

**Item 3.A.**

**August 15, 2024 Regular Meeting Minutes**

**MINUTES**  
**REGULAR RETIREMENT COMMITTEE MEETING**  
**CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN**  
**AUGUST 15, 2024**

**1. Call to Order**

Chair Ellingsworth called the meeting to order at 1:04 p.m.

**Roll Call**

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

Also present: Jamie Hayes (NFP, participated remotely), Karen Russo (Salem Trust), Brendon Vavrica and Jorge Friguls (Mariner Institutional), Pedro Herrera (Sugarman, Susskind, Braswell & Herrera as designated by City Attorney), Lisa Castronovo and Elizabeth Brown (City of Delray Beach).

**Agenda Adoption**

**MOTION** made by Mr. Frankel, seconded by Mr. Dunkley, to adopt the August 15, 2024 Agenda. In a voice vote by the members present, **Motion** passed 4-0.

**2. Public Comments**

None

**3. Consent Agenda**

- A. May 16, 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. MacManus, to approve the Consent Agenda. In a voice vote by the members present, **Motion** passed 4-0.

**4. June 30, 2024 Fiduciary Investment Review, NFP Retirement, Inc.**

Ms. Hayes reported the three funds the Committee agreed at the last meeting to replace had been done. Ms. Hayes said Matt Dickey had been working with Mr. Dunkley and Ms. Castronovo on a Request for Proposals for recordkeeping services. Ms. Hayes concluded by reporting that all investment funds were performing well and that NFP did not recommend any changes at this time.

**5. Custodian Report, Salem Trust**

Ms. Russo reminded the Committee that Salem Trust held five custodial accounts: Newton, Polen Capital, Waycross, Garcia, Hamilton & Associates, and the receipts and disbursements account in which six equity and four fixed income mutual fund accounts were held.

A. Contract Assignment, Ratification, and Assumption

Ms. Russo asked the Committee to approve and sign an agreement update with Salem Trust that reflected its new parent company, Argent Institutional Trust Company.

**MOTION** made by Mr. MacManus, seconded by Mr. Dunkley, to approve the agreement update as presented. In a voice vote by the members present, **Motion** passed 4-0.

B. Pensioner Portal Update

Ms. Russo reported that in mid-June 2024, her office mailed information about their new pensioner portal to the Plan's 350+ retirees. To date, only 24 retirees had signed into the portal, but Ms. Russo was hopeful more would use it as time went on. Ms. Castronovo said she would like to see retirees use the portal so she would include information about it with the annual benefit verification mailing in early 2025.

C. Salem Trust Management Changes

Ms. Russo shared 1) Salem Trust's former president, Mark Rhein, joined Argent as a senior relationship and sales executive, 2) Salem Trust hired Chris Taylor to manage its day-to-day activities, and 3) Luke McCabe joined Argent as a managing director responsible for custody solutions and would become Salem Trust's president once all regulatory approvals were received.

6. Investment Reports – Mariner Institutional

A. Portfolio Performance Review – Quarter End June 30, 2024

Report made part of these Minutes.

Mr. Vavrica said the overall market did very well in the 1<sup>st</sup> and 2<sup>nd</sup> quarters of the fiscal year, stalled a bit in the 3<sup>rd</sup> quarter, and oddly became volatile in July 2024 since summers were typically smooth. Rumors of an interest rate cut in September had started; such cut would be the first one in over two years. Since the summer started, the labor market was unbalanced with many large companies reporting changes in consumer behavior, specifically less spending.

Mr. Vavrica reported the Plan's net rate of return for the quarter ended June 30, 2024, was 0.12% compared to its benchmark of 0.77% with a fiscal year to date return of 15.96% versus the benchmark of 18.08%. The Plan's market value decreased from \$184.7M on March 31, 2024 to \$182.8M on June 30, 2024.

B. Flash Report – July 2024

Report made part of these Minutes.

For the month ended July 2024, the Plan's return was 3.01% vs. the benchmark of 2.83%. Through July 2024, the Plan's fiscal year to date return was 19.32%. Since they were not heavily invested in the top seven performing stocks (Apple, Microsoft, Meta, Amazon, etc.), Polen Capital continued to struggle with its returns.

Mr. MacManus said he wanted to get out of international equity manager Harding Loevner.

**MOTION** made by Mr. MacManus, seconded by Mr. Frankel, to transfer the Plan's entire position in Harding Loevner to DFA. In a voice vote by the members present, **Motion** passed 4-0.

C. Large Cap Growth Equity Manager Review

Presentation report made part of these Minutes.

