

Item 5.b.

**Q3 2024 Regular Meeting Minutes
(September 10, 2024)**

**Q3 2024
Meeting Minutes
Delray Beach
City of Delray Beach- 457 Plan**

Meeting Date: 09/10/2024

Attendees

Committee Members	Duane D'Andrea Laura Thezine Tyler Adams	Jeffrey Rasor Lisa Castronovo
NFP	Matt Dickey	

Administrative Review

Reviewed Prior Meeting Notes

Notes:

1. The meeting was called to order at 9:42am by Chair Dunkley. All members were present with the exception of Mr. Rasor. This will be Chair Dunkley's last meeting prior to leaving the City. Laura Thezine will take Mr. Dunkley's place as a member of the Committee until a new Finance Director is hired.
2. The minutes were reviewed by the Committee. Per the City's preference the minutes will reflect the formal motion, who made the 1st and 2nd as well as whether the motion passed unanimously or not. Ms. Castronovo will provide her notes from the Q2 minutes to update NFP's records of the Q1 2024 minutes. Motion presented by Mr. Adams, Second by Mr. D'Andrea. Passed unanimously.
3. There were no Public Comments.
4. The Consent agenda was approved with the first motion by Mr. Adams, second by Ms. Castronovo. Passed unanimously.
5. The Committee members provided comments regarding the potential for the DROP Plans at MissionSquare to be included and combined into the oversight of this Committee. NFP discussed the potential for this. Since these DROP Plans are specific to each group and their Trustees there may be an interest in the future to control oversight. There may also be a scenario where the DROP Plans are no longer an external 401a and included in the pension. This would prove complex to remove these plans back under the appropriate Pension Boards. The Committee will continue their discussion as seen fit by the other Boards and their interest in consolidating oversight of the MissionSquare plans.
6. NFP provided an update regarding the RFP. An updated draft was prepared and sent to the City. The City will use the draft RFP and update the required disclosure and documents per the City's procurement department. NFP as part of their scope of services can run the RFP on behalf of the City at no additional fee. Chair Dunkley will request to the City attorney prior to his departure that NFP be able to do so. The Committee supports outsourcing this project to NFP.
7. NFP reviewed the optional provisions of SECURE Act 2.0. The Committee wishes to adopt the following optional provisions: \$1,000 emergency withdrawal, federally declared disaster distributions, domestic abuse victim distributions, terminal illness distributions. The City also wishes to obtain information regarding the implementation of loans on the 457(b) plan. MissionSquare to provide a draft amendment and supporting documentation. The first motion was made by Ms. Castronovo and seconded by Mr. Adams. It passed unanimously.
8. The Committee requested that MissionSquare attend the next quarterly meeting. NFP will include Howard Brezak with MissionSquare to present to the Committee during that meeting. Since the membership of the Committee has recently changed that will be moved to the May meeting.
9. NFP discussed Financial Wellness for employees. There are a variety of programs and services available that deliver additional support beyond retirement education. The Committee asked NFP to provide additional information on their financial wellness program as well as other providers in the marketplace. As membership has recently changed this discussion will also be moved to the May agenda.

Investment Due Diligence

Investment Analysis Summary

- NFP provided an economic and market commentary for Q2 2024.
- NFP reviewed the investment scoring methodology and criteria for monitoring, watchlisting and removing investments from the fund menu.
- NFP reviewed plan asset balances across all investment options.

Q3 2024

Meeting Minutes

- Assets of the Plan as of 06/30/24 were \$82,677,679.98
- 36.06% in Asset Allocation
- 17.73% in Cash Alternatives
- 4.48% in Fixed Income
- 7.35% in International/Global Equity
- 5.60% in Specialty
- 28.77% in U.S. Equity
- NFP reviewed the Plan's investment scorecard covering available funds as well as their current scores and performance metrics, scoring history, asset class coverage, as well as other key metrics.
 - All funds were reviewed from a quantitative and qualitative perspective.
 - 20 funds are acceptable:
 - JPMorgan SmartRetirement Blend Target Date Series R5 (8)
 - Cohen & Steers Real Estate Securities I, CSDIX (10)
 - MassMutual High Yield Svc, DLHYX (9)
 - Dodge & Cox Stock I, DODGX (10)
 - Fidelity Puritan, FPURX (10)
 - Carillon Eagle Mid Cap Growth I, HAGIX (8)
 - MFS Intl Diversification R4, MDITX (7)
 - iShares Russell 2000 Small-Cap Idx Inv A, MDSKX (10)
 - Invesco Discovery Mid Cap Growth Y, OEGYX (8)
 - PIMCO Income Adm, PIINX (9)
 - Victory Sycamore Established Value I, VEVIX (10)
 - Allspring Special Mid Cap Value Inst, WFMIX (10)
 - iShares S&P 500 Index Investor A, BSPAX (10)
 - PIMCO RAE US Small Instl, PMJIX (10)
 - iShares Russell Mid-Cap Index Inv A, BRMAX (9)
 - Victory RS Global R6, RGGRX (10)
 - MSQ Cash Management R5, SPUSA06CAU
 - MissionSquare PLUS Fund Class R5, 92208J303
 - Small Cap Value II I1 (American Century SCV), 97182E444
 - Large Cap Growth III I1 (AB Large Cap Growth), 97184D766
 - 2 funds are on watchlist:
 - Fidelity Select Technology, FSPTX (6)
 - MissionSquare Retirement IncomeAdvantage Fund R5, 74440A696.icma (5)
 - Potential Replacements:
 - Fidelity Diversified International, FDIVX (10)
 - Invesco Global R5, GFDDX (7)
 - Western Asset Core Bond I, WATFX (5)

