

**MINUTES
REGULAR RETIREMENT COMMITTEE MEETING
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
DECEMBER 8, 2022**

1. Call to Order

Chair Ellingsworth called the meeting to order at 1:31 p.m.

Roll Call

Committee Members present: Chair Howard Ellingsworth, Hugh Dunkley, Adam Frankel, and Thomas MacManus. One position was vacant.

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

Agenda Adoption

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to adopt the December 8, 2022, 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. August 18, 2022 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. NFP Retirement, Inc. – Matt Dickey

- A. NFP Retirement Inc. September 30, 2022 Quarterly Report

Report made part of these Minutes

Mr. Dickey stated in the past the Committee had authorized the disbursement of 75% of the prior March 31st Administrative Allowance Account (“AAA”) to all DROP participants who had money in the DROP account at MissionSquare. He asked if the Committee would like to authorize the distribution of 75% of the March 31, 2022, AAA balance.

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to disburse in December 2022, 75% of the March 31, 2022, Administrative Allowance Account balance to all participants with money in the DROP account at MissionSquare on the date of the distribution. In a voice vote of the members present, **Motion** passed 4-0.

Mr. Dickey reviewed NFP’s September 30, 2022, report noting international equity fund Invesco Emerging Markets Select Equity Y was on the watch list. Mr. Dickey said NFP would continue to watch the fund and if it didn’t improve performance in the next quarter, would recommend a replacement. Mr. Dickey noted that based on prior Board guidance, American Funds Washington Mutual R4, Fidelity Contrafund, and T. Rowe Price Growth Stock Adv. were in the process of being mapped to better performing, replacement funds (iShares S&P 500 Index Investor A, Large Cap Growth III I1, and Fidelity Large Cap Growth Idx, respectively). Mr. Dickey recommended mapping Janus Henderson Small Cap Value T and LSV Small Cap Value Institutional to PIMCO RAE US Small Instl and Invesco Global Opportunities R6 to Victory RS Global R6. Mr. Dickey said the rest of the funds were performing as expected.

MOTION made by Mr. Frankel, seconded by Mr. Dunkley, to map funds per NFP's recommendation: Janus Henderson Small Cap Value T and LSV Small Cap Value Institutional to PIMCO RAE US Small Instl and Invesco Global Opportunities R6 to Victory RS Global R6. In a voice vote of the members present, **Motion** passed 4-0.

5. AndCo Consulting – Brendon Vavrica

A. Portfolio Performance Review – Quarter End September 30, 2022

Report made part of these Minutes.

Mr. Vavrica shared two handouts (made part of these Minutes). The first handout showed how, in a typical year, the return of one asset class (domestic equity or fixed income) offsets the poor performance of the other. However, in 2022, both asset classes performed poorly resulting in the worst combined return in 46 years. The second handout showed the typical length of bull and bear markets over the last 75 years. The typical bear market lasted 13 months with an average market loss of 33%; the typical bear market was 53 months with an average market gain of 155%. As of December 2022, the US economy had been in a bear market almost 12 months, just a month short of the average 13-month bear market. Thus, if the average held, the economy was posed to move out of the bear market in early 2023.

Mr. Vavrica reported the Retirement System's net rate of return for the quarter ended September 30, 2022, was -4.4% compared to its benchmark of -4.4%. For the fiscal year ended September 30, 2022, the System's net rate of return was -14.4%. All asset classes performed poorly in the quarter. The System's market value decreased from \$152.4M on June 30, 2022, to \$144.0M on September 30, 2022.

B. Flash Report – November 2022

Report made part of these Minutes.

Mr. Vavrica reported the Plan's market value was \$163.1M on November 30, 2022. The Plan's rate of return for the two months ended November 30, 2022, was 12.3% compared to the benchmark return of 11.7%. One thing that helped the Fund in 2022 was being overweight in domestic value equity, specifically Newton since their return was 14.4% for calendar year 2022 vs. their benchmark of 2.45%. Mr. Vavrica noted that Polen Capital had not performed well during the same timeframe like Newton did. Mr. MacManus said Polen historically had not performed well since its inception.