Mr. Vavrica presented information on three active large cap growth equity money managers as an alternative to Polen Capital: ClearBridge, MFS Investment Management, and Nuveen Asset Management (sub-advised by Winslow Capital Management). Mr. Vavrica reiterated that no active large cap growth equity managers had outperformed the index over the prior ten years since they all faced the same intense headwind of the top 10 performing stocks (Apple, Invidia, Meta, Microsoft, etc.) that made up over 50% of the index. Mr. MacManus noted that MFS and Nuveen/Winslow had consistently outperformed ClearBridge and Polen and over the 10-year period, Nuveen/Winslow performed slightly better than MFS. Mr. MacManus said he preferred Nuveen/Winslow over MFS since the Plan was already in an index fund and thus did not need the diversity of MFS.

**MOTION** made by Mr. MacManus, seconded by Mr. Frankel, to transfer the Plan's entire position in Polen Capital to Nuveen/Winslow. In a voice vote by the members present, **Motion** passed 4-0.

D. Private Debt Manager Review

Presentation report made part of these Minutes.

Mr. Vavrica presented information on six private debt investment funds offered by five investment managers: Carlyle Global Credit Investment Management, Churchill Asset Management, Deerpath Capital Management (two funds), Monroe Capital Management Advisors, and PennantPark Investment Advisers. Of the six funds presented, three (one of the Deerpath funds, Monroe, and PennantPark) were closed-end funds and three (Carlyle, Churchill, and one of the Deerpath funds) were evergreen funds. Closed-end funds are funds in which the manager issues capital calls in the first 2-3 years after which it closes the fund to new investors, and then returns the invested funds, plus earnings, 8-10 years later. Evergreen funds are open-ended funds that allow investors to make long-term investment without a fixed end date with the option to redeem their interest or let the manager recycle their capital into new investments. Evergreen funds allow investors to not have to think about the investment at the end of 10 years as the money manager will either return the funds or reinvest it.

Mr. Vavrica said Carlyle was a large manager who made big deals like a large cap equity manager, Deerpath and PennantPark were smaller managers like small cap equity managers, and Churchill and Monroe were in the middle like mid-cap equity managers. Carlyle had a flat asset-based fee while the other managers' fees increase as the returns increase. Deerpath had the highest returns due mostly to its smaller investments which had more opportunities for large returns.

Mr. MacManus asked which of the six funds presented had a "clawback." Mr. Vavrica responded he would research and bring information to the next meeting. Mr. Vavrica said the Plan had \$8M over the next 1-4 years in the private debt asset class. Mr. Vavrica added he liked the smaller "evergreen" funds and leaned toward Deerpath though it might be a good idea to go with a different manager for diversity. The Committee agreed to take a deeper look at Carlyle, Deerpath, and Churchill at the next meeting.

E. Review Near Term Cash Requirements and Possible Asset Rebalancing

Mr. Vavrica noted the Plan was at an all-time high for asset holdings. He recommended the incoming City contribution of approximately \$3M be invested in the underweight asset groups. The Committee decided to leave the incoming \$3M in the receipts and disbursements account and to not reinvest per the standing rebalance letter on file with Salem Trust until further notice.

**7. Legal Report - Sugarman, Susskind, Braswell & Herrera**

Mr. Herrera said he sent a draft Ordinance amendment to the City Attorney to remove the guaranteed interest payment on refunds.

**8. Pension Administrator Report**

Ms. Castronovo shared her quarterly report, specifically asking the Committee if they would approve GRS's proposed contract extension for three years.

**MOTION** made by Mr. MacManus, seconded by Mr. Frankel, to approve GRS's contract for the three fiscal years ending September 30, 2024 - 2026. In a voice vote by the members present, **Motion** passed 4-0.

**9. Administrative**

A. Return of Employee Contributions (Refunds)

Ms. Castronovo reported that the Pension office paid outstanding refunds to 27 people since May 1, 2024. After mailing via certified mail refund documents to the individuals who did not

respond to the initial correspondence sent in May, as of the August 15, 2024, there remained 19 people due a refund who had not returned their paperwork.

Ms. Castronovo said that per Mr. Friguls' suggestion, she reached out and spoke with a representative of Inspira Financial who specialized in accepting rollovers of unclaimed funds from retirement plans and then reconnecting those funds with the individuals to whom it is due. Specifically, Inspira receives a rollover of unclaimed funds from a retirement plan and then, based on information provided by the plan for each person due money, opens a traditional IRA account on behalf of each person.

Ms. Castronovo said she was impressed with Inspira and would like to use them to rid the Plan of the unpaid refunds. She presented a contract the Chair could sign if the Committee wanted to engage Inspira. The Committee agreed to use Inspira but agreed to hold off signing the contract until the Ordinance amendment removing the guaranteed interest was passed by the City Commission.

**10. OTHER BUSINESS**

None

**11. ADJOURNMENT**

The meeting adjourned at 3:14 p.m.

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W. Howard Ellingsworth, Chair

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Date