

**MINUTES**  
**MAY 16, 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 9:00 a.m.

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

Also present: Scott Montgomery (Marcum LLP), Jeffrey Amrose (Gabriel, Roeder, Smith & Company), Brendon Vavrica (Mariner Institutional), Pedro Herrera (Sugarman Susskind Braswell & Herrera as designated by City Attorney), Lisa Castronovo (City of Delray Beach), and Elizabeth Brown (City of Delray Beach)

Public attendees: none

**2. AGENDA ADOPTION**

**MOTION** made by Mr. Privitera, seconded by Mr. Hoesley, to adopt the May 16, 2024 Regular Board Meeting Agenda. In a voice vote by the members present, **Motion** passed 5-0.

**3. COMMENTS**

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

**4. CONSENT AGENDA**

- a. January 17, 2024 Special Meeting Minutes
- b. February 29, 2024 Regular Meeting Minutes
- c. Warrant Approval (#273)
- d. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities

**MOTION** made by Mr. Deen, seconded by Mr. Hoesley, to approve the Consent Agenda as amended to add the Sugarman, Susskind April 2024 invoice. In a voice vote by the members present, **Motion** passed 5-0.

**5. ADMINISTRATIVE**

- a. Leave without Pay

Ms. Castronovo provided a report identifying several police officers who had significant leave without pay. Discussion ensued regarding how or if credited service should be granted for leave without pay. When asked, Mr. Amrose said for actuarial valuation purposes, if the Ordinance says the leave was authorized, then it counted toward credited service, but if the leave was not authorized, it would not count as service. It came down to someone at the police department deciding then if the leave was or was not authorized. The trustees decided that no unpaid leave would count for credited service purposes even if the unpaid leave was sporadic. Mr. Herrera agreed to draft a policy detailing how unpaid leave will not count toward credited service. The Pension Administrator must run an hours analysis report for every retiring police officer.

b. Return of Employee Contributions (Refunds)

Ms. Castronovo reported that per Board direction at a meeting in 2023, she had identified three former police officers who were due refunds of employee contributions who also owed the City money for their initial police training. Ms. Castronovo requested Board confirmation that she was to withhold the funds due the City and direction on how she was to get the withheld funds to the City. Mr. Herrera said his initial thought was that the Plan could not legally withhold the funds, but he would research the legality of it and report back.

Ms. Castronovo summarized steps taken to pay the remaining refunds: 1) notified three people that if they did not return their refund paperwork by mid-July, they would receive their refund in cash with all applicable taxes withheld; and 2) notified two people that if they did not return their refund paperwork by mid-July, the Plan would transfer the monies due them to an IRA of the Board's choosing. Mr. Herrera said he would research to where the funds could be transferred.

**6. REPORTS**

a. September 30, 2023 Financial Statements, Marcum LLP

Report made part of these Minutes

Mr. Scott Montgomery reviewed the draft September 30, 2023 Financial Statements emphasizing the auditor's opinion was clean and "unmodified" meaning it was the highest opinion that could be issued. Upon the completion of his report overview, Mr. Montgomery stated there were no material weaknesses, deficiencies in internal controls, or non-compliance issues.

**MOTION** made by Mr. Deen, seconded by Mr. Privitera, to accept the September 30, 2023 Financial Statements as presented by Marcum LLP. In a voice vote by the members present, **Motion** passed 5-0.

b. 2023 Annual State Report

Report made part of these Minutes

Ms. Castronovo requested Board approval to submit the 2023 annual State Report to the Florida Division of Retirement now that the September 30, 2023 Financial Statements were accepted. Ms. Castronovo reminded the Board the State uses the information provided in the annual State Report to issue Chapter 185 premium tax distributions.

**MOTION** made by Mr. Privitera, seconded by Mr. Deen, that the information provided for the 2023 State Report had been reviewed by the Board and was approved to be submitted to the Florida Division of Retirement. In a voice vote by the members present, **Motion** passed 5-0.

c. Actuarial Reports, Gabriel, Roeder, Smith & Company ("GRS")

i. October 1, 2023 Actuarial Valuation Report

Report made part of these Minutes

Mr. Amrose presented the October 1, 2023 Actuarial Valuation Report.

Highlights:

- The City's required contribution increased from \$8,453,063 for fiscal year end September 30, 2024 to \$8,796,764 for fiscal year end September 30, 2025, a dollar increase of \$343,701, but a 2.76% decrease as a percent of payroll. The increase was due primarily to actuarial losses.
- If the City paid FYE 2025 required contribution on October 1, 2024, the first day of the fiscal year as done in the past, the contribution would be \$8,487,846.

