

MINUTES
REGULAR PENSION BOARD MEETING
CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT FUND
FEBRUARY 17, 2021

Chair Weber read a prepared script. Script made part of these Minutes.

1. CALL TO ORDER, ROLL CALL

Chair Weber called the meeting to order at 9:03 a.m.

Board Members present via communication media technology: Chair Paul Weber, Vice-Chair Jim Hoesley (departed at 10:24 a.m.), Secretary Jeffrey Rasor, Scott Privitera (joined at 9:08 a.m.), and Meer Deen.

Also present via communication media technology: Board Attorney Janice Rustin (Lewis, Longman & Walker as designated by City Attorney), Investment Consultant Brendon Vavrica (AndCo Consulting), Pension Administrator Lisa Castronovo, and Pension Specialist Elizabeth Brown.

Guests present via communication media technology: Vinnie Grey, John Mainville, Laura Thezine

2. AGENDA ADOPTION

MOTION made by Mr. Rasor, seconded by Mr. Deen, to adopt the February 17, 2021 Agenda. In a voice vote by the members, **Motion** passed 4-0.

3. COMMENTS

- a. Public
None
- b. Board of Trustees of Police Officers' Retirement System
None
- c. Active and Retired Members of the Plan
Lt. Vinnie Grey

4. CONSENT AGENDA

- a. November 18, 2020 Regular Meeting Minutes
- b. Warrant Ratification (#245)
- c. Warrant Approval (#246)
- d. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities
- e. Virtual/Electronic Attendance Policy

MOTION made by Mr. Hoesley, seconded by Mr. Deen, to approve Consent Agenda Items 4.a.-e. In a roll call vote of the members, **Motion** passed 5-0.

5. REPORTS

a. AndCo Consulting – Brendon Vavrica

i. Portfolio Performance Review – Quarter End December 31, 2020

Report made part of these Minutes.

Mr. Vavrica provided an update on AndCo noting the company had made significant investments in itself in 2020 by adding two new employees to its research team, advancing two employees to partners, and enhancing its company-wide technology.

Turning to investment performance, Mr. Vavrica stated that the quarter ended December 31, 2020 was very strong with small cap domestic equity stock leading the way with return rates over 31%. For all asset classes, the investment performance in calendar year 2020 was remarkable considering how poorly the year started. Of particular note was fixed income's strong 2020 calendar year performance which was atypical considering equity returns were equally as strong in the same timeframe. Actions taken by the federal government in early 2020 and the rollout of vaccines in late 2020 helped the market rebound from the negative returns it experienced at the beginning of the year. Mr. Vavrica noted that in the final quarter of 2020 and for the first time in many quarters, domestic value stocks outperformed domestic growth stocks.

The Police Officers' Retirement System ("System") assets increased from \$106M on September 30, 2020 to \$126M on December 31, 2020. \$9M of the \$20M increase came from the City and State's annual contribution and the other \$11M came from investment returns. This dollar increase translated into an 11.4% total net fund increase. Due to excellent returns experienced by growth equity investments, the System became overweight in equities.

While reviewing the individual asset classes, Mr. Hoesley asked Mr. Vavrica if the System should liquidate RhumbLine's value equity index fund and instead invest in an actively managed value fund. Mr. Vavrica stated the Board decided to invest in an index value fund to hedge the returns of BNY Mellon's actively managed value fund. Mr. Hoesley requested Mr. Vavrica to provide alternative value managers to BNY Mellon since their performance was underperforming other active value managers.

Mr. Vavrica stated that international manager Harding Loevner had also done very well in calendar year 2020 with a 20.4% return compared to its benchmark of 10.7% and that mid-cap active manager Clarkston Partners had done exceptionally well since inception with a 10.6% return compared to its benchmark of 4.3%. Mr. Hoesley and Chair Weber stated they would like information on adding emerging markets to the System's international investment exposure.

ii. Flash Report – January 2021 – no report available

iii. High Yield Fixed Income Analysis

Report made part of these Minutes.

