

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT FUND
FEBRUARY 23, 2022**

1. CALL TO ORDER, ROLL CALL

Chair Weber called the meeting to order at 9:00 a.m.

Board Members present: Chair Paul Weber, Vice-Chair Jim Hoesley, Secretary Jeffrey Rasor, Meer Deen, and Scott Privitera.

Also present: Pedro Herrera (Sugarman, Susskind, Braswell & Herrera), Brendon Vavrica (AndCo Consulting), Matt Dickey and Jamie Hayes (NFP), Lisa Castronovo (Pension Administrator), and Elizabeth Brown (Pension Specialist).

Public attendees: Karen Russo, John Mainville

2. AGENDA ADOPTION

MOTION made by Mr. Hoesley, seconded by Mr. Rasor, to adopt the February 23, 2022 Agenda. In a vote by the members present, **Motion** passed 5-0.

3. Comments

a. Public Comments

Karen Russo, Salem Trust

Ms. Russo told the Board that in the next few months, Salem Trust, in conjunction with USBank, would be rolling out a portal for retirees to use to access all of their payment information – gross and net monthly check amounts, federal tax withholding, IRS Form 1099-R's, City benefit deductions, direct deposit information, address. If the Board so chose, it could allow the retirees to update, on their own through the portal, their address, federal tax withholding, and direct deposit information.

Discussion ensued. Ms. Castronovo said she would mail a "heads-up" letter to all retirees in advance to the letter Salem Trust would send with instructions on how to use the portal. Ms. Castronovo and Ms. Russo said the "retiree portal" that Salem Trust was going to provide was an additional service and tool but that it would not require mandatory use especially considering many of the older retirees would not likely not know how to use it.

Ms. Russo asked the Board if they were okay with closing an open account at Salem Trust that had carried a \$0 balance for many months. The Board collectively agreed it was okay to close the "transition" account.

b. Board of Trustees of Police Officers' Retirement System

Mr. Rasor asked Ms. Castronovo if she had an update regarding officers who had been out with unpaid leave. Ms. Castronovo said she and Ms. Brown spoke to both the payroll department and the police department's administrative assistant regarding the issue with the response from both that there was no clear-cut way to zero in on exactly who was out when. Mr. Rasor said he would work with Chair Weber to provide a list of names to the police department's administrative assistant, so she would know for whom to provide the requested records.

Chair Weber asked Ms. Castronovo the status of the disability letters that were to be mailed to the retirees who were approved for disability retirement on or after January 1, 2015. Ms. Castronovo said the letters were mailed the last week of January 2022 and were due back by the last week of April 2022. Ms. Castronovo was directed to set up a workshop for mid-May for the medical committee and Mr. Privitera to review the returned letters.

- c. Active and Retired Members of the System
None

4. Consent Agenda

- a. November 17, 2021 Meeting Minutes
- b. Warrant Ratification (#255, 256)
- c. Warrant Approval (#257)
- d. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities
- e. Ratify/Approve – Payout of MissionSquare's Administrative Allowance Account
- f. Ratify/Approve - Legal Services Agreement with Sugarman, Susskind, Braswell & Herrera, P.A.

MOTION made by Mr. Hoesley, seconded by Mr. Deen, to approve the Consent Agenda. In a vote of the members present, **Motion** passed 5-0.

5. Reports

- a. NFP Retirement Inc. December 31, 2021 Quarterly Report – Matt Dickey & Jamie Hayes
Report made part of these Minutes
Mr. Dickey provided a federal legislation update for the year ended December 31, 2021. Mr. Dickey noted the large cap growth equity market was being driven largely by Facebook, Amazon, and Microsoft. If any fund was heavily invested in one of the top seven companies, they had a bad 2021. Luckily, the DROP had a great diversified investment line-up.

Mr. Dickey continued his review by noting specifically Fidelity Puritan's outstanding performance as well as PIMCO's. Mr. Dickey noted four funds on the watch list: American Funds Washington Mutual (large cap blend, third consecutive quarter), Fidelity Contrafund (large cap growth, fifth consecutive quarter), Invesco Emerging Markets Equity Fund (second consecutive quarter), and T. Rowe Price Growth Stock Advantage (first time).

