

**Item 5**  
**Consent Agenda**

**Item 5.a.**

**June 22, 2022  
Regular Meeting Minutes**

**MINUTES  
REGULAR PENSION BOARD MEETING  
CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT FUND  
JUNE 22, 2022**

**1. CALL TO ORDER, ROLL CALL**

Chair Weber called the meeting to order at 9:01 a.m.

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

Also present: Matt Dickey (NFP Retirement, Inc.), Scott Montgomery (Marcum LLP), Jeffrey Amrose (Gabriel, Roeder, Smith & Company), Brendon Vavrica (AndCo Consulting), 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. Deen, seconded by Mr. Hoesley, to adopt the June 22, 2022 Agenda as revised to move Item 5.d. in front of Item 5.c. and remove Item 6.a. In a voice vote by the members present, **Motion** passed 4-0.

**3. Comments**

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

**4. Consent Agenda**

- a. February 23, 2022 Regular Meeting Minutes
- b. Warrant Ratification (#258)
- c. Warrant Approval (#259)
- d. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities

**MOTION** made by Mr. Deen, seconded by Mr. Privitera, to approve the Consent Agenda with an invoice for \$1,750.00 payable to FPPTA included. In a voice vote by the members present, **Motion** passed 4-0.

**5. Reports**

- a. September 30, 2021 Audit Report  
Report made part of these Minutes

Mr. Montgomery reviewed the draft September 30, 2021 Financial Statements emphasizing the auditor's opinion was clean and "unmodified" meaning it was the best 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. Privitera, seconded by Mr. Deen, to accept the September 30, 2021 Financial Statements as presented by Marcum LLC. In a voice vote by the members present, **Motion** passed 4-0.

- b. 2021 Annual State Report – Lisa Castronovo  
Report made part of these Minutes

Ms. Castronovo said she was seeking Board approval to submit the 2021 Annual State Report to the Florida State Division of Retirement now that the September 30, 2021 Financial Statements Report was 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. Deen, seconded by Mr. Privitera, that the information provided for the 2021 State Report had been reviewed by the Board and was approved to be submitted to the State. In a voice vote by the members present, **Motion** passed 4-0.

- c. Gabriel, Roeder, Smith & Company (“GRS”) – Jeffrey Amrose  
i. October 1, 2021 Actuarial Valuation Report  
Report made part of these Minutes

Highlights of the October 1, 2021 Actuarial Valuation Report:

- The City's required contribution decreased from \$8,416,213 for the 2021-22 fiscal year to \$8,170,187 for the 2022-23 fiscal year, a dollar decrease of \$246,026 and a 1.74% decrease as a percent of payroll. The components accounting for the change in the required contribution were a \$194,000 decrease in the amortization payment on the Unfunded Actuarial Accrued Liability and a \$38,000 decrease in the Normal Cost.
- There were no revisions in benefits or actuarial assumptions or methods.
- The plan experienced a net actuarial gain of \$2,445,000 for the year meaning actual experience was more favorable than anticipated. The gain was due primarily to higher-than-expected investment earnings (10.0% based on actuarial value of assets compared to 6.75% expected).
- The funded ratio on October 1, 2021 was 67.8% compared to 63.6% on October 1, 2020.
- The market value of assets exceeded the actuarial value of assets by \$14.0M. The excess would gradually be recognized over subsequent years resulting in decreased required contributions.
- The estimated required City contribution for fiscal year end 2024 is \$8,100,000 assuming a 5.67% increase in total covered payroll and no gains, losses, or benefit or actuarial assumption changes.

**MOTION** made by Mr. Privitera, seconded by Mr. Deen, to accept the October 1, 2021 Actuarial Valuation Report as presented. In a voice vote by the members present, **Motion** passed 4-0.

Mr. Amrose and Mr. Vavrica recommend 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 4-0.

d. AndCo Consulting – Brendon Vavrica

i. Portfolio Performance Review – Quarter End March 31, 2022

Report made part of these Minutes.

Mr. Vavrica presented the March 31, 2022, performance report noting returns overall for the quarter were poor. The Plan's return for the quarter ended March 31, 2022, was -5.55% (net of fees) vs. the benchmark of -4.30%. The Plan's assets decreased from \$144.6M on December 31, 2021 to \$134.3M on March 31, 2022.

ii. Flash Report – May 2022

Report made part of these Minutes.

For the month ended May 31, 2022, the Plan's return, net of fees, was -0.23% vs. the benchmark of 0.02%. The fiscal year to date return was -7.03% vs. the benchmark of -5.78%. Mr. Vavrica reported specifically 1) Clarkston Partners, active domestic value equities manager, outperformed its respective benchmark while Polen Capital, the active domestic growth equity manager, underperformed its benchmark, 2) international equities and emerging markets significantly underperformed, and 3) real estate continued with very strong month-to-month returns.

Mr. Vavrica reported that investment manager Crescent Capital requested a two-year extension to close their Direct Lending Levered Fund, but required the approval of at least 50% of the investors for the extension.

**MOTION** made by Mr. Privitera, seconded by Mr. Deen, to approve a two-year extension to the original closing date of the Crescent Direct Lending Levered Fund. In a voice vote by the members present, **Motion** passed 4-0.

iii. Small Cap Equity Review

Mr. Vavrica presented information on four small cap strategies – Delaaward Small Cap Core, Hartford Schroders US Small Cap Opps, JP Morgan US Small Company R6, and MassMutual Premier Small Cap I – with management fees ranging from 0.66% to 0.95% and \$0 - \$5M minimum investment. All four funds were considered “core” funds made up by approximately 50% growth equity stocks and 50% value equity stocks.