Mr. Vavrica presented information regarding high yield fixed income investments and four managers for Board consideration: Loomis Sayles & Company, Lord Abbett & Company, New York Life Investment Management, and PGIM funds (as managed by

Prudential). Mr. Vavrica stated that while all four managers had recently underperformed compared to their benchmark, the expectation was that they would experience better returns as the markets start experiencing increased interest rates.

iv. Real Estate Diversification Discussion

Report made part of these Minutes.

Core real estate manager American Realty provided information showing they were overweight in industrial and office space, underweight in residential, and slightly overweight in the retail space.

Mr. Vavrica presented an overview of four open-end real estate funds (Brookfield Premier Real Estate Partners, Carlyle Property Investors, Harrison Street Core Property Fund, and Stockbridge Smart Markets Fund), on real estate investment trusts (REITs), and on closed-end funds. REITs are more of a roller coaster fund due to their volatility, but they typically end up at the same place as open-end funds at quarter's end.

Mr. Vavrica said he was working on updating the investment policy and that he thought due to recent performance, the Board should increase the target allocation for equities and decrease the target allocation for fixed income. He stated the high yield fixed income strategy would be included in the non-core section of fixed income.

Mr. Hoesley said he would only want to invest about \$3M in high yield fixed income and that he would like to invest with a real estate manager who had no investments in office space. Mr. Vavrica said he would bring to the next quarterly meeting more information regarding REITS and the four open-end real estate funds.

Given the Board's desire to move some assets out of American Realty, Mr. Vavrica said the Board should send a partial liquidation request to American Realty now since it can take nine or more months to exit real estate investments. The Board decided to direct American Realty to redeem \$2.35M with such redeemed money to be invested in a REIT or another open-end real estate fund.

MOTION made by Mr. Hoesley, seconded by Mr. Privitera, to allocate \$4M to the MainStay MacKay High Yield Corporate Bond R6 as managed by New York Life Investment Management with \$2M transferred from Garcia Hamilton and \$2M transferred from Fidelity Total Market Index Fund. In a roll call vote of the members, **Motion** passed 5-0.

Mr. Vavrica reiterated that the existing investment policy only allowed a 70% maximum target allocation in domestic equity, but the System was above that percent. Mr. Vavrica stated the Board could do one of three things: rebalance the assets, change the investment policy, or rebalance the assets and update the investment policy at the next quarterly Board meeting. The Trustees directed Mr. Vavrica to present at the next quarterly meeting suggested asset class changes. All asset class changes made at the next Board meeting would be reflected in an updated investment policy.

A break was taken from 10:36 a.m. to 10:44 a.m.

- b. Lewis, Longman & Walker – Janice Rustin
 - i. Appoint Medical Committee for Disability Claims

MOTION made by Chair Weber, seconded by Mr. Rasor, to appoint Ms. Rustin, Mr. Rasor, and Ms. Castronovo as the medical committee for the disability applications for Michael Barbire, Marques Brown, and Christine Suarez. In a roll call vote of the members, **Motion** passed 4-0.

MOTION made by Mr. Rasor, seconded by Mr. Deen, to select Dr. Marc Ettensohn as the independent psychiatrist to evaluate Christine Suarez. In a roll call vote of the members, **Motion** passed 4-0.

MOTION made by Chair Weber, seconded by Mr. Rasor, to select Dr. Paul Bryan as the independent psychologist to perform the personality assessment inventory and medical symptoms validity tests on Christine Suarez. In a roll call vote of the members, **Motion** passed 4-0.

MOTION made by Chair Weber, seconded by Mr. Privitera, to select Dr. Brad Chayet as the independent orthopaedic physician to evaluate Marques Brown. In a roll call vote of the members, **Motion** passed 4-0.