Market Summary - Q2 2024

U.S. Equities rose 3.2% (Russell 3000), with large cap tech stocks leading the way. Large growth stocks continued to outpace large value stocks over the quarter and are ahead by over 1,400 basis points year-to-date (20.7% vs. 6.6%). International equities rose to a lesser extent over the quarter, posting a 1.0% gain (MSCI ACWI ex U.S.). The broad U.S. fixed income market was flat, returning 0.1% (Bloomberg Barclays Aggregate) over the quarter. The Fed held rates steady over the quarter as inflation readings throughout the economy continued to persist. Expectations for rate cuts later in the year were steadily scaled back over the quarter, introducing volatility at the longer end of the curve. The U.S. labor market remained tight during the quarter though unemployment rose slightly to 4.1%

ACR# 6778743 07/24

Fund Review

Moderate

MissionSquare Retirement IncomeAdvantage Fund R5 (74440A696.icma) (Recent Scores: 5,5,6,5) is on the watchlist
Asset Value: \$2,826,757.54

Technology

Fidelity Select Technology (FSPTX) (Recent Scores: 6,6,6,6) is on the watchlist

Q3 2024

Meeting Minutes

Asset Value: \$3,815,762.99

Core Fixed Income

Eliminate Western Asset Core Bond I (WATFX) (Recent Scores: 5,5,5,5)

Map to American Funds Bond Fund of Amer R4 (RBFEX) (Recent Scores: 10,10,10,10)

Asset Value: \$2,141,381.24

Global Equity

Eliminate Invesco Global R5 (GFDDX) (Recent Scores: 7,7,7,5)

Map to Victory RS Global R6 (RGGRX) (Recent Scores: 10,10,10,10)

Asset Value: \$1,044,456.39

International Large Cap Growth

Eliminate Fidelity Diversified International (FDIVX) (Recent Scores: 10,9,6,6)

Map to International Growth II I1 (MFS Intl LCG) (97183C728)

Asset Value: \$617,225.51

Fiduciary Governance

Fiduciary Governance Summary

Reviewed Fiduciary Education Module/s

Modules Reviewed:

Legislative Update - Q2 2024

Legislative Update minutes:

An update on developments in the legal and/or regulatory landscape was provided. Highlights include:

- At least nine class action lawsuits under ERISA over the past year have challenged employers' use of forfeitures to reduce employer matching contributions.
- Recent rulings of *Perez-Cruet v. Qualcomm Inc.* (May 24, 2024) and *Hutchins v. HP, Inc., et.al.* (June 17, 2024) regarding forfeiture-related motions are effectively a tie.
- The HP court concluded that plaintiff's theory of liability is contrary to the settled understanding of Congress and the IRS.
- Section 404(a)(1) of ERISA imposes the duties of a plan fiduciary is to "act 'solely in the interest of the participants' and for the 'exclusive purpose' of providing benefits to those participants."
- If employer intends to use forfeitures to reduce employer contributions, there are generally two paths to consider:
 - "Business as usual" – Rely on HP court's holding; or
 - Hardwire that procedure into plan documents by providing that forfeitures "shall be used" to reduce the employer contributions rather than "may be used."

ERISA Section 404(c)

NFP went over the annual participant notice to be provided. In addition, NFP reviewed the checklist indicating how the plan is compliant with the dozens of subsections within ERISA Section 404(c). NFP reminded the committee that this code section is what transfers liability away from the plan sponsor to the participants for their investment decisions.