

**MINUTES
REGULAR RETIREMENT COMMITTEE MEETING
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
AUGUST 29, 2023**

1. Call to Order

Chair Ellingsworth called the meeting to order at 12:36 p.m.

Roll Call

Committee Members present: Chair Howard Ellingsworth, Hugh Dunkley, Chip Dickson (virtual), Adam Frankel (virtual), and Thomas MacManus.

Also present: Scott Montgomery (Marcum, LLP), Jeffrey Amrose (Gabriel, Roeder, Smith & Co.), 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. Dunkley, seconded by Mr. MacManus, to adopt the August 29, 2023, Agenda. In a voice vote by the members present, **Motion** passed 5-0.

2. Public Comments

Public comments were heard from Delores Rangel, Katie Hartmann, Regina Hart, Fred Glass, and Pamela Williams.

3. Consent Agenda

- A. February 22, 2023 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. Dunkley, seconded by Mr. Dickson, to approve the Consent Agenda. In a voice vote by the members present, **Motion** passed 5-0.

4. September 30, 2022 Financial Statements, Marcum, LLP

Pertinent Report pages made part of these Minutes

Scott Montgomery reviewed the pertinent section of the City's September 30, 2022 Annual Comprehensive Financial Report. Mr. Montgomery stated the auditor's opinion was "unmodified" which was the best opinion that could be given. Mr. Montgomery concluded his report by stating there were no material weaknesses or significant deficiencies found during the audit.

MOTION made by Mr. MacManus, seconded by Mr. Dunkley, to accept the September 30, 2022, financial information as presented. In a voice vote by the members present, **Motion** passed 5-0.

5. October 1, 2022 Actuarial Valuation Report, Gabriel, Roeder, Smith & Company

- A. October 1, 2022 Actuarial Valuation Report
Report made part of these Minutes

Highlights of the October 1, 2022 Actuarial Valuation Report:

- The City's required contribution increased from \$2,396,413 for the 2022-23 fiscal year to \$2,570,888 for the 2023-24 fiscal year, a \$174,475 increase and a 0.32% increase as a percent of payroll. The component accounting for the change in the required contribution was an experience loss.

- If the City wished to pay the 2023-24 required contribution on October 1, 2023, the first day of the fiscal year as done in the past, the contribution would be \$2,529,247.
- There were no benefit or actuarial assumption revisions.
- The Fund experienced a net actuarial loss of \$2,738,085 for the year meaning actual experience was less favorable than anticipated. The actuarial gain was due primarily to the recognized return on the actuarial value of assets less than expected (5.6% actual vs. 6.75% expected). The loss caused the required contribution to increase approximately \$233,000.
- The funded ratio on October 1, 2022, was 99.3% compared to 101.0% on October 1, 2021.
- The estimated required contribution for fiscal year 2024-25 is \$2,780,000 assuming a 3% increase in total covered payroll for FYE 2023 and no gains, losses, or assumption changes.

Mr. Dunkley asked when an experience study should be done. Mr. Amrose responded one should be performed in the next two to four years even though the current actuarial assumptions were close to spot-on.

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to approve 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. MacManus, seconded by Mr. Dunkley, 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 of the members present, **Motion** passed 5-0.

6. June 30, 2023 Fiduciary Investment Review, NFP Retirement, Inc.

NFP Retirement Inc. June 30, 2023 Quarterly Report
Report made part of these Minutes

Mr. Dickey summarized 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; and employees' ability to change their desired contribution rate at any time during the month rather than only on the first day of the month.

Effective January 1, 2024, several plan changes will be required per recently enacted SECURE 2.0: 1) participants earning \$145,000 or more in the prior year must make their contributions on a Roth basis; 2) allow participants to withdraw up to \$1,000 for a qualifying emergency and self-certify that they meet the requirements for the withdrawal; and 3) allow hardship withdrawals without limiting such withdrawals to employee elective deferrals only. SECURE 2.0 allowed two optional plan changes: 1) if plan sponsors offered matching contributions, they may match student loan payments, not just employee elective deferrals, and 2) if adopted, domestic abuse victims may self-certify they need and withdraw the lesser of \$10,000 or 50% of their account balance with the withdrawn amount to be repaid within three years.

Chair Ellingsworth asked if the various required and optional SECURE 2.0 provisions be added immediately. Mr. MacManus suggested that Mr. Dickey provide a one-page summary of the necessary items for the Committee members to review at their next meeting. The Committee members agreed to hold off approving any plan changes until MissionSquare provides an updated fee schedule considering the various changes.

Mr. Dickey reviewed the plan allocation by investment type noting the majority of assets continued to be invested in the PLUS (cash) fund. The various fund changes the Committee authorized at prior meetings was finalized August 26, 2023. Three funds were on the watch list: 1) Fidelity Diversified International - third quarter in a row at a 6, but not ready to pull it yet nor overly concerned about it; 2) Invesco Global - second quarter below a 7, but not too concerned as it was historically overweight in domestic and growth; and 3) Western Asset Core Bond - second quarter below a 7, but the first quarter it dropped into the bottom quartile; if it remains in the bottom quartile in quarter end September 30, 2023, NFP will recommend a replacement fund.