Discussion ensued. Mr. Hoesley asked how a small cap equity investment would be funded from the existing portfolio. Mr. Vavrica responded that monies could be taken from Clarkston Partners and/or the Fidelity Mid Cap Index fund, though he did not recommend taking from Clarkston since they were a conservative manager and performed well in down markets. Mr. Hoesley said he would like the Plan to get out of its fixed income investments given their continued poor performance.

Mr. Hoesley said he would like to invest \$2-3M in a dedicated small cap equity fund. Mr. Vavrica said he was okay with going as high as \$8-9M in the small cap equity sector since it will be a good performing equity class over time. He added that “now” was a good time to invest in small cap equity since it was relatively cheap to do so when compared to investing in large cap equity. Mr. Vavrica recommended using a more aggressive small cap manager like Zieglar or JPMorgan. Mr. Hoesley said he did not want to use JPMorgan since their portfolio was large and he preferred a smaller, more concentrated portfolio. The other trustees said they did not want to go with Delaware since they got rid of them in the past. Chair Weber said he liked MassMutual since they were smaller, their fees were known, and they were a mutual fund.

**MOTION** made by Mr. Hoesley, seconded by Mr. Privitera, to invest \$5M with MassMutual Premier Small Cap I with \$4M from Clarkston Partners and \$1M from Baird Advisors. In a voice vote by the members present, **Motion** passed 4-0.

iv. IPS Review

**MOTION** made by Mr. Deen, seconded by Mr. Privitera, to adopt the revised Investment Policy Statement. In a voice vote by the members present, **Motion** passed 4-0.

v. Performance Comparison of new Managers

Chair Weber said that Sawgrass Asset Management wanted the Plan back, but the Board replaced them with Polen Capital due to Sawgrass's underperformance. Mr. Vavrica said that due to Sawgrass's very defensive strategy, they performed very well in down markets, but underperformed in up markets. In the long run, Polen would outperform Sawgrass since Polen invests in companies that grow at 16-18% whereas Sawgrass invests in companies that grow at 9-10%. Mr. Vavrica added that now would be the absolute worse time to change back to Sawgrass since the Plan had already experienced the losses with Polen so Polen had nowhere to go but up from this point on whereas Sawgrass would not be able to make up what the Plan had already lost with Polen.

Mr. Vavrica said the Plan needed about \$2M to cover upcoming monthly benefit payments and recommended taking \$1.25M from Brandywine and \$750,000 from the Rhumbline Growth Fund. Chair Weber said he preferred taking \$1.25M from the RhumbLine Value Fund since Brandywine was performing better than RhumbLine.

**MOTION** made by Mr. Privitera, seconded by Mr. Deen, to transfer \$1,250,000 from RhumbLine Growth Equity Fund and \$750,000 from RhumbLine Value Fund to the Fidelity Total Market Index Fund. In a voice vote by the members present, **Motion** passed 4-0.

e. Sugarman, Susskind, Braswell & Herrera – Pedro Herrera

Mr. Herrera reported that the proposed Florida bill adding COVID-19 to the existing list of communicable and infectious diseases which presumptively occurred in the line of duty for disability or death purposes for public safety employees did not pass in either the House or Senate.

Mr. Herrera reminded the Trustees to file their financial disclosure forms with the State on or before June 30, 2022. are due 6/30/22

Mr. Herrera said he received, on behalf of the Board, a Petition for Disability Retirement Benefits Enhancement from disability retiree Fred Ziegler. Mr. Ziegler wanted his petition placed on the Board's Agenda on the earliest possible date. Mr. Herrera said he contacted Mr. Ziegler's attorney for specifics but received no response so the petition was not placed on the current Agenda. Mr. Herrera suggested the Board set a date to meet with Mr. Ziegler and his attorney to discuss the petition. After a brief discussion, Mr. Herrera said he would contact Mr. Ziegler's attorney again to inform him the Board discussed the petition at the meeting, but since no other information was received from the claimant, the Board was not going to change any benefits at this time, but they were willing to consider the petition at a future date if Mr. Ziegler wanted to make a formal presentation.

e. Pension Administrator – Lisa Castronovo

Ms. Castronovo: 1) provided the trustees with the 2021-22 administrative expense budget versus actual expenses through mid-June; and 2) reported the Pension office mailed 142 benefit verification letters of which all had been returned. When Ms. Castronovo asked the Board if they were okay if retirees returned their letters via email, they collectively agreed they were.

**6. ADMINISTRATIVE ITEMS**

a. This item was removed from the Agenda.

b. Disability Reports Review

Ms. Castronovo said she provided in the Agenda backup the Continuing Disability Report and Physician's Report for Continuing Disability as submitted by Steven Chinque, Terry Jones, Shannon Sniffen, and Christine Suarez. After a brief discussion, the Board directed Ms. Castronovo to send the reports to Mr. Herrera for him to recommend whether the Board should follow up with the disability retiree for further information or not.

**MOTION** made by Mr. Privitera, seconded by Mr. Hoesley, to approve Mr. Deen's attendance at three Florida conferences in 2022. In a voice vote by the members present, **Motion** passed 4-0.

**ADJOURNMENT**

**MOTION** made by Mr. Hoesley, seconded by Mr. Deen, to adjourn the meeting. Meeting adjourned at 12:29 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 June 22, 2022 regular meeting of said body. These Minutes were formally approved and adopted by the Board on September 21, 2022.

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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).