MOTION made by Chair Weber, seconded by Mr. Deen, to select Dr. Robert Brodner as the independent neurosurgeon to evaluate Michael Barbire. In a roll call vote of the members, **Motion** passed 4-0.

Ms. Rustin asked the trustees if they were comfortable conducting the initial disability hearings virtually. Chair Weber stated he was comfortable with virtual meetings so long as all records could be presented virtually. Ms. Rustin responded there would be no presentations at the initial hearings. The trustees agreed to hold the initial disability hearings virtually.

Ms. Rustin reminded the trustees they could deny the disability application at the initial hearing. Ms. Rustin added that because the City allowed disability applicants to work light-duty with accommodations she could request each physician to provide their opinion as to whether or not each respective disability applicant could continue working for the City with accommodations. Mr. Rasor said getting such opinion was not a good idea since the police department did not want to keep an officer employed if that officer could not carry a gun.

Mr. Rasor stated he was concerned that disability retirees think they will receive their disability benefit for their entire life. The Board then discussed adopting a policy and/or procedures on how and when to follow-up with disability retirees regarding continued disability. Ms. Rustin said the City Ordinance states that anyone receiving a disability benefit must submit a medical report stating they continue to be totally and permanently disabled. Mr. Rasor said he would like each disability retiree to annually appear before the Board to make their case for their continued disability.

Chair Weber stated that as plan fiduciaries the Board had a duty to protect the System. The trustees agreed that the disability application process should be carefully laid out and followed to ensure that both the disability applicant and the System were protected. Ms. Rustin said the Board could use the initial hearing as a way to determine if the disability application had merit and then proceed to a full hearing at which the disability applicant would have the burden of proof to make their case. Ms. Rustin said she would work on drafting a new disability policy to present at the Board's summer quarterly meeting.

ii. Travel Policy

MOTION made by Mr. Rasor, seconded by Mr. Privitera, to adopt the travel policy recently drafted for and adopted by the General Employees' Retirement Plan's Retirement Committee, with modifications to reflect specifics related to the Police Officers' Retirement System. In a roll call vote of the members, **Motion** passed 4-0.

Ms. Rustin reminded the Board they had no authority to address any benefit change requests mentioned in public comments since all benefit changes are dictated by the City in the City Ordinance. When asked if the Board could request an actuarial study for a benefit change (i.e. annual cost-of-living increase), Ms. Rustin responded that the only the City or PBA could request it, not the Board.

MOTION made by Mr. Rasor, seconded by Chair Weber, for standing approval that any time the City or PBA asks for census/financial data, such information can be released without Board objection upon the Chair authorizing such release. If there is any cost associated with the release of the data (i.e. actuarial studies), the requesting party will pay such cost. In a roll call vote of the members, **Motion** passed 4-0.

MOTION made by Chair Weber, seconded by Mr. Privitera, that if any funds from American Realty are received before a successive real estate fund is established, such funds will be invested in Fidelity Real Estate Index fund (FSRNX). In a roll call vote of the members, **Motion** passed 4-0.


c. Pension Administrator's Report – Lisa Castronovo

- Ms. Castronovo provided two financial items: 1) financial statement of the Retirement System as of September 30, 2020 and the 2020-21 administrative expense budget versus actual expenses through February 10, 2021.
- Ms. Castronovo provided updated standing Salem Trust Signature Authorizations for the trustees to sign.
- Ms. Castronovo stated that per the Board's request, she instructed Matt Dickey and Jamie Hayes from NFP to not make a quarterly presentation but to instead provide an "executive summary" which she included in the meeting's backup materials.
- Ms. Castronovo reported that the Pension office mailed 139 benefit verification letters of which 100 had been returned.

ADJOURNMENT

MOTION made by Mr. Privitera, seconded by Mr. Deen, to adjourn the meeting. Meeting adjourned at 12:17 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 17, 2021 regular
meeting of said body. These Minutes were formally approved and adopted by the Board
on May 12, 2021.



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.