

Item 3.A.

November 16, 2023 Regular Meeting Minutes

MINUTES
REGULAR RETIREMENT COMMITTEE MEETING
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
NOVEMBER 16, 2023

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, Adam Frankel, and Thomas MacManus. Committee member absent: Chip Dickson.

Also present: Matt Dickey (NFP Consulting), Brendon Vavrica (AndCo Consulting), Pedro Herrera (Sugarman, Susskind, Braswell & Herrera as designated by City Attorney), and Lisa Castronovo (City of Delray Beach).

Agenda Adoption

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to adopt the November 16, 2023, Agenda. In a voice vote by the members present, **Motion** passed 4-0.

2. Public Comments

None

3. Consent Agenda

- A. August 29, 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. Frankel, to approve the Consent Agenda. In a voice vote by the members present, **Motion** passed 4-0.

4. June 30, 2023 Fiduciary Investment Review, NFP Retirement, Inc., Matt Dickey

Report made part of these Minutes

MOTION made by Mr. Frankel, seconded by Mr. Dunkley, to move Agenda Item 7.C., RFP for Recordkeeping Services, to be part of Item 4. In a voice vote by the members present, **Motion** passed 4-0.

RFP for Recordkeeping Services.

Mr. Dickey told the Members that the City's Deferred Compensation Plans Committee approved to do an RFP for recordkeeping services for the City's 457(b) plan and two 401(a) plans. Ms. Castronovo added that earlier in 2023, the Firefighters' Retirement System Board of Trustees approved doing an RFP for their DROP plan. Ms. Castronovo asked the Members if they wanted the General Employees' Retirement Plan's DROP plan included in the same RFP.

MOTION made by Mr. MacManus, seconded by Mr. Dunkley, to approve including the General Employees' Retirement Plan's DROP plan with City's 457 and 401(a) plans and Firefighters' Retirement System's DROP Plan in a request for proposals for recordkeeping services. In a voice vote of the members present, **Motion** passed 4-0.

Mr. Dickey said of the new SECURE 2.0 Act provisions that he reported on in August 2023, there was to date only one major change: the required Roth provision for employees earning more than \$145,000 which was slated to be effective January 1, 2024, was pushed out to January 1, 2026.

As Mr. Dickey began reviewing NFP's September 30, 2023 quarterly report, he told the Committee they had never officially adopted an investment policy statement which the Scorecard System Methodology NFP uses to quantitatively and qualitatively evaluate fund managers and their investment strategies. The Scorecard System was built around a pass/fail criterion and had the ability to measure active, passive, and asset allocation investing strategies.

MOTION made by Mr. Dunkley, seconded by Mr. Frankel, to adopt the use of the Scorecard System Methodology as used by NFP. In a voice vote of the members present, **Motion** passed 4-0.

Mr. Dickey said three funds were on the watch list: 1) Fidelity Diversified International - fourth quarter in a row at a 6, but not ready to pull it yet nor overly concerned about it since it had historically been a very good fund; 2) Invesco Global – third quarter below a 7, but not too concerned as it was starting to rebound; and 3) Western Asset Core Bond – third quarter in a row below a 7.

Ms. Castronovo reminded the Committee that in past years, they authorized the disbursement of 75% of the prior March 31st Administrative Allowance Account ("AAA") to all DROP participants who had money in the DROP account at MissionSquare on the date of the distribution.

MOTION made by Mr. MacManus, seconded by Mr. Frankel, to disburse in December 2023, 75% of the March 31, 2023, Administrative Allowance Account balance to all participants in the DROP account on March 31, 2023 who had funds in their DROP account at MissionSquare on the date of the distribution. In a voice vote of the members present, **Motion** passed 4-0.

5. Legal Report, Sugarman, Susskind, Braswell & Herrera, Pedro Herrera

A. Summary Plan Description

Mr. Herrera said he reviewed the Summary Plan Description (SPD) and approved it.

MOTION made by Mr. MacManus, seconded by Mr. Frankel, to approve the Summary Plan Description as reviewed and approved by legal counsel. In a voice vote of the members present, **Motion** passed 4-0.

Mr. Herrera said Ms. Castronovo asked his legal opinion if "government service" included service with the Seminole Tribe of Florida. After researching the issue, Mr. Herrera determined the Ordinance did not specifically define "government" or "governmental service" and therefore the Committee needed to make an interpretation regarding the intent of "government service." He said the Committee could look to federal law where over 570 Native American tribes and villages are recognized as having government-to-government relationships with the United States. Mr. Herrera opined it was reasonable for the Committee to allow prior Native American tribe employment as "prior governmental service" especially considering the cost of such service was neutral since the employee had to pay for it. Mr. Herrera added if the Committee decided to include prior Native American tribe employment as "government service," the Ordinance should be amended to reflect such decision.