- There were no revisions in benefits.
- There were no revisions in actuarial assumptions.
- The plan experienced a net actuarial loss of \$2.5M meaning actual experience was less favorable than anticipated. The loss was due primarily to a lower-than-expected investment return based on the actuarial value of assets.
- The funded ratio on October 1, 2023, was 70.2% compared to 68.8% on October 1, 2022.
- The estimated required City contribution for fiscal year end 2026 was \$9.15M assuming a 5.67% increase in total covered payroll and no gains, losses, or assumption changes.

Mr. Hoesley asked if the market value of assets could be used in the valuation instead of an actuarial value of assets (which smoothed gains and losses over 5 years) which would force the City to make larger contributions to the Plan. Mr. Amrose responded it could be done, but it would cause contribution volatility for the City from one year to the next and further that he did not believe in using any assumption to get more or less money into a plan. He said assumptions should be set with the intent to accurately reflect each individual plan's experience and expectations for the future. Mr. Amrose emphasized the steps the trustees had taken to try to make the assumptions as close to actual experience as possible and that, if actual plan experience meets the assumptions, the unfunded actuarial accrued liability (UAAL) will be close to \$0 in twenty years. Mr. Amrose added the Plan's 6.75% assumed rate of return was reasonable and did not need to be adjusted at this time.

**MOTION** made by Mr. Deen, seconded by Mr. Hoesley, to accept the October 1, 2023 Actuarial Valuation Report as presented. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Amrose told the trustees GRS had been asked by the PBA for contract negotiation purposes to do an actuarial study, but before proceeding he needed the trustees' approval.

**MOTION** made by Mr. Rasor, seconded by Mr. Hoesley, approving GRS to do an actuarial study for the PBA for negotiation purposes with the PBA paying for such study. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Amrose said he did a lot of things for the Board for which he did not charge a fee, but he was respectfully requesting the Board approve a 3% fee increase for the annual actuarial valuation for fiscal year 2023-24. Chair Weber said the conversation the Board previously had about the fees was more to get a three-year contract in place in which the fees were listed for each of the three years.

**MOTION** made by Mr. Hoesley, seconded by Mr. Deen, approving GRS's fee increase proposal of 3% for the 2023-24 fiscal year. In a voice vote by the members present, **Motion** passed 5-0.

ii. Funded Ratio Review

Mr. Amrose said he would represent the Board at the City workshop and explain the various steps the trustees had taken to get the Plan funded better.

f. Investment Review - Mariner Institutional

This Item was taken out of order.

i. Portfolio Performance Review – Quarter End March 31, 2024

Report made part of these Minutes.

Mr. Vavrica summarized the March 31, 2024, performance report noting that overall, the quarterly returns were good. All equity investments had positive returns. The under-performance of fixed income and real estate slightly drug down the overall performance of the fund. The Plan's total net return for the quarter ended March 31, 2024, was 4.94% vs. the benchmark of 5.33% and was 14.39% for the fiscal year to date vs. the benchmark of 14.43%. The Plan's assets increased from \$141.4M on December 31, 2023, to \$146.0M on March 31, 2024.

Discussion ensued regarding large cap growth manager Polen Capital. Mr. Vavrica said the manager was doing exactly what they set out to do (annual returns of 14-15%) but was not keeping up with the overall market in that space. Chair Weber asked Mr. Vavrica if Polen was on the watchlist. Mr. Vavrica responded they were not especially considering no other active large cap growth manager was doing any better. Mr. Hoesley suggested transferring 50% of Polen's assets to the index fund at RhumbLine and take a look at other large cap growth managers at the next meeting. Mr. Vavrica said the problem with taking funds from an active manager and placing them with a passive manager was if any one of the 8-10 companies that made up the majority of the Russell 1000 were to perform poorly, such performance would take the whole index with it, meaning major losses for the Plan. Chair Weber said he wanted to terminate Polen and put all of the funds managed by them in the index fund until another large cap manager was selected.

**MOTION** made by Mr. Hoesley, seconded by Mr. Deen, to terminated Polen Capital and transfer all funds managed by them to RhumbLine Large Cap Growth Index fund. In a voice vote by the members present, **Motion** passed 5-0.

ii. Flash Report – April 2024

Report made part of these Minutes.

For the month ended April 30, 2024, the Plan's return, net of fees, was -3.82% vs. the benchmark of -3.09%. The fiscal year to date return was 10.01% vs. the benchmark of 10.89%.

