

MINUTES
DECEMBER 10, 2024 REGULAR BOARD MEETING
CITY OF DELRAY BEACH FIREFIGHTERS' RETIREMENT SYSTEM

1. CALL TO ORDER, ROLL CALL

Chair Mahoney called the meeting to order at 1:02 p.m.

Board Members present: Craig Mahoney, Tom Glanfield (remote), Jay Gunsten, and Jack Warner.

Also present: Matt Dickey (NFP Retirement), 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)

Public attendees: none

2. AGENDA ADOPTION

MOTION made by Mr. Glanfield, seconded by Mr. Gunsten, to adopt the December 10, 2024 Regular Board Meeting Agenda. In a voice vote by the members present, **Motion** passed 4-0.

3. COMMENTS

a. Public

Henry "Chip" Dickson introduced himself and stated he would like to serve as the Board's 5th trustee.

b. Board of Trustees of Firefighters' Retirement System

None

c. Active and Retired Members of the Plan

None

4. Administrative Items

a. Selection of Fifth Board Member

MOTION made by Mr. Gunsten, seconded by Mr. Glanfield, to select Henry "Chip" Dickson as the Board's 5th trustee. In a voice vote by the members present, **Motion** passed 4-0.

b. Election of Officers for 2025

MOTION made by Mr. Warner, seconded by Mr. Dickson, for Craig Mahoney to serve as Board Chair. In a voice vote by the members present, **Motion** passed 5-0.

MOTION made by Mr. Warner, seconded by Mr. Dickson, for Jay Gunsten to serve as Vice-Chair. In a voice vote by the members present, **Motion** passed 5-0.

MOTION made by Mr. Warner, seconded by Mr. Dickson, for Henry "Chip" Dickson to serve as Secretary. In a voice vote by the members present, **Motion** passed 5-0.

c. Adoption of 2025 Board Meeting Schedule

Schedule made part of these Minutes.

MOTION made by Mr. Gunsten, seconded by Mr. Dickson, to approve the proposed 2025 quarterly Board meeting schedule. In a voice vote by the members present, **Motion** passed 5-0.

5. CONSENT AGENDA

a. September 11, 2024 Regular Meeting Minutes

b. Warrant Ratification - #284, 285

- c. Warrant Approval - #286
- d. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities
- e. Fiduciary Liability Insurance for Calendar Year 2025

MOTION made by Mr. Warner, seconded by Mr. Gunsten, to approve the Consent Agenda. In a voice vote by the members present, **Motion** passed 5-0.

6. REPORTS

- a. September 30, 2024 Fiduciary Investment Review – NFP Retirement, Inc.
Report made part of these Minutes.

Mr. Dickey shared information on several items:

1) the required minimum distribution ages would increase each year from 70 to 75 over the next few years, 2) the US Supreme Court overturned the Chevron Doctrine which means in the future, if a federal statute is ambiguous (i.e., ERISA), rather than deferring legal interpretation of the statute to the governing agency (i.e., Department of Labor), such interpretation will be made by a federal court, 3) as per Florida law, NFP did not consider ESG (environmental social governance) when making its investment recommendations, 4) NFP reviews target date funds every three to five year to align those funds with target retirement ages, 5) SECURE Act 3.0 was in the works, 6) 2025's super catch-up amount was \$11,250, 7) special catch-up provisions allow someone to invest up to \$47k over a three-year period, 8) mapping of assets as directed by the Board was completed in October 2024, 9) NFP did not recommend any investment line-up changes since everything in the core lineup looked good and was performing as expected, and 10) he, along with Ms. Castronovo, completed the draft RFP for recordkeeping services and were awaiting further direction from the City.

Ms. Castronovo told the trustees that in years past, they authorized the disbursement of 75% of prior March 31st administrative allowance account balance to all participants in the DROP on the date of the disbursement.

MOTION made by Mr. Warner, seconded by Mr. Dickson, to disburse in December 2024, 75% of the March 31, 2024, Administrative Allowance Account balance to all participants with funds in their DROP account at MissionSquare on the date of the distribution. In a voice vote of the members present, **Motion** passed 5-0.

- b. Investment Review – Mariner Institutional
 - i. Portfolio Performance Review – Quarter End September 30, 2024

Report made part of these Minutes.