Mr. Dickey said if Fidelity Contrafund remained on the watchlist in the first quarter 2022, NFP would recommend replacing it, and possibly the T. Rowe Price large cap growth fund, with a passive large cap growth index fund, another actively managed large cap growth fund, or a combination of the two. If American Funds Washington Mutual continued to perform poorly, NFP would recommend moving its assets to a passive large cap blend fund since actively managed blend funds historically do not perform well. The remainder of the line-up was strong with positive returns and great up/down captures.

- b. AndCo Consulting – Brendon Vavrica
 - i. Portfolio Performance Review – Quarter End December 31, 2021
Report made part of these Minutes.
Mr. Vavrica presented the December 31, 2021 performance report noting the quarter was fantastic with domestic equity value funds performing extremely well. The Plan's return for the quarter ended December 31, 2021, was 4.66% (net of fees) vs. the benchmark of 5.37%. The Fund outperformed 63% of other public funds. The Plan's assets increased from \$132.2M on September 30, 2021, to \$144.7M on December 31, 2021.
 - ii. Flash Report – January 2022
Report made part of these Minutes.
For the month ended January 31, 2022, the Plan's return, net of fees, was -4.69% vs. the benchmark of -4.19%. The fiscal year to date return was -0.25% vs. the benchmark of 0.96%.

Mr. Vavrica said the account used to pay monthly benefits needed to be funded. Further, money would be needed in the near future to cover upcoming capital calls. Discussion followed regarding which accounts should be tapped to provide the needed \$3M. Mr. Hoesley said he wanted to fund the capital calls from the underweight fixed income funds rather than the overweight equity funds. Mr. Vavrica said his default position was to follow the investment policy which directs that the capital calls be funded from the overweight funds. Mr. Vavrica added the Board's investment policy needed updating to reflect the increased allocation to alternative funds. Mr. Hoesley said he understood the requirement to follow the investment policy.

Mr. Vavrica suggested putting all monies needed for the monthly benefits and upcoming capital calls in the Fidelity Total Market Index Fund or alternatively, \$1M in the Fidelity Total Market Index Fund for the monthly benefits and monies needed for the upcoming capital calls in Blackrock. Mr. Vavrica added the Fund was overweight in large cap growth equity and thus should move some funds out of it. Mr. Rasor and Mr. Hoesley said they wanted to take money from large cap growth and put it in Fidelity Total Market Index Fund and Blackrock with possibly some to large cap value.

MOTION made by Mr. Privitera, seconded by Mr. Rasor, to move \$2M from Polen Advisors to Brandywine, \$1M from RhumbLine Growth to RhumbLine Value, \$2M from Baird Advisors to Fidelity Total Market Index Fund, and \$500K each from Loomis Sayles and Mainstay (total of \$1M) to Blackrock. Of the monies moved, \$1M in Fidelity Total Market Index Fund and \$1M in Blackrock are earmarked to fund upcoming capital calls. In a vote of the members present, **Motion** passed 5-0.

iii. Multi-Sector Bond Discussion

Report made part of these Minutes – use Fire's

Mr. Vavrica said the attractive feature of multi-sector bond funds was the ability for them to be invested in a wide range of opportunities across sectors, credit ratings, term structures, geography and currencies. Unlike core fixed income strategies, where interest rate sensitivity tended to be a dominant source of returns, multi-sector credit strategies tended to be less sensitive to interest rate volatility though they were more exposed to credit risk. The various strategies offered managers positive risk/return trade-offs across a wide opportunity set of credit with the added benefit of allowing managers to rotate through sectors when perceived relative value diminished or when risks were deemed high. Multi-sector bond funds generally had a low correlation to traditional fixed income strategies.

The average rating for multi-sector bonds was usually BB or lower while core fixed income bond ratings were typically BBB or higher. The average rate of return experienced by multi-sector bond funds was 4 – 5% range which, while not huge, provided diversification from core fixed income funds. Multi-sector bond funds can invest in high-yield bonds which have performed well over the last few years.

