, losses, or assumption changes.

**MOTION** made by Mr. Weber, seconded by Mr. Deen, to accept the October 1, 2022 Actuarial Valuation Report as presented. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Amrose and Mr. Vavrica recommended using 6.75% as the expected rate of return.

**MOTION** made by Mr. Weber, seconded by Mr. Deen, to approve an expected rate of return of 6.75% 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 5-0.

A five-minute break was taken.

e. AndCo Consulting, Inc.

iii. Private Equity Fund of Funds Manager Analysis; presentation by Taurus Private

#### Markets

This Item was moved to accommodate the presenters, Kevin Campbell, Eric Wilcomes, and Mark Eisner.

Mr. Campbell explained that Taurus Private Markets was raising a private equity fund of funds with a target return of 17-20% net return and a 1.75x – 2.0x net multiple on invested capital. The fund's focus would be on lower middle market leveraged buyouts, private credit, and venture capital investment strategies. Approximately 85% of invested capital went to primary fund commitments with the other 15% going to co-investments and secondaries.

Mr. Campbell continued that even though Taurus was a relatively young money manager, both founders (himself and Mr. Wilcomes) had over 20 years-experience in private equity and had been working together since 2010. The specific fund they presented to the Board had a target size of \$150M and would close by the end of 2023. The average fee over eight years was 50 basis points. The fund term was 10 years from final closing and required a minimum commitment of \$1M.

The presenters left.

Mr. Vavrica said the Taurus fund would have better overall returns than secondary funds (like PA Capital and Neuberger Berman) but would get to those better returns slower than some other funds. Mr. Hoesley said he thought the Fund should invest in private equity but he liked secondaries better than primaries (i.e. Taurus). Mr. Hoesley added he would not mind seeing the Fund invest in one primary and another secondary. Mr. Weber said he was personally comfortable with Taurus, but did not want to do anything with them until AndCo vetted and approved them. Mr. Vavrica said he was fine if the trustees did not want to add a primary at this time but rather add another secondary, but that he was also fine if they wanted to add a primary now.

Mr. Vavrica reviewed his private equity fund of funds report which provided details about investment managers 50 South Capital Advisors (Private Equity Core Fund XI), Franklin Park Associates (Franklin Park Corporate Finance Access Fund II), and Taurus Private Markets (Taurus Private Markets Fund II). Unlike 50 South and Franklin Park who can invest up to 25% in venture capital, Taurus will only invest up to 15%. Mr. Hoesley told the trustees to consider the investment in the perspective of the next five years; strategically think about the percent of the Fund to invest over the next five years, i.e. 3%. Mr. Hoesley continued noting that Franklin Park was a good manager with a good reputation. Mr. Hoesley suggested investing \$2-3M in Taurus and another \$2-3M with a new real estate manager. Picking up on what Mr. Hoesley said, Mr. Vavrica asked the trustees where they wanted the Fund to be five years down the road. Mr. Vavrica recommended the trustees piece their way through alternative investments over the next few years rather than committing everything all at once; i.e. make 5-6 commitments over the next five years. Mr. Vavrica agreed to put together a "pacing" model to present at the next Board meeting which would provide an idea of when and how much capital calls will be based on commitments already made.

**MOTION** made by Mr. Weber, seconded by Mr. Deen, to ratify Ms. Castronovo's election of liquidation options of Dune Real Estate Fund III. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Vavrica reported Molpus Woodlands Timberland was fully liquidated as of December 31, 2022. Mr. Vavrica also reported that Angelo Gordon was being acquired by TPG and

Deerpath Capital by PGIM, but at least for the time being, neither acquisition would be an issue since both managers expected to be left alone by the acquiring companies so they would continue to operate as they had been.

iv. Non-Core Real Estate Manager Analysis (this Item was taken out of order)

Mr. Vavrica provided a brief analysis of six non-core real estate managers: Virtus Real Estate, Pennybacker Capital Management, Angelo, Gordon & Company, Torchlight, Harrison Street Real Estate Capital, and Oak Street Real Estate Capital. Non-core real estate managers concentrate on value-add and/or opportunistic real estate strategies. The trustees agreed to defer a decision on non-core real estate until after Mr. Vavrica presented a pacing model.

