

MINUTES
REGULAR RETIREMENT COMMITTEE MEETING
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
NOVEMBER 19, 2020

1. Call to Order

Chair Ellingsworth called the meeting to order at 1:07 p.m.

The Retirement Committee ("Committee") reviewed the Committee's electronic device participation policy and discussed if they would accept Mr. MacManus' attendance at the Committee meeting via Microsoft Teams.

MOTION made by Mr. Frankel, seconded by Ms. Kalka, to allow Mr. MacManus to attend the November 19, 2020 Committee meeting via Microsoft Teams. In a roll call vote of the members, **Motion** passed 3-0.

Roll Call

Committee Members present: Chair Howard Ellingsworth, Adam Frankel, Marie Kalka, and Thomas MacManus. Committee Member absent: Joanna Oberhofer.

Also present: Pension Administrator Lisa Castronovo and Pension Specialist Elizabeth Brown.

Present via communication media technology: Board Attorney Janice Rustin (Lewis, Longman & Walker as designated by City Attorney) and Investment Consultant Brendon Vavrica (AndCo Consulting).

Guests present via communication media technology: Kelly Brandon, John Mainville

Agenda Adoption

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to adopt the November 19, 2020 Agenda. In a roll call vote of the members, **Motion** passed 4-0.

2. PUBLIC COMMENTS

There were no public comments.

3. New Retirement Committee Member Introduction

Ms. Castronovo reported that new Retirement Committee member Joanna Oberhofer was unable to attend the meeting due to circumstances with her employer.

MOTION made by Mr. Frankel, seconded by Ms. Kalka, to approve Ms. Oberhofer's absence due to outstanding circumstances with her employer. In a roll call vote of the members, **Motion** passed 4-0.

4. New Pension Office Staff Introduction

Ms. Castronovo introduced Elizabeth Brown, who started October 1, 2020 as a Pension Specialist. Ms. Brown greeted everyone and briefly described what she would be doing in her new position with the City.

5. CONSENT AGENDA

- A. August 20, 2020 Regular Meeting Minutes
- B. Ratification of Plan Expenses and Termination Refunds
- C. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities
- D. Approval of Deposits

MOTION made by Mr. Frankel, seconded by Ms. Kalka, to approve the Consent Agenda. In a roll call vote of the members, **Motion** passed 4-0.

6. ANDCO CONSULTING – Brendon Vavrica

A. Portfolio Performance Review – Quarter End September 30, 2020

Report made part of these Minutes.

Mr. Vavrica presented the Investment Performance Review Report for quarter end September 30, 2020 remarking no one would have expected immediately after the March 31, 2020 calendar quarter that any retirement fund would see investment returns anywhere near their actuarial assumed rate of return, yet it happened across the nation. Mr. Vavrica pointed out one notable item of interest in the overall markets: the 43 basis point difference between growth equity returns (36.1%) and value equity returns (-5.7%).

Regarding the General Employees' Retirement Plan in particular, the net rate of return was 9.07% which far exceeded the 6.75% actuarial assumed rate of return. The Retirement Plan's total assets on September 30, 2020 was \$140.6M compared to \$115.6M on March 31, 2020. Due to excellent returns experienced by growth equity investments, the Retirement Plan was overweight in equities, particularly Rhumblin's large cap growth investment. Mr. Vavrica noted the Plan's investments in the JPMorgan Income Builder Fund and Blackrock Multi-Asset Income Fund did poorly when compared to their benchmark but the benchmarks were not necessarily the best benchmarks to which to compare the funds. Mr. MacManus said he would like a better, more accurate benchmark selected for those two funds.

B. Flash Report – October 2020 and November 2020 Estimate

Report made part of these Minutes.

Mr. Vavrica reviewed the October 2020 investment returns noting the Plan's total net return for October was -0.90% compared to the benchmark of -0.74%. Mr. Vavrica stated that through November 18, 2020, however, the Plan was up 5.5% for the fiscal year due primarily to value equity investments starting to outperform growth equity investments.

C. Review Near Term Cash Requirements and Possible Asset Rebalancing

Mr. Vavrica reported that on November 18, 2020, there was approximately \$3.6M in the Vanguard cash account to cover monthly benefits and expenses so he did not feel any money needed to be transferred into that account between now and the next quarterly Committee meeting.

D. Fidelity as possible alternative to Vanguard Index Fund

Mr. Vavrica explained that Vanguard had typically been the provider of index funds with the lowest basis points. Recently, Fidelity started rolling out index funds to compete with Vanguard and was offering such funds at 2 basis points less than Vanguard (2% vs. 4%), which equated to \$1,200/year savings for the Plan. Mr. Vavrica noted that the two funds perform basically the same but over time (10 years) Vanguard slightly outperformed Fidelity. After discussing, the Committee decided to leave Vanguard in place.

E. Large Cap Growth Manager Analysis

Report made part of these Minutes

Mr. Vavrica started this presentation by noting that five companies – Apple, Microsoft, Amazon, Google, and Facebook – out of 500 accounted for 85% of the total S&P 500 return making the S&P 500 very concentrated. Due to this concentration, Mr. Vavrica recommended the Committee consider some investment out of the Rhumblin Russell 1000 Growth Pooled Index Fund in order to spread out the Plan's exposure. Mr. Vavrica recommended moving funds from Rhumblin

Growth to Rhumblin Value or investing with an entirely different manager who was not so heavily invested in five companies.