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to allow Native American tribe or village employment as prior governmental service, and to amend the Ordinance to reflect this in the definition of governmental service. In a voice vote by the members present, **Motion** passed 4-0.

Mr. Herrera said the Florida Department of Management Services (DMS) had begun implementing House Bill 3, the law prohibiting public pension plans from considering non-pecuniary factors when making investment decisions. Specifically, DMS will require each public plan submit a comprehensive report on the plan's investment policies. Mr. Herrera said the comprehensive report will be a one-page report that the Committee can submit along with its Investment Policy Statement. To get everything set before the filing deadline (December 15, 2023), Mr. Herrera recommended the Committee make two motions, the first one authorizing the Pension Administrator to file the required report on the Committee's behalf.

MOTION made by Mr. MacManus, seconded by Mr. Frankel, authorizing the Pension Administrator to file the required reports with on the Retirement Committee's behalf. In a voice vote of the members present, **Motion** passed 4-0.

The second motion Mr. Herrera recommended was for the Committee to officially certify its compliance with Chapter 2023-28 authorizing the filing of the pecuniary factors report subject to final legal approval.

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to officially certify its compliance with Chapter 2023-28 authorizing the filing of the pecuniary factors report subject to final legal approval. In a voice vote by the members present, **Motion** passed 4-0.

Mr. Herrera reminded the members of the State's reporting requirements if they accepted any gift. Mr. Herrera added that Sugarman, Susskind, et. al. would make a \$25 contribution in the Committee's name to a local foodbank.

6. Pension Administrator Report, Lisa Castronovo

Ms. Castronovo shared her quarterly report. The Committee approved the 2024 meetings' schedule and requested Ms. Castronovo to provide the expense report for the immediate past year and the current year.

7. Other Business

- A. Proposed Ordinance 42-23 Biennial Review of Retirement Benefits
- B. Proposed Ordinance 50-23 Charter Officers Provisions

Ms. Castronovo summarized the two proposed ordinances and noted both had passed first reading with the City Commission on November 14, 2023. Before second reading, actuarial impact statements were needed which Gabriel, Roeder, Smith & Company could provide with the Committee's approval.

MOTION made by Mr. MacManus, seconded by Mr. Dunkley, authorizing Gabriel, Roeder, Smith & Company to prepare and provide to the City actuarial impact statements for Proposed Ordinance 42-23 and Proposed Ordinance 50-23 at the City's expense. In a voice vote of the members present, **Motion** passed 4-0.

8. Investment Reports, AndCo Consulting, Inc., Brendon Vavrica

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

Mr. Vavrica reported the Plan's net rate of return for the quarter ended September 30, 2023, was -2.50% compared to its benchmark of -2.87%, but for the fiscal year ended September 30, 2023,

it was 14.45% versus the benchmark of 14.72%. The Plan's market value decreased from \$166.3 on June 30, 2023 to \$160.4M on September 30, 2023.

Mr. MacManus said he was pleased with Harding Loevner's poor performance over the last few years. Mr. Vavrica said he would bring to the next meeting a research report with alternative international equity managers.

Mr. MacManus said when comparing RhumbLine's indexed equity value fund to active equity value manager Newton, Newton performed much better, thus begging the question as to why invest passively. He wondered if the Committee should place all of the equity value funds with Newton exclusively. Per Mr. MacManus's request, Mr. Vavrica said he will bring to the next meeting a 10-year performance comparison of RhumbLine's indexed value fund with Newton's actively managed value fund.

Chair Ellingsworth asked how Deerpath was performing to which Mr. Vavrica responded they were doing very well, had not yet called all of their capital calls, and was already paying cash back. Mr. Vavrica said that at some point in the next 12 months, the Committee should consider adding another alternative fund in which to invest.

Mr. MacManus suggested that, based on the higher interest rates, now would be a good time to invest more heavily in fixed income. Mr. Vavrica agreed and said if desired, the Committee could swap out one of the current bond funds for a longer-term duration bond fund.

B. Flash Report – October 2023

Report made part of these Minutes.

For the month ended October 31, 2023, the Plan's return was -2.68% vs. the benchmark of -2.85%.

E. Review Near Term Cash Requirements and Possible Asset Rebalancing

Mr. Vavrica said \$2M would be needed to cover benefit payments for the next three months. He suggested taking monthly funds as needed from cash since there was \$4M currently sitting in the cash account. The Committee agreed to take the funds as needed from cash.

9. Adjournment

The meeting adjourned at 2:50 p.m.

W. Howard Ellingsworth, Chair

Date