There was a brief discussion regarding the JPMorgan Income Builder and Blackrock Multi-Asset Income funds. Mr. MacManus asked Mr. Vavrica to bring to the next meeting information on other "blended" funds to see how they compare over the past few quarters since JPMorgan Income Builder and Blackrock were underperforming their respective benchmarks. Mr. Vavrica agreed to bring information while also explaining that these two funds were brought on by the Committee to build income over time rather than to chase returns.

C. Investment Policy Update

Mr. Vavrica said he would present an updated Investment Policy at the next Committee meeting after the vacant Committee position was filled.

D. Review Near Term Cash Requirements and Possible Asset Rebalancing

Mr. Vavrica said that with the large jump in domestic equity in the recent months, the Plan was \$7.1M overweight in equity and \$9M underweight in fixed income. In addition, cash was needed to pay upcoming monthly benefits. Mr. Vavrica recommended transferring some funds from domestic equity to fixed income. When asked if the funds should be taken from value or growth equity, Mr. Vavrica said he was inclined to take it from value. Mr. Vavrica suggested transferring

\$5M from domestic equity to fixed income and another \$2M from domestic equity to Vanguard Total Stock Index Fund with the \$5M from Newton and \$2M from the RhumbLine Russell 1000 Value Pooled Fund.

MOTION made by Mr. Dunkley, seconded by Mr. MacManus, to, based on the investment consultant's recommendation, transfer \$5M from Newton and split evenly in thirds between Garcia Hamilton & Associates, Baird Intermediate Bond fund, and Western Asset Intermediate Bond fund, and transfer \$2M from RhumbLine's Russell 1000 Value Pooled Fund to the Vanguard Total Stock Index fund. In a voice vote of the members present, **Motion** passed 5-0.

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

Mr. Herrera shared his September 13, 2022, letter and Gabriel, Roeder, Smith & Company's September 8, 2022, letter regarding monies owed by the General Employees' Retirement Plan to the Firefighters' Retirement System for two City employees – Keith Tomey and Kevin Green - who were, from their date of hire, members of the General Employees' Retirement Plan instead of members of the Firefighters' Retirement System where they, per State statute, should have been. The letters detailed the monies due the Firefighters' plan from the GE plan and how the exact amount due was calculated. Mr. Herrera said the money needed to be transferred to the Firefighters' plan since the money never belonged in the GE plan. The amount to transfer was the total of the contributions made to the GE plan by the two employees, the City's contributions, and accumulated earnings (determined using each fiscal year's market rate of return).

MOTION made by Mr. MacManus, seconded by Mr. Dunkley, to approve the transfer of monies from the General Employees' Retirement Plan to the Firefighters' Retirement System per the calculation provided by Gabriel, Roeder, Smith & Company in their September 8, 2022, letter. In a voice vote by the members present, **Motion** passed 4-0.

Mr. Herrera reminded the trustees of the State's reporting requirements if they accepted any gift. Mr. Herrera added that Sugarman, Susskind, et. al. would make a \$25 contribution in the Board's honor to the American Red Cross Ian Relief Fund.

7. PENSION ADMINISTRATOR REPORT

Ms. Castronovo shared her quarterly report. Ms. Castronovo asked the Committee to review and approve the proposed 2023 Committee meeting schedule.

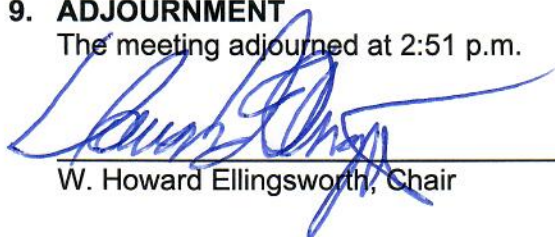
MOTION made by Mr. Frankel, seconded by Mr. MacManus, to approve the proposed 2023 quarterly Board meeting schedule. In a voice vote by the members present, **Motion** passed 4-0.

8. OTHER BUSINESS

None

9. ADJOURNMENT

The meeting adjourned at 2:51 p.m.



W. Howard Ellingsworth, Chair

2/22/23

Date