

Item 3.A.

May 15, 2025 Regular Meeting Minutes

MINUTES
REGULAR RETIREMENT COMMITTEE MEETING
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
MAY 15, 2025

1. Call to Order

Chair MacManus called the meeting to order at 1:05 p.m.

Roll Call

Committee Members present: Chair Thomas MacManus, Vice-chair Adam Frankel (departed at 3:50 p.m.), Howard Ellingsworth, Henry Dachowitz, and Martin Dorow.

Also present: Matt Dickey (NFP, remote), Jeffrey Amrose (Gabriel, Roeder, Smith & Co.), Brendon Vavrica and Jack Evatt (Mariner Institutional), Pedro Herrera (Sugarman, Susskind, Braswell & Herrera as designated by City Attorney, remote), Lisa Castronovo and Elizabeth Brown (City of Delray Beach).

Agenda Adoption

MOTION made by Mr. Dorow, seconded by Mr. Ellingsworth, to adopt the May 15, 2025, Agenda. In a voice vote by the members present, **Motion** passed 5-0.

2. Public Comments

Jeri Pryor (Director of Neighborhood Services, City of Delray Beach)

3. Consent Agenda

- A. February 20, 2025 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. Frankel, seconded by Mr. Ellingsworth, to approve the Consent Agenda. In a voice vote by the members present, **Motion** passed 5-0.

4. March 31, 2025 Fiduciary Investment Review, NFP Retirement, Inc.

Mr. Dickey provided a brief legislative and plan allocation review. Mr. Dickey did not recommend any investment fund changes other than switching from revenue sharing investments funds to direct expense investment funds. He provided a comparison of costs under the current revenue share model versus what they would be under the zero revenue share model.

MOTION made by Mr. Frankel, seconded by Mr. Dachowitz, to change the DROP investments from revenue share model to zero revenue share model. In a voice vote by the members present, **Motion** passed 5-0.

5. October 1, 2024 Actuarial Valuation Report, Gabriel, Roeder, Smith & Company

- A. October 1, 2024 Actuarial Valuation Report
Report made part of these Minutes

Highlights of the October 1, 2024 Actuarial Valuation Report:

- The City's required contribution increased from \$3,073,207 for the 2024-25 fiscal year to \$3,113,193 for the 2025-26 fiscal year, a \$39,986 increase, 0.90% decrease as a percentage of payroll.
- If the City wanted to pay the 2025-26 required contribution on October 1, 2025, the first day of the fiscal year as done in the past, the contribution would be \$3,062,769.
- There were no revisions in benefits or actuarial assumptions.

- The Plan had a net actuarial gain of \$2,058,664 for the year meaning actual experience was more favorable than anticipated. The actuarial gain was due primarily to a recognized return on the actuarial value of assets of 10.6% compared to the assumed rate of 6.75%. The gain was partially offset from average salary increases higher than expected (7.0% actual vs. 4.9% assumed). The gain caused the required employer contribution to decrease approximately \$177,000.
- The normal cost remained very level as a percent of pay.
- Payments for the Unfunded Actuarial Accrued Liability remained level.
- The funded ratio on October 1, 2024, was 99.4% compared to 98.1% on October 1, 2023. Using market value of assets, the funded ratio was 113%.
- The estimated required contribution for fiscal year 2026-27 is \$3,130,000 assuming a 3% increase in total covered payroll for FYE 2024 and no gains, losses, or assumption changes.
- The Plan was in excellent shape.

The Committee asked Mr. Amrose to present the report to the City Commission since the Commission typically only ever heard bad news, so it would be good to present positive information. Mr. Amrose agreed to make a presentation, including Firefighters' and Police Officers' Retirement System results, though their results were not as good. Mr. Dachowitz said he would talk to the City Manager to add Mr. Amrose's presentation to the City Commission agenda.

MOTION made by Mr. Dorow, seconded by Mr. Frankel, to approve the October 1, 2024 Actuarial Valuation Report as presented. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Amrose and Mr. Vavrica recommended using 6.75% as the expected rate of return for the current year, the next few years, and long-term thereafter.

MOTION made by Mr. Ellingsworth, seconded by Mr. Frankel, to approve an expected rate of return of 6.75% for the current year, the next couple of years, and long-term thereafter as recommended by the Plan's actuary and investment consultant. In a voice vote of the members present, **Motion** passed 5-0.

6. Investment Reports – Mariner Institutional

A. Portfolio Performance Review – Quarter End March 31, 2025

Report made part of these Minutes.

Mr. Vavrica reviewed the March 31, 2025 quarterly performance report. He reported the Plan's net rate of return for the quarter end March 31, 2025, was -1.02% compared to its benchmark of -1.72% with a fiscal year to date return of -1.28% versus the benchmark of -1.98%. The Plan's market value decreased from \$193.5M on December 31, 2024 to \$189.6M on March 31, 2025.

B. Flash Report – April 2025

Report made part of these Minutes.

