

**MINUTES**  
**REGULAR RETIREMENT COMMITTEE MEETING**  
**CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN**  
**MAY 16, 2024**

**1. Call to Order**

Chair Ellingsworth called the meeting to order at 1:03 p.m.

**Roll Call**

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

Also present: Scott Montgomery (Marcum, LLP), Jeffrey Amrose (Gabriel, Roeder, Smith & Co.), Pedro Herrera (Sugarman, Susskind, Braswell & Herrera as designated by City Attorney), Brendon Vavrica and Jorge Friguls (Mariner Institutional), Lisa Castronovo and Elizabeth Brown (City of Delray Beach).

**Agenda Adoption**

**MOTION** made by Mr. Dickson, seconded by Mr. Dunkley, to adopt the May 16, 2024, Agenda. In a voice vote by the members present, **Motion** passed 5-0.

**2. Public Comments**

None

**3. Consent Agenda**

- A. February 15, 2024 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. Dickson, to approve the Consent Agenda. In a voice vote by the members present, **Motion** passed 5-0.

**4. September 30, 2023 Financial Statements - Marcum, LLP**

Pertinent Report pages made part of these Minutes

Scott Montgomery reviewed the pertinent section of the City's September 30, 2023 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. Dickson, to accept the September 30, 2023, financial information as presented. In a voice vote by the members present, **Motion** passed 5-0.

**5. October 1, 2023 Actuarial Valuation Report - Gabriel, Roeder, Smith & Company**

- A. October 1, 2023 Actuarial Valuation Report  
Report made part of these Minutes

Highlights of the October 1, 2023 Actuarial Valuation Report:

- The City's required contribution increased from \$2,570,888 for the 2023-24 fiscal year to \$3,073,207 for the 2024-25 fiscal year, a \$494,183 increase and a 0.69% increase as a percent of payroll. The component accounting for the increase in the required contribution was an experience loss.
- If the City wanted to pay the 2024-25 required contribution on October 1, 2024, the first day of the fiscal year as done in the past, the contribution would be \$2,3,023,430.

- Benefits were revised for participants who were employed with the City in the position of City Manager, City Attorney, or Internal Auditor who retired on or after December 12, 2023.
- There were no actuarial assumption revisions.
- The Fund experienced a net actuarial loss of \$1,516,742 for the year meaning actual experience was less favorable than anticipated. The actuarial loss was due primarily to larger than expected salary increases (8.1% actual vs. 4.9% assumed). The loss was partially offset by a higher than expected rate of return (7.3% actual vs. 6.75% expected). The loss caused the required contribution to increase approximately \$130,000.
- The funded ratio on October 1, 2023, was 98.1% compared to 99.3% on October 1, 2022.
- The estimated required contribution for fiscal year 2025-26 is \$3,110,000 assuming a 3% increase in total covered payroll for FYE 2024 and no gains, losses, or assumption changes.

**MOTION** made by Mr. MacManus, seconded by Mr. Dickson, to approve the October 1, 2023 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 for the current year, the next few years, and long-term thereafter.

**MOTION** made by Mr. MacManus, seconded by Mr. Dickson, 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. Legal Report - Sugarman, Susskind, Braswell & Herrera

### A. Proposed Ordinance Amendment for SECURE 2.0

Mr. Herrera told the Committee that Ordinance amendment for SECURE 2.0 had been sent to the City Attorney's office for review and City Commission consideration and approval. The main thing the amendment did was change the minimum required benefit distribution age from 70 ½ to 73. No formal action was needed by the Committee.

Mr. Herrera reminded the Committee members to file their Form 1's (Financial Disclosure forms) electronically on or before July 1, 2024.

## 7. Pension Administrator Report

Ms. Castronovo shared her quarterly report.

Ms. Castronovo reported that Pension Specialist Elizabeth Brown had scanned all existing retiree files thus negating the need to hire an outside company to do the scanning. Ms. Castronovo said she would check with the City Clerk's office to find out how long the paper files needed to be retained, if at all, since all documents were scanned and on the City's hard drive. Mr. Herrera suggested she also check with the City Attorney's office regarding retention requirements.

