#### **MINUTES**

# REGULAR RETIREMENT COMMITTEE MEETING CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN NOVEMBER 21, 2019

#### 1. CALL TO ORDER

Chair James Smith called the meeting to order at 1:00 p.m.

#### Roll Call

Retirement Committee ("Committee") Members present: Chair James Smith, William Ellingsworth, Adam Frankel, Thomas MacManus (departed at 3:30 p.m.), and Laura Thezine.

Also present: Joseph Mendell (NFP), Investment Consultant Brendon Vavrica (AndCo Consulting), Attorney Janice Rustin (Lewis, Longman & Walker), Jeffrey Amrose (Gabriel, Roeder, Smith & Company ("GRS")), City of Delray Beach ("DB") City Attorney Lynn Gelin, DB Assistant City Attorney Kelly Brandon, DB Pension Administrator Lisa Castronovo, DB resident (citizen journalist)

#### **Agenda Adoption**

**MOTION** made by Mr. MacManus, seconded by Mr. Ellingsworth, to approve the November 21, 2019 Agenda. In a voice vote by the members present, **Motion** passed 5-0.

## 2. WELCOME VISITORS, POLICE OFFICERS' AND FIREFIGHTERS' RETIRMENT SYSTEMS' BOARD MEMBERS

DB Attorney Lynn Gelin introduced new Assistant City Attorney Kelly Brandon explaining that Ms. Brandon accepted the position in July 2019.

#### 3. PUBLIC COMMENTS

There were no public comments.

#### 4. CONSENT AGENDA

- A. August 15, 2019 Regular Meeting Minutes
- B. October 1, 2018 Actuarial Valuation Report
- C. Telephone/Electronic Devices Participation Policy
- D. Ratification of Plan Expenses and Termination Refunds
- E. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities
- F. Ratification of Bank Deposits

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

#### 5. FIDUCIARY FIRST - Joe Mendell

Mr. Mendell introduced himself by explaining that he represented Fiduciary First (now known as NFP) who had entered into three agreements with the City to provide investment consulting services for all of the City's plans managed by ICMA-RC: one agreement each with the Police Officers' and Firefighters' retirement systems for their respective DROP accounts and a third agreement that collectively covered the City's 457 plan, two smaller 401(a) plans and the General Employees' retirement plan's DROP. Each agreement provided a 12-basis point fee based on the assets of each plan's invested dollars. The agreements were written such that they would automatically renew unless a decision was made to exit the agreement.

### A. September 30, 2019 Quarterly Report

Report made part of these Minutes.

Mr. Mendell briefly reviewed the September 30, 2019 quarterly report making note of a few of the investments that were underperforming: Fidelity Puritan and Fidelity Select Technology.

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B. December 2019 Fee Credit for DROP Participants

Mr. Mendell stated that the newly established Administrative Allowance Account ("AAA") had accumulated just over \$11,000 as of September 30, 2019. Ms. Thezine stated that while she would like to distribute some of the accumulated AAA funds, she would like some of the money kept in the account to offset any fees or unanticipated expenses.

**MOTION** made by Ms. Thezine, seconded by Mr. Frankel, to credit back to the participants in the DROP as of the date of the distribution (late December 2019) seventy-five percent (75%) of the March 31, 2019 Administrative Allowance Account balance. In a voice vote by the members present, **Motion** passed 5-0.

- C. Changes to Investments Choices for Participants No discussion.
- D. Stand-alone Agreement between Fiduciary First and the General Employees' Retirement Plan The Committee discussed whether it was a good idea for the Committee to enter its own separate agreement with Fiduciary First to cover the Retirement Plan's DROP account or if it was better to stay in the City's agreement that covered three other plans.

**MOTION** made by Mr. MacManus, seconded by Mr. Frankel, to approve a separate agreement between Fiduciary First and the Committee for the Retirement Plan's DROP account subject to legal review. In a voice vote by the members present, **Motion** passed 5-0.

Chair Smith asked Mr. Mendell to provide a quarterly report for inclusion in the Consent Agenda for each quarterly Committee meeting with Mr. Mendell attending one meeting per year.