Mr. Vavrica said the Police Fund already had a multi-sector bond fund through Loomis Sayles, though the one it had was more global in orientation compared to the one shown in his report today which was more domestically oriented. Mr. Vavrica said the Firefighters' board heard the same presentation and decided not to purchase this asset class at this time. Further, Mr. Vavrica said in his opinion since the Police Fund already had Loomis Sayles, purchasing more non-core fixed income would not move the needle for future returns. Chair Weber asked if it would be wise to sell the existing Loomis Sayles fund to purchase the one presented today. Mr. Vavrica responded that such a move was not needed given the Fund had domestic exposure through its Mainstay fund holdings.

- c. Sugarman, Susskind, Braswell & Herrera – Pedro Herrera
Mr. Herrera provided a brief introduction of himself.

- i. Marcum Engagement Letter

Mr. Herrera told the Board he reviewed the engagement letter Marcum submitted to the City for the September 30, 2021 audit of the Police Officers' Retirement System, found a few things he felt should be revised, and discussed such revisions with Marcum who accepted them. In his legal opinion, the Board could sign Marcum's engagement letter.

MOTION made by Mr. Hoesley, seconded by Mr. Rasor, to sign Marcum's engagement letter for the September 30, 2021 audit of the Police Officers' Retirement System. In a vote of the members present, **Motion** passed 5-0.

- ii. Legislative Update

Mr. Herrera reported the only bill related to public pension funds moving through the Florida House and Senate was one adding, for disability or death purposes for public safety employees, COVID-19 to the existing list of communicable and infectious diseases that presumptively occurred in the line of duty. The bill had been stalled since late January so it was not a given it would make it into law. If it did, it did not include a retroactive provision in it so it would only apply for disabilities or deaths occurring after it was signed into law.

- iii. Trustee Educational Opportunities

Mr. Herrera told the Board about upcoming educational opportunities: the annual FPPTA conference and the Police and Firefighters' Fall 2022 educational school hosted by the Division of Retirement.

- e. Pension Administrator – Lisa Castronovo

Ms. Castronovo: 1) provided the trustees with the 2021-22 administrative expense budget versus actual expenses through mid-February; 2) reported the Pension office mailed 141 benefit verification letters of which 120 had been returned to date; 3) said she submitted to the actuaries in mid-January the data needed by them to prepare the October 1, 2021 actuarial valuation; and 4) said the new pension software system had been rolled out to all active police officers in early February and to date the feedback was positive.

5. ADMINISTRATIVE ITEMS

- a. File Scanning

Ms. Castronovo stated she wanted to make the pension office as "paperless" as possible and as such wanted to scan and eventually eliminate all of the Retirement System's physical files in the pension office and eventually destroy the physical files. Ms. Castronovo said the City had a scanning contract with Advanced Data Solutions ("ADS") who provided a quote to scan the Retirement System's member files for approximately \$2,200.

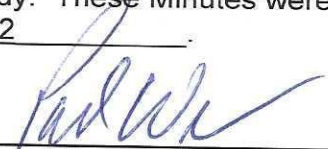
Ms. Castronovo said the main issue she faced was how/where the digital files would be stored once scanned since all Retirement System-related files belong to the Board, not the City. Thus, Ms. Castronovo sought Board guidance on 1) if they wanted to use ADS since ADS's contract was with the City, not the Board, 2) once the files were scanned, where would the digital files be stored as the Board might not want to store them on City-owned servers, and 3) what would be done with the physical files once scanned – retain or destroy.

Following discussion, the Trustees directed Ms. Castronovo to bring to the next Board meeting three quotes for scanning services and cloud-storage. The Trustees asked Ms. Castronovo to find out from each contacted vendor if the scanning could be done onsite, but if could not, each vendor's protocol for keeping the information contained in the physical files secure – both in transport and once at the scanning site. Finally, the trustees directed Ms. Castronovo to find out how long the physical files should be retained and when they could be destroyed.

ADJOURNMENT

MOTION made by Mr. Privitera, seconded by Mr. Rasor, to adjourn the meeting. Meeting adjourned at 12:00 p.m.

I, Paul Weber, the undersigned, am the Chair of the Board of Trustees of the City of Delray Beach Police Officers' Retirement System ("Board"). The information provided herein is the Minutes of the February 23, 2022 regular meeting of said body. These Minutes were formally approved and adopted by the Board on June 22, 2022.



Board of Trustees, City of Delray Beach
Police Officers' 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 Police Officers' 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.