Mr. Vavrica reported that there was only \$500k in the Fidelity fund to cover upcoming monthly benefit payments and expenses and asked if the trustees were okay to take the necessary funds from Blackrock which was slightly overweight. The trustees agreed.

iii. Asset Allocation

Mr. Vavrica said he was asked to determine the asset allocation needed to consistently have investment returns of 9-10%. His research showed that up to 15% of the assets currently invested in equity and fixed income would have to be invested instead in private equity so that the overall allocation private equity would be around 35%. Mr. Hoesley said he asked Mr. Vavrica to research the matter because he wanted to show the trustees how alternative investing produced higher returns than public market investments.

iv. Private Debt (Credit) Manager Review (aka Direct Lending)

Presentation report made part of these Minutes.

Mr. Vavrica presented information on six private debt investment funds offered by five investment managers: Carlyle Global Credit Investment Management, Churchill Asset Management, Deerpath Capital Management (two funds), Monroe Capital Management Advisors, and PennantPark Investment Advisers. Of the six funds presented, three (one of the Deerpath funds, Monroe, and PennantPark) were closed-end funds and three (Carlyle, Churchill, and one of the Deerpath funds) were evergreen funds. Closed-end funds are funds in which the manager issues capital calls in the first 2-3 years, then closes the fund to new investors, and returns the invested funds, plus earnings, 8-10 years later. Evergreen funds are open-ended funds that allow investors to make long-term investment without a fixed end date with the option to redeem their interest or let the manager recycle their capital into new investments. Evergreen funds allow the investor to not have to think about it at the end of 10 years as the manager will either return the funds or reinvest it.

Mr. Hoesley said he liked the evergreen funds. Mr. Rasor said he liked Churchill and PennantPark. Mr. Vavrica said the minimum investment requirements were typically \$2M minimum. Mr. Privitera suggested taking \$6M from fixed income manager Baird since they had \$13M and committing \$3M to Churchill and \$3M to PennantPark.

**MOTION** made by Mr. Privitera, seconded by Mr. Deen, to commit \$3M to Churchill and \$3M to PennantPark with funding to come from fixed income assets. In a voice vote by the members present, **Motion** passed 5-0.

v. Private Equity Manager Review (aka Secondaries)

Presentation report made part of these Minutes.

Mr. Vavrica presented information on four private equity investment managers: Apogem Capital, Glouston Capital Partners, Neuberger Berman, and Schroders Capital Management. Mr. Vavrica said the Apogem and Glouston investments were secondary investments and would be less risky than co-investments with Neuberger Berman and Schroders. All four funds were 10-year funds with the possibility of extensions.

Mr. Hoesley said he favored the co-investments with either Neuberger Berman or Schroders since the fund already had three secondary investments with Taurus, PA Secondary (another investment with Apogem), and Neuberger Berman (another investment). Chair Weber asked what was the minimum buy-in to which Mr. Vavrica responded \$2M for each. Chair Weber suggested funding the new investments from the large cap index fund. Mr. Rasor asked Mr. Vavrica what he thought about Neuberger Berman to which Mr. Vavrica responded it was a good investment and kept the Plan with the Neuberger Berman family, plus the investment had a little more domestic lean than the other funds and was 100% employee owned.

**MOTION** made by Mr. Rasor, seconded by Mr. Hoesley, to commit \$3M to Neuberger Berman with funding to come from domestic equity. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Hoesley asked Mr. Vavrica to bring to the next meeting an alternative to international equity manager Harding Loevner.

Mr. Amrose and Mr. Vavrica recommended using 6.75% as the expected rate of return.

**MOTION** made by Mr. Privitera, seconded by Mr. Deen, 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 by the members present, **Motion** passed 5-0.


- d. Legal Report - Sugarman, Susskind, Braswell & Herrera  
Mr. Herrera reminded the Trustees to file their financial disclosure forms with the State on or before June 30, 2024 using the State's new portal system.
- e. Pension Administrator  
Ms. Castronovo: 1) provided the trustees with the 2023-24 administrative expense budget versus actual expenses through mid-May; and 2) informed the trustees a) all but one of the 147 beneficiaries and retirees had returned their benefit verification letter and that she suspended the benefit of the one person who did not return the letter; b) she mailed and received back "continued disability" verification documents from four disability retirees (excluding Terry Jones since he recently had a physical performed by a Board-selected physician); and c) Ms. Brown had scanned and electronically filed all active retirees' and beneficiaries' original paper files so there would be no need to seek an outside vendor to provide a scanning service.

Ms. Castronovo noted there was an issue with quorum for the August 29, 2024 regular Board meeting and asked the trustees to consider another date. After discussion, the Board decided to meet September 12, 2024 starting at 8:30 a.m.

## ADJOURNMENT

The meeting adjourned at 12:28 p.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 May 16, 2024, regular meeting of said body. These Minutes were formally approved and adopted by the Board on \_\_\_\_\_.

  
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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](http://www.delraybeachfl.gov).