Mr. Vavrica presented information on three funds for Committee consideration: American Funds' Growth Fund of America, Mar Vista's Strategic Growth Fund, and Polen Capital's Growth Institutional Fund. Mr. Vavrica noted that while all three funds were growth funds like the Rhumblin fund, they invested in different companies and thus offered protection when the five major companies underperformed.

When asked, Mr. Vavrica said he recommended Polen Capital since the Police Officers and Firefighters' plans were already invested with them and experiencing positive returns with a nice defense against down markets. Further, Mr. Vavrica felt that Polen Capital fit the Plan's profile the best.

Mr. Vavrica recommended taking \$8.6M from Rhumblin growth fund and split it evenly between the Rhumblin value fund and BNY Mellon value fund and take \$7.5M from Rhumblin growth fund and invest it with Polen Capital.

MOTION made by Mr. MacManus, seconded by Mr. Frankel, to transfer \$8.6M from Rhumblin's large cap growth fund to the BNY Mellon value fund and transfer \$7.5M from Rhumblin's large cap growth fund to a new growth fund with Polen Capital. In a roll call vote of the members, **Motion** passed 4-0.

7. LEGAL REPORT

A. Status Update on Executive Order 20-69

Ms. Rustin reported that Governor DeSantis's Executive Order 20-69 that allowed for municipal boards and committees to meet virtually due to COVID-19 had not been extended past October 31, 2020. However, on November 17, 2020, the City of Delray Beach City Commission issued their own order directing all of its boards and committees to meet virtually.

B. Gabriel, Roeder, Smith & Co. Actuarial Services Contract

Ms. Rustin explained that GRS's contract for actuarial services, signed and accepted May 21, 2015, was effective February 1, 2015 through September 30, 2020. The contract stated: "By mutual agreement of the parties, the contract may be renewed on a year-to-year basis." Ms. Rustin asked the Committee if they would like to renew the contract for October 1, 2020 – September 30, 2021.

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to approve the annual extension of Gabriel, Roeder, Smith & Co.'s actuarial services contract for October 1, 2020 – September 30, 2021. In a roll call vote of the members, **Motion** passed 4-0.

C. Travel Policy

Ms. Rustin presented the Committee with the Police Officers' & Firefighters' old legacy travel policy along with a much more detailed travel policy used by another city's board. Ms. Rustin then got Committee input on several items that needed specific directions: for what travel requests was advance Committee approval required; which specific transportation and lodging expenses would be reimbursed; and when expense reports must be submitted to the Pension Administrator. Ms. Rustin stated she would use their input to form the final travel policy that she would present at the Committee's next regular meeting.

8. PENSION ADMINISTRATOR REPORT

Ms. Castronovo updated the Committee on several items: 1) a detail of the actual administrative and investment-related expenses as of September 30, 2019, 2) a detail of the actual administrative and investment-related expenses as of September 30, 2020 (subject to final audit), 3) a detail of administrative and investment-related expenses for October 1, 2020 – November 13, 2020, 4) the Plan received the City's 2020-21 contribution of \$3,123,630 on October 1, 2020 which was invested per the Committee's direction, 5) she acquired her notary certification, and 6) she acquired a City purchase card to be used for conference attendance and travel-related expenses. Ms. Castronovo also presented a proposed 2021 Committee meeting schedule. The Committee agreed to move the February 2021 meeting up one week in order to avoid parking issues associated with the Delray Beach tennis competition held the last two weeks of February.

9. OTHER BUSINESS

A. 2020 Summary Plan Description

Ms. Castronovo told the Committee that a summary plan description ("SPD") is a brief description of a retirement plan written in a manner calculated to be understood by the average plan participant and is sufficiently accurate and comprehensive to apprise participants of their rights and obligations under the plan. Further, the SPD is to be furnished to each employee upon initial employment/participation in the plan and thereafter on a biennial basis. Since the last SPD for the Retirement Plan was published in late 2018, Ms. Castronovo had drafted an updated one. Ms. Castronovo explained there were no amendments to the Retirement Plan since the last SPD was published, so she only needed to update small sections of the SPD, specifically the report on the pertinent financial and actuarial information on the solvency of the plan.

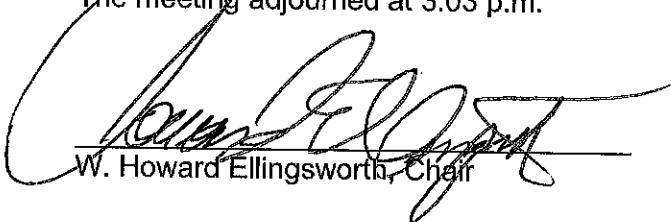
MOTION made by Mr. Frankel, seconded by Ms. Kalka, to have Ms. Castronovo distribute the biennial summary plan description after it was reviewed by Janice Rustin, legal counsel. In a roll call vote of the members, **Motion** passed 4-0.

B. Paperless Meetings & Electronic Devices

Ms. Castronovo asked the Committee members if any of them wanted her to purchase an electronic device for them since the Committee was moving closer to 100 paperless meetings. No member requested such a purchase.

10. ADJOURNMENT

The meeting adjourned at 3:03 p.m.


W. Howard Ellingsworth, Chair

4/2/2021
Date