For the month end April 2025, the Plan's return was -0.70% vs. the benchmark of -0.28%. Through April 2025, the Plan's fiscal year to date return was -2.03%.

C. Fixed Income Review

Presented information on alternatives to Garcia Hamilton & Associates (GHA): Baird Intermediate Bond, Baird Aggregate Bond, Dodge & Cox Income, JPMorgan Core Plus Bond, and Loomis Sayles Bond. GHA had the lowest fees of the six, did not invest below an "A" quality bond, and only had US exposure. The five alternative funds had higher fees, invested in bonds below "A," and invested outside the US. There was not a large variation in returns over the last 10 years

between the six funds, though GHA was more volatile than the others. Mr. Evatt did not put a lot of emphasis on the up/down capture of the six funds since it could be easily skewed.

Mr. Vavrica reminded the Committee of the issue before them: did they want a fixed income investment with a highly volatile GHA or did they want to be invested in a fund that was duration neutral and less volatile? Mr. Dorow said he wanted to take his risk in equity, not fixed income so wanted out of GHA. The Committee discussed liquidating GHA and splitting its funds between the existing Dodge & Cox fund and one of the Baird funds. Mr. Evatt recommended the Baird Aggregate Bond Fund since it had a longer duration than the Baird Intermediate Bond Fund in which the Plan was already invested. Mr. Vavrica suggested moving 75% of GHA's funds to Baird Intermediate and 25% of its funds to Dodge & Cox Income.

MOTION made by Mr. Ellingsworth, seconded by Mr. Dachowitz, to fully liquidate the Plan's investment with Garcia Hamilton and invest 75% of the liquidated value with Baird Intermediate Bond Fund and 25% with Dodge & Cox Income Fund. In a voice vote of the members present, **Motion** passed 5-0.

D. Investment Policy Statement

Mr. Vavrica said he would revise the Investment Policy Statement to add new managers, remove old managers, change AndCo to Mariner, update trustee names, strike language that no longer applied, update the investment rate of return, and other minor corrections.

MOTION made by Mr. Ellingsworth, seconded by Mr. Frankel, to approve the Investment Policy Statement based on the updates Mariner detailed. In a voice vote of the members present, **Motion** passed 5-0.

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

Mr. Herrera reminded members to file their Form 1 by July 1st electronically. He provided a Florida legislative update noting that nothing affected local law pension plans or the Florida Retirement System.

Mr. Herrera reported that Ms. Castronovo informed him she had received an application from a member for a nonwork-related disability. He explained that once a disability application was received, the Committee must select a physician to whom the applicant will be sent for an independent medical evaluation. Alternatively, the Committee can delegate him, as their legal representative, to select the physician.

MOTION made by Mr. Dachowitz, seconded by Mr. Ellingsworth, to delegate the physician selection to Mr. Herrera as their legal representative for the recently submitted disability application. In a voice vote of the members present, **Motion** passed 5-0.

Mr. Herrera summarized the disability hearing process.

8. Pension Administrator Report

Ms. Castronovo shared her quarterly report.

Ms. Castronovo said Mr. Dorow asked her if he could attend three in-state conferences in 2025. The Committee's Travel Policy allows members to attend two seminars/conferences within Florida, and one within the continental US each year. She asked the Committee if they were okay with Mr. Dorow attending three in-state conferences instead.

MOTION made by Mr. Ellingsworth, seconded by Mr. Dorow, to change the Travel Policy to all members and the Pension Administrator to attend a maximum of three conferences each year, with one of them out-of-state if the member/Administrator so chooses. In a voice vote of the members present, **Motion** passed 5-0.

9. Other Business

A. Investment Consultant RFP Review

Mr. Herrera said the RFP he drafted and provided was very standard. Mr. Dorow noted that there was no grading scale included to which Mr. Herrera responded it was not required because the General Employees' Retirement Plan was a separate entity and did not need to use the City's procurement team or processes which would require a grading scale. Mr. Herrera said he would run the RFP process and confirm the respondents meet the minimum requirements, but he would not grade the responses which would be sent to Ms. Castronovo who would in turn share them with the Committee. Mr. Ellingsworth asked how the Committee would know to whom the RFP was issued. Mr. Herrera replied that his office had a database of national and Florida providers. Mr. Dorow requested the RFP be posted in "Pensions & Investments."

MOTION made by Mr. Ellingsworth, seconded by Mr. Dorow, to approve the investment consultant RFP and have Mr. Herrera's office issue it after making revisions the Committee requested. In a voice vote of the members present, **Motion** passed 5-0.

Mr. Herrera and the Committee agreed on June 27, 2025 for responses to be submitted, late July/early August for a special meeting to review the responses, and the regular August 21, 2025 meeting to interview the top three respondents with each having 20 minutes to present followed by a 10-minute Q&A.

10. ADJOURNMENT

The meeting adjourned at 4:05 p.m.

Thomas MacManus

Date