As he reviewed the quarterly performance report, Mr. Friguls said there were very solid returns from all equity and fixed income funds through the quarter ended September 30, 2024. Mr. Friguls continued that since September 30, 2024, however, the returns from international equity and fixed income had decreased. Further, there was a lot of upward pressure on long-term fixed income returns since the market was healthy, and inflation was not likely to decrease from its current level. Regarding asset allocations, the Plan was overweight in domestic equity and underweight in alternative investments, but reallocation was not needed in the immediate.

The Plan's net rate of return for the quarter ended September 30, 2024, was 6.61% compared to its benchmark of 5.66% with a 2023-24 fiscal year return of 21.74% versus the benchmark of 24.05%. The Plan's market value increased from \$166.0M on June 30, 2024 to \$176.1M on September 30, 2024.

ii. Flash Report – October 2024

Report made part of these Minutes.

The poor performance detailed in the October 2024 flash report was not discussed since the market had rebounded significantly since October 31, 2024.

For upcoming cash needs for benefits and Plan expenses, Mr. Friguls recommended using cash funds rather than pulling money from any of the other investments. The Trustees agreed to take the funds needed from cash.

iii. Senior Direct Lending (Private Credit) Review

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 not to 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. Vavrica recommended selecting one of the evergreen funds. If there was interest, he could present information at the next meeting for Crescent Capital which was offering a closed-end fund. That said, Mr. Vavrica said evergreen funds were more administratively feasible.

Mr. Warner asked Mr. Vavrica how strongly he recommended an evergreen fund. Mr. Vavrica responded he was 60% in favor of evergreen funds as they kept the Plan moderately invested in one of these funds on a continuous and consistent basis. Mr. Vavrica said he recommended a \$3-4M investment over the next twelve months with only about 70% of the commitment being called since in an evergreen fund the regular fund earnings that normally would get distributed were instead applied to the next capital call. Mr. Vavrica said he liked both Carlyle and Deerpath but Deerpath a bit better since it was not as conservative as Carlyle. Mr. Vavrica said that unless directed otherwise, the called funds would come from the over-weighted investments, most likely domestic equity and fixed income.

MOTION made by Mr. Warner, seconded by Mr. Gunsten, to approve a \$5M commitment to Deerpath Evergreen Advantage fund.

Mr. Glanfield said he was not so sure about Deerpath since he did not know if their returns were interest rate driven plus he was concerned about how the 20 people who managed the fund could manage it's 350+ holdings.

In a voice vote by the members present, **Motion** passed 4-1 (Mr. Glanfield opposed).

Mr. Vavrica said it was very unlikely that Deerpath would issue a capital call before the Board's February 2025 meeting, but if it did, he wanted to know from which source the called funds would be pulled.

MOTION made by Mr. Gunsten, seconded by Mr. Glanfield, to pull monies needed for a capital call from the Deerpath Evergreen Advantage fund from cash if such a call is made before the Board's February 2025 regular meeting. In a voice vote by the members present, **Motion** passed 5-0.

b. Legal Report - Sugarman, Susskind, Braswell & Herrera

Mr. Herrera summarized two new state laws, one regarding sex-trafficking and the other, foreign countries. Mr. Herrera explained that operationally the Plan was not affected, but since it was a government entity, all its service providers must sign a statement of compliance with the two new laws.

Mr. Herrera said he provided the City Attorney with a draft Ordinance amendment removing interest accumulation from unpaid refunds.

Mr. Herrera reminded the trustees of the State's reporting requirements if they accepted any gift. He added that Sugarman, Susskind, et. al. would make a \$25 contribution in the Board's name to a local hurricane relief fund.

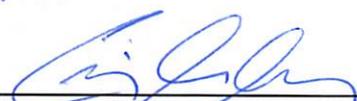
c. Pension Administrator's Report

Ms. Castronovo shared her quarterly report.

ADJOURNMENT

The meeting adjourned at 3:00 p.m.

I, Craig Mahoney, the undersigned, am the Chair of the City of Delray Beach Firefighters' Retirement System Board of Trustees ("Board"). The information provided herein is the Minutes of the December 10, 2024, regular meeting of said body. These Minutes were formally approved and adopted by the Board on 2/20/2025.



Board of Trustees, City of Delray Beach
Firefighters' Retirement System

NOTE TO THE READER: If the Minutes you have received are not complete as indicated above, this means these are not the official minutes of the Board of Trustees of the City of Delray Beach Firefighter's Retirement System. Minutes will become official only after they have been reviewed and approved, which may involve some amendments, additions or deletions to the Minutes as set forth above.

NOTE: upon official approval by the Board of Trustees, the Minutes will be posted on the City of Delray Beach website at: www.delraybeachfl.gov.