

Item 4.a.

December 10, 2024 Regular Meeting Minutes

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

1. CALL TO ORDER, ROLL CALL

Chair Weber called the meeting to order at 8:31 a.m.

Board Members present: Paul Weber, Jim Hoesley, Alan Kirschenbaum, Edward McCabe, and Luis Skeberis.

Also present: Karen Russo (Salem Trust), 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. Hoesley, seconded by Mr. Kirschenbaum, to adopt the December 10, 2024 Regular Board Meeting Agenda. In a voice vote by the members present, **Motion** passed 5-0.

3. COMMENTS

- a. Public
John Brinckerhoff expressed his desire to serve on the Board of Trustees.
- b. Board of Trustees of Police Officers' Retirement System
None
- c. Active and Retired Members of the Plan
None

4. New Trustee Introductions

New trustees Alan Kirschenbaum, Edward McCabe, and Luis Skeberis introduced themselves.

5. Administrative Items

Mr. Weber handed the gavel to Vice-chair Hoesley for Item 5.a. and left the meeting.

- a. Selection of Fifth Board Member

MOTION made by Mr. Hoesley, seconded by Mr. McCabe, to select Paul Weber as the Board's 5th trustee. In a voice vote by the members present, **Motion** passed 4-0.

Mr. Weber rejoined the meeting and retook the gavel.

- b. Election of Officers for 2025

MOTION made by Mr. Hoesley, seconded by Mr. Skeberis, for Paul Weber to serve as Board Chair. In a voice vote by the members present, **Motion** passed 5-0.

MOTION made by Mr. Weber, seconded by Mr. Skeberis, for Alan Kirschenbaum to serve as Vice-Chair. In a voice vote by the members present, **Motion** passed 5-0.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Skeberis, for Edward McCabe 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. Hoesley, seconded by Mr. Kirschenbaum, to approve the proposed 2025 quarterly Board meeting schedule. In a voice vote by the members present, **Motion** passed 5-0.

6. CONSENT AGENDA

- a. September 12, 2024 Regular Meeting Minutes
- b. Warrant Ratification - #276, 277
- c. Warrant Approval - #278
- d. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities
- e. Fiduciary Liability Insurance for Calendar Year 2025

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

7. REPORTS

- a. Custodian Report – Salem Trust
Ms. Russo reminded the Board that Salem Trust held three custodial accounts for the Retirement System: Brandywine, a mutual fund account which held four fixed income and seven equity accounts, and the receipts and disbursements account.
 - i. Pensioner Portal Update
Ms. Russo reported that in mid-June 2024, her office mailed information about Salem Trust's new pensioner portal to the Plan's 140+ retirees. To date, 29 retirees had registered on the portal.
 - ii. 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.
- b. 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. Hoesley, seconded by Mr. Kirschenbaum, 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.

Chair Weber stated his continued desire to turn over the review and management of the Retirement System's DROP account to the City's Deferred Compensation Plans committee. Mr. Herrera said the Board could delegate responsibility for the DROP account oversight to the Deferred Compensation Plans committee if 1) the City allowed it, and 2) the Deferred Compensation Plans committee accepted responsibility for it. Then the Board would have to ratify all decisions the Deferred Compensation Plans committee made regarding the DROP account.

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

Report made part of these Minutes.

Mr. Friguls presented the report. He noted that Interest rates came down in September 2024 because market conditions warranted it. Short and intermediate interest rates came down, but long rates were increasing, mostly due to positive economic growth combined with the fact that the inflation rate would not likely drop much below its current 2%.

The Plan's net rate of return for the quarter ended September 30, 2024, was 6.19% compared to its benchmark of 5.66% with a fiscal year to date return of 20.68% versus the benchmark of 23.14%.. The Plan's market value increased from \$142.6M on June 30, 2024 to \$150.0M on June 30, 2024.

Mr. Hoesley asked why the Plan's return trailed the benchmark for the fiscal year by more than 250 basis points. Mr. Vavrica explained the lag was due mostly to Polen Capital's poor returns during the entire year.

- 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 taking \$2.3M from domestic equity since the Plan was overweight in that asset class. Mr. Hoesley said he would prefer to take the necessary funds from fixed income and international equity since those two asset classes were underperforming due to current market conditions. Mr. Friguls said he recommended taking funds from international equity rather than fixed income since fixed income was expected to perform well in 2025. Mr. Vavrica said the funds could just be pulled out monthly as needed and not take in a lump sum immediately. Mr. Kirschenbaum suggested taking the monthly funds from fixed income manager Baird.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Hoesley, to amend the standing letter with Salem Trust to pull the needed funds for benefits and administrative expenses from Baird. In a voice vote of the members present, **Motion** passed 5-0.

iii. Large Cap Growth Equity Manager Review

Report made part of these Minutes.

Mr. Friguls presented information on three active large cap growth equity money managers as an alternative to already terminated Polen Capital: ClearBridge, MFS Investment Management, and Nuveen Asset Management (sub-advised by Winslow Capital Management). Mr. Friguls said Polen Capital was very concentrated with only 24 holdings whereas the three recommended managers at least double the holdings held by Polen. All active large cap managers fell short of the index over the trailing 10 years but outperformed the index over the trailing 15 and 20 years. As of the date of the Board meeting, the index consisted of 394 holdings, but the top 10 holdings made up 61% of it. Mr. Kirschenbaum said that for now he preferred to stay in an index fund since active managers could not match an index fund's performance due to the constraint that they cannot invest more than 20% in a single holding.

Discussion ensued. Chair Weber said nothing jumped off the page for any of the presented active managers so he would prefer to stay invested in an index fund. The rest of the trustees agreed.

Mr. Hoesley asked Mr. Vavrica to make a presentation at the next meeting on international equity managers.

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

i. Policy for Leaves of Absence

Mr. Herrera presented the Trustees with a draft policy stating that service credit will not be granted for unpaid leaves of absence (LOA) if employee contributions were not made during such leaves. Discussion ensued regarding allowing the employee to self-pay if the reason they were on an unpaid LOA was due to circumstances beyond their control (i.e., illness).

The trustees tabled the item to give Mr. Herrera time to research whether a member can self-contribute for unpaid LOAs.

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 11:02 a.m.

I, Paul Weber, the undersigned, am the Chair of the City of Delray Beach Police Officers' 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 _____.

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.