

Item 4
Consent Agenda

Item 4.a.

**December 8, 2022
Regular Meeting Minutes**

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF DELRAY BEACH FIREFIGHTERS' RETIREMENT FUND
DECEMBER 8, 2022**

1. CALL TO ORDER, ROLL CALL

Chair Giaccone called the meeting to order at 9:02 a.m.

Board Members present: Chair Gregory Giaccone, Vice-Chair Craig Mahoney, Thomas Glanfield (remote), Alan Kirschenbaum, and Secretary Jack Warner.

Also present: Matt Dickey (NFP, Inc.), Brendon Vavrica (AndCo Consulting), Pedro Herrera (Sugarman, Susskind, Braswell & Herrera; participated remotely), Lisa Castronovo (City of Delray Beach), and Elizabeth Brown (City of Delray Beach).

Public attendees: John Mainville

2. AGENDA ADOPTION

MOTION made by Mr. Mahoney, seconded by Mr. Warner, to adopt the December 8, 2022, Agenda. In a vote by the members present, **Motion** passed 5-0.

3. COMMENTS

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

4. CONSENT AGENDA

- a. September 14, 2022 Regular Meeting Minutes
- b. Warrant Ratification (#268)
- c. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities

MOTION made by Mr. Mahoney, seconded by Mr. Glanfield, to approve the Consent Agenda. In a vote by the members present, **Motion** passed 5-0.

5. ADMINISTRATIVE ITEMS

- a. Annual Board Officers' Election

MOTION made by Mr. Warner, seconded by Mr. Mahoney, for Gregory Giaccone to serve as Board Chair and Craig Mahoney to serve as Vice-Chair. In a voice vote by the members present, **Motion** passed 5-0.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Warner, for Thomas Glanfield to serve as Secretary. In a voice vote by the members present, **Motion** passed 5-0.

- b. 2022 Board Meeting Schedule
Schedule made part of these Minutes.

MOTION made by Mr. Warner, seconded by Mr. Kirschenbaum, to approve the proposed 2023 quarterly Board meeting schedule. In a voice vote by the members present, **Motion** passed 5-0.

- c. Fiduciary Liability Insurance

MOTION made by Mr. Kirschenbaum, seconded by Mr. Warner, to accept the fiduciary liability insurance policy for \$5M coverage with a premium of \$15,360.18. In a voice vote by the members present, **Motion** passed 5-0.

6. REPORTS

- a. NFP Retirement Inc. September 30, 2022 Quarterly Report – Matt Dickey
Report made part of these Minutes

Mr. Dickey stated in the past the Board had authorized the disbursement of 75% of the prior March 31st Administrative Allowance Account (“AAA”) to all DROP participants who had money in the DROP account at MissionSquare (formerly ICMA-RC). He asked the Board if they would like to authorize the distribution of 75% of the March 31, 2022, AAA balance.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Warner, to disburse in December 2022, 75% of the March 31, 2022 Administrative Allowance Account balance to all participants with money in the DROP account at MissionSquare on the date of the distribution. In a voice vote of the members present, **Motion** passed 5-0.

Mr. Dickey reviewed NFP’s September 30, 2022 report noting international equity fund Invesco Global A was on the watch list. Mr. Dickey said NFP would continue to watch this Fund, but they weren’t too worried about their current performance considering their good returns in the past. Mr. Dickey made several recommendations: map American Funds Washington Mutual R4 to iShares S&P 500 Index Investor A; map T. Rowe Price Growth Stock Adv to Large Cap Growth III I1 (AB Large Cap Growth); map Fidelity Contrafund to Fidelity Large Cap Growth Idx; map Invesco Emerging Markets Select Equity Y to MFS Intl Diversification R3; and map Invesco Global Opportunities R6 to Victory RS Global R6. Mr. Dickey said the rest of the funds were performing as expected.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Warner, to map funds per NFP’s recommendation: American Funds Washington Mutual R4 to iShares S&P 500 Index Investor A; T. Rowe Price Growth Stock Adv to Large Cap Growth III I1 (AB Large Cap Growth); Fidelity Contrafund to Fidelity Large Cap Growth Idx; Invesco Emerging Markets Select Equity Y to MFS Intl Diversification R3; and Invesco Global Opportunities R6 to Victory RS Global R6. In a voice vote of the members present, **Motion** passed 5-0.