**MOTION** made by Mr. Deen, seconded by Mr. Weber, to make a \$3M commitment to private equity investment, specifically with Taurus. In a voice vote by the members present, **Motion** passed 5-0.

i. Portfolio Performance Review – Quarter End March 31, 2023

Report made part of these Minutes.  
There was no discussion of this Item.

ii. Flash Report – April 2023

Report made part of these Minutes.  
For the month ended April 30, 2023, the Plan's return, net of fees, was 0.72% vs. the benchmark of 0.82%. The fiscal year to date return was 5.11% vs. the benchmark of 5.99%. Mr. Vavrica reported good performance for the fiscal year period October 1, 2022 through April 30, 2023 with both equity and fixed income returns positive.

v. International Equity Manager Analysis

Mr. Vavrica said international equity manager ABS was struggling explaining why he presented information for four possible replacement managers: Dimensional Fund Advisors, Harding Loevner, Neuberger Berman, and Transamerica. Mr. Weber and Mr. Hoesley concurred it was time to pull the plug on ABS since they were down 10% since inception in mid-2021. Mr. Vavrica noted Harding Loevner leaned toward growth so to balance out with a bit more value, go with Dimensional Fund Advisors or Transamerica.

**MOTION** made by Mr. Hoesley, seconded by Mr. Weber, to terminate ABS and move the funds currently held by them to Dimensional Fund Advisors. In a voice vote by the members present, **Motion** passed 4-0.

Mr. Vavrica said the investment policy will need to be updated to reflect the new non-ESG law. Practically speaking, it won't change anything since the Fund does not have any investments specifically in ESG. Further, the Fund will have to file a report by the end of 2023 regarding ESG investments, though as of now, no information was available on what will have to be provided in the report.

Mr. Vavrica told the trustees that \$2M was needed in the receipts and disbursements account to cover upcoming monthly benefit obligations.

**MOTION** made by Mr. Weber, seconded by Mr. Hoesley, to transfer \$2.5M from BlackRock Multi-Asset Income Portfolio to Fidelity Total Market Index Fund to cover upcoming monthly benefit payments. In a voice vote by the members present, **Motion** passed 5-0.

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

Adding to what Mr. Vavrica said about the new non-ESG law, Mr. Herrera said that 99% of the plans he worked on would not have an issue with complying with the new law since they all only consider pecuniary factors – making the most money with the least amount of risk - when making investment decisions. No Florida government body will be allowed to issue bonds for environmental purposes, i.e., fight sea-level rise. Certain disclaimer language would have to be added to future investment documents and proxy voting policies would need to be updated. Under the new law, government bodies would only be able to vote a certain way, so each government would likely have to carve out their own proxy voting. The law was murky and ambiguous so government agencies across Florida were waiting for guidance from the State and courts. The Firefighters' Retirement System was fine, but work would need to be done to figure out the logistics on how to keep it fine.

Mr. Herrera reported that Robbins Gellar, one of the securities monitoring law firms used by the Board, asked him to get an updated contract that would be specific to the Firefighters' Plan and the Police Officers' Plan. Mr. Herrera added that he needed to look at the contract with Saxena White to determine if it too needed to be updated to be specific to the two plans.

**MOTION** made by Mr. Weber, seconded by Mr. Deen, to authorize Chair Rasor to execute the new contract with Robbins Gellar. In a voice vote by the members present, **Motion** passed 4-0.

Mr. Herrera reminded the Trustees to file their financial disclosure forms with the State on or before June 30, 2023.

e. Pension Administrator – Lisa Castronovo

Ms. Castronovo: 1) provided the trustees with the 2022-23 administrative expense budget versus actual expenses through mid-May; and 2) told the Trustees to let her know if they wanted to attend FPPTA's upcoming annual conference.

**ADJOURNMENT**

The meeting adjourned at 4:00 p.m.

I, Jeffrey Rasor, the undersigned, am the Chair of the City of Delray Beach Police Officers' Retirement System Board of Trustees ("Board"). The information provided herein is the Minutes of the May 24, 2023 regular meeting of said body. These Minutes were formally approved and adopted by the Board on 9/20/2023.

  
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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).