Mr. Dickey said the PLUS fund's rate of return was 2.1%. By comparison, the rate of return for Fidelity Investment Money Market fund, the other cash fund, was 3.2% making it a better fund than the PLUS fund for participants to use. Mr. Dickey said participants tend to place their money in the PLUS fund and then never move it so it stays there earning very little. Mr. Dunkley asked if MissionSquare could provide education to the participants regarding the various available investment funds. Mr. Dickey said they could but likely don't want to as such education might direct participants away from the PLUS fund on which MissionSquare made money.

Mr. Dickey stated all costs associated with the DROP plan were implicit which led participants to believe there were no fees associated with their investment at MissionSquare when in reality the fees were about 52 basis points (when combined with NFP's fees). Mr. Dickey said the administrative allowance account the Committee authorized to be distributed at their November 2022 meeting was distributed via a share increase rather than credited with a cash deposit as had been done in the past.

Mr. Dickey asked the Committee if they would join the Firefighters' and Police Officers' Boards in a letter to the City urging the City to include the 457 plan with the three DROP plans in an RFP for record-keeping services as currently provided by MissionSquare.

MOTION made by Mr. MacManus, seconded by Mr. Dickson, to join the Firefighters' and Police Officers' Boards in a letter to the City urging the City to include the 457 plan with the three DROP plans in an RFP for record-keeping services. In a voice vote of the members present, **Motion** passed 5-0.

7. AndCo Consulting – Brendon Vavrica

- A. Portfolio Performance Review – Quarter End June 30, 2023
Report made part of these Minutes.

Mr. Vavrica reported the Plan's net rate of return for the quarter ended June 30, 2023, was 4.00% compared to its benchmark of 4.56% and its fiscal year to date return was 17.55% versus the benchmark of 18.12%. The Plan's market value increased from \$161.8M on March 31, 2023 to \$166.3M on June 30, 2023.

Mr. MacManus asked why Garcia Hamilton looked great at quarter end March 30, 2023 but bad at quarter end June 30, 2023. Mr. Vavrica responded that they lengthened their duration due to their belief that interest rates would soon decrease; they looked good when interest rates stabilized, but looked bad once interest rates started increasing.

- B. Flash Report – July 2023

Report made part of these Minutes.

For the month ended July 31, 2023, the Plan's return was 2.98% vs. the benchmark of 2.97%. Through July 2023, the Plan's fiscal year to date return was 20.92%.

C. Short-term Fixed Income Analysis
Report made part of these Minutes.

This Item was not presented since the trustees were satisfied with the current yield of the current money market sweep vehicle at Salem Trust.

D. Investment Policy Review

Mr. Vavrica highlighted the paragraphs he added to the investment policy to bring it into compliance with the recently passed State of Florida law regarding ESG/pecuniary factors. Mr. Herrera provided background and the reasons why the additional language needed to be added to the investment policy.

MOTION made by Mr. MacManus, seconded by Mr. Frankel, to approve the updated Investment Policy as presented. In a voice vote by the members present, **Motion** passed 5-0.

E. Review Near Term Cash Requirements and Possible Asset Rebalancing

Mr. Vavrica said \$600k was needed in the Vanguard Total Stock Index fund to cover the September 2023 monthly benefit payments. Mr. Vavrica said \$250k could be taken from both Polen and Newton. When the City made its \$2.5M contribution in early October, those funds could be placed in the mutual fund. Mr. MacManus suggested putting the City's contribution in cash instead. Mr. Dunkley suggested putting the City contribution in MassMutual and BlackRock. Discussion ensued regarding various asset classes and where best to invest the incoming City contribution.

MOTION made by Mr. MacManus, seconded by Mr. Frankel, take \$3M from RhumbLine Growth Fund and \$2M from RhumbLine Value Fund and put \$1.0M each in Delaware Small Cap Core and Mass Mutual Small Cap and the remaining \$3M in cash and the default money market account within the R&D account at Salem Trust. In a voice vote of the members present, **Motion** passed 5-0.

MOTION made by Mr. Dickson, seconded by Mr. Dunkley, to deposit the incoming City contribution in cash in the R&D account at Salem Trust. In a voice vote of the members present, **Motion** passed 5-0.

8. **Sugarman, Susskind, Braswell & Herrera – Pedro Herrera**

Mr. Herrera said he spoke to the City Attorney regarding the accumulated interest issue of non-vested terminated members who do not take their refund shortly after termination thus allowing their refunds to increase with 3% guaranteed interest each year they don't take their refund. He said he would keep the Committee updated on further discussions regarding the matter.

9. **PENSION ADMINISTRATOR REPORT**

Ms. Castronovo shared her quarterly report.

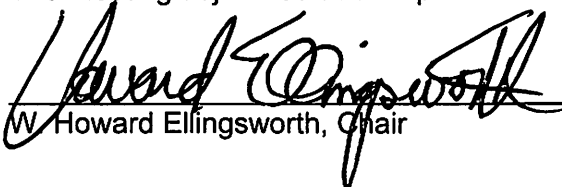
10. **OTHER BUSINESS**

A. Summary Plan Description

Ms. Castronovo reported she updated the Summary Plan Description (SPD) and needed Committee approval before she could provide to all active Plan members. The Committee members directed Ms. Castronovo to send the SPD to Mr. Herrera for him to review and approve before they would approve.

11. **ADJOURNMENT**

The meeting adjourned at 3:21 p.m.


W. Howard Ellingsworth, Chair

11/16/2023
Date