## 8. Administrative

### A. Return of Employee Contributions (Refunds)

Ms. Castronovo summarized the steps taken to pay outstanding returns of employee contributions ("refunds"). Regarding the oldest refund payable (from 1989), the member died in 2020. When she asked what to do with it, discussion ensued. One idea was to turn it over to the State as unclaimed funds. Mr. Herrera cautioned that while such an idea was good, the Ordinance dictates that interest be credited each January 1<sup>st</sup>. Chair Ellingsworth asked if an ordinance change could be made to remove the 3%/5% simple interest credit. Mr. Herrera responded he would talk to the City Attorney about amending the Ordinance to remove the interest credit and also about how and when the Plan can be released from the interest requirement for those members currently accruing interest.

Ms. Castronovo provided information regarding 40 other non-vested ex-employees due refunds. Of the 40, 18 were informed if they did not return their refund documents by July 5, 2024, they would receive their refund in cash with all applicable taxes withheld. The other 22 ex-employees were told if they did not return their paperwork, their refund would be transferred to an IRA of the Committee's choosing as allowed by federal law.

Discussion ensued regarding the rollover of refunds between \$1,000 and \$7,000 to an IRA of the Committee's choosing. Mr. Friguls interjected he worked with Inspira Financial, a company who specialized in such rollovers, with whom he would put us in contact.

## **9. Investment Reports – Mariner Institutional**

### **A. Portfolio Performance Review – Quarter End March 31, 2024**

Report made part of these Minutes.

Mr. Vavrica reported the Plan's net rate of return for the quarter ended March 31, 2024, was 6.18% compared to its benchmark of 6.69% with a fiscal year to date return of 15.82% versus the benchmark of 17.18%. The Plan's market value increased from \$175.8M on December 31, 2023 to \$184.7M on March 31, 2024.

### **B. Flash Report – April 2024**

Report made part of these Minutes.

For the month ended April 2024, the Plan's return was -3.76% vs. the benchmark of -3.64%. Through April 2024, the Plan's fiscal year to date return was 11.39%.

Responding to Committee concerns about large cap growth manager, Polen Capital, Mr. Vavrica said Polen was, from a fundamental performance perspective, doing exactly what they said they would do – generate annual returns of 14-15%, which they have done consistently. The issue they faced, however, was their benchmark consistently returned 18-19%. When asked by Chair Ellingsworth if he had a recommendation regarding Polen, Mr. Vavrica said he encouraged the Committee to not make any changes yet but wait until the next meeting when he would present a report on other active large cap growth managers.

Mr. MacManus stated he wanted out of Polen completely. Mr. Vavrica said that was perfectly reasonable, but the counter argument was the index to which Polen was measured consisted of just ten companies making up over 50% of the assets. If the Plan was to enter the benchmark fund now, which had performed incredibly well over the last five years, it might be too late as those companies might start cooling down. If the Plan was all in and the top ten companies started to perform poorly, the Plan could potentially lose a lot of money due to its over-investment in just ten companies. Mr. Vavrica noted there were no good large cap growth managers right now because they were all behind the top 7-10 companies.

Mr. Vavrica reported that Janna Hamilton with Garcia Hamilton (GHA) retired, but her retirement would not affect GHA's performance or its investments since she was on GHA's marketing side, not investment side.

Mr. Vavrica recommended that the Committee start looking at alternative investments again as the Deerpath investment was starting to mature.

E. Review Near Term Cash Requirements and Possible Asset Rebalancing

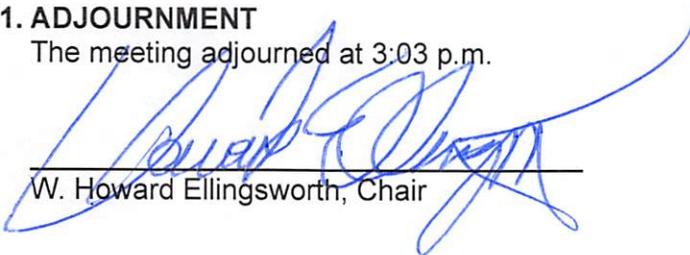
**MOTION** made by Mr. MacManus, seconded by Mr. Dickson, to transfer \$2,000,000 from Polen Capital to Vanguard to cover upcoming benefit payments per the recommendation of Mr. Vavrica. In a voice vote by the members present, **Motion** passed 5-0.

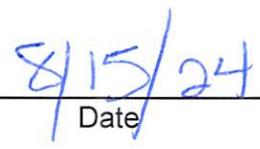
**10. OTHER BUSINESS**

None

**11. ADJOURNMENT**

The meeting adjourned at 3:03 p.m.

  
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W. Howard Ellingsworth, Chair

  
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Date