Mr. Glanfield said he was uncomfortable with the fact that Western Asset Core Bond fund had an eight percent concentration in a Russian bank. Mr. Dickey said he would bring to the next Board meeting a comparable fixed income bond fund for the trustees’ consideration.

- b. AndCo Consulting – Brendon Vavrica
i. Portfolio Performance Review – Quarter End September 30, 2022

Report made part of these Minutes.

Mr. Vavrica reported the Retirement System’s net rate of return for the quarter ended September 30, 2022, was -3.7% compared to its benchmark of -4.6%. For the fiscal year ended September 30, 2022, the System’s net rate of return was -14.5% vs. the benchmark of -15.2%. The single biggest factor holding up investment funds was real estate since their returns were over 20% during the year. All other asset classes performed poorly in the quarter. The System’s market value decreased from \$133.3M on June 30, 2022, to \$127.6M on September 30, 2022.

Mr. Vavrica shared two handouts (made part of these Minutes). The first handout showed how, in a typical year, the return of one asset class (domestic equity or fixed income) offsets the poor performance of the other. However, in 2022, both asset classes performed poorly resulting in the worst combined return in 46 years. The second handout showed the typical length of bull and bear markets over the last 75 years. The typical bear market lasted 13 months with an average market loss of 33%; the typical bear market was 53 months with an average market gain of 155%. As of December 2022, the US economy had been in a bear market almost 12 months, just a month short of the average 13-month bear market. Thus,

if the average held, the economy was posed to move out of the bear market in early 2023.

ii. Flash Report – November 2022

Report made part of these Minutes.

For the month ended November 30, 2022, the Plan's return, net of fees, was 5.2% vs. the benchmark of 5.3%. For the first two months of the fiscal year, the return was 10.5% vs. the benchmark of 10.2%. The market was starting to reflect the overall expectation that interest rates would decrease in 2023.

Mr. Glanfield said that since active growth manager Polen Capital had not met any of its benchmarks since the Board hired them in late 2018, he wanted to terminate them immediately. He asked Mr. Vavrica to bring information to the next Board meeting on other active large cap growth managers. Mr. Glanfield suggested transferring the funds in Polen to core fixed income. Mr. Vavrica said that move would made the Fund underweight in equity. Mr. Vavrica said if Polen's funds were transferred to core fixed income, then the next four months of \$2M cash-to-investment transfers should be to domestic equity to bring the domestic equity allocation back to target. Various possible reallocations were discussed.

MOTION made by Mr. Mahoney, seconded by Mr. Warner, to transfer \$4M from Polen Capital to RhumbLine Growth Index Fund and, based on the Fund's current asset allocation, invest \$8M (currently in cash), but with no funds to be allocated to Polen Capital based on the recommendation of the investment consultant. In a voice vote of the members present, **Motion** passed 5-0.

c. Sugarman, Susskind, Braswell & Herrera

Mr. Herrera reminded the trustees of the State's reporting requirements if they accepted any gift. Mr. Herrera added that Sugarman, Susskind, et. al. would make a \$25 contribution in the Board's honor to the American Red Cross Ian Relief Fund.

d. Pension Administrator – Lisa Castronovo

Ms. Castronovo shared her quarterly report.

ADJOURNMENT

The meeting adjourned at 10:49 a.m.

I, Gregory Giaccone, the undersigned, am the Chair of the City of Delray Beach Firefighters' Retirement System Board of Trustees ("Board"). The information provided herein is the Minutes of the December 8, 2022, regular meeting of said body. These Minutes were formally approved and adopted by the Board on _____.

Board of Trustees, City of Delray Beach
Firefighters' 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 Firefighter's 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.