#### 6. 2020 RETIREMETN COMMITTEE MEETING DATES

**MOTION** made by Mr. Frankel, seconded by Mr. Ellingsworth, to approve the proposed 2020 quarterly Committee meeting dates. In a voice vote by the members present, **Motion** passed 5-0.

#### 7. GABRIEL, ROEDER, SMITH & COMPANY - Jeffrey Amrose

A. Actuarial Funding Policy

Mr. Amrose presented a draft actuarial funding policy. Mr. Amrose explained that a funding policy differs from an investment policy in that a funding policy governs how the plan is funded whereas an investment policy governs all things investment-related. In addition, a funding policy lives forever as it is passed down from one Committee to the next to memorialize decisions made by Committees thereby providing a roadmap for future Committees of how and why certain fund-related decisions were made in the past.

Mr. Amrose stated that the five main points of a funding policy were: outline the funding method (actuarial cost method), outline the asset smoothing method, detail how the unfunded actuarial accrued liability was to be paid off, detail the procedure for evaluating and selecting actuarial assumptions, and to outline the framework for managing risk.

Mr. Amrose reviewed specific items for which he required Committee input:

<u>Actuarial cost method</u> – the cost method currently used was the Entry Age Normal Cost Method which was described as very transparent. Mr. Amrose recommended the continued use of this actuarial cost method.

<u>Asset valuation method</u> – the asset valuation method currently used was the five (5) year smoothing method which was the same one as the one used by the Florida Retirement System. Mr. Amrose recommended the continued use of this asset valuation method.

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<u>Amortization method</u> – the unfunded actuarial accrued liability is paid off as a level percent of pay which was the same method used by the Florida Retirement System. Mr. Amrose recommended the continued use of this asset valuation method.

<u>Actuarial assumptions</u> – actuarial assumptions are typically adjusted every five years based on the results of an experience study. Since an experience study had recently been done for the Retirement Plan with assumptions adjusted accordingly, Mr. Amrose did not recommend making any changes to assumptions.

<u>Funding target</u> – the funding target refers to the timeline a Board/Retirement Committee select to reach 100% funding status. Since the Retirement Plan was already close to 100% funded, Mr. Amrose did not recommend making any changes to the funding target.

Risk management – Mr. Amrose explained that the Committee managed its risk by having an actuarial valuation performed annually, an experience study performed every five years, and adjusting the actuarial assumptions accordingly.

#### B. Enhanced Multiplier Actuarial Impact Statement

The Committee discussed at length the application of the enhanced multiplier for an employee's first year of employment. The discussion issue was whether an employee's first year of service should be calculated using the enhanced multiplier (3.00%) when no employee makes contributions to the Retirement Plan during their first year of employment – whether it be for the normal multiplier (2.5%) or the enhanced multiplier. The item was tabled until it could be further reviewed by City Attorney Lynn Gelin and Ms. Rustin.

C. Cashflow Analysis Explanation

Mr. Amrose stated the provided cashflow analysis had been prepared for Mr. Vavrica for him to use to develop various asset allocations.

#### 8. PENSION ADMINISTRATOR POSITION UPDATE

Chair Smith read a statement for the record. There was no update.

#### 9. UPDATE OF PROPOSED STATE LAW

Chair Smith noted that an addendum, an oral presentation and a summary of the Palm Beach Legislative Delegation meeting that he prepared and presented should be added to the scanned electronic agenda. A brief discussion between Chair Smith and Mr. Frankel followed with Mr. Frankel agreeing to resume responsibility coordinating with the chairpersons of the Police and Firefighters' pension boards.

#### 10. ANDCO CONSULTING - Brendon Vavrica

D. Investment Policy Update (this item was taken out of order)
Mr. MacManus requested clarification regarding the target weights in the target asset mix table.
It was also noted that the total expected return needed to be changed from 6.25% to reflect the actual assumed actuarial rate of return of 6.75%.

**MOTION** made by Mr. MacManus, seconded by Mr. Frankel, to approve the Pension Fund Investment Policy as amended to correct the assumed rate of return from 6.25% to 6.75% and to provide clarification in the target mix. In a voice vote by the members present, **Motion** passed 5-0.

C. Cashflow Analysis and Asset Allocation Presentation (this item was taken out of order)
Mr. Vavrica stated he did not recommend immunizing any of the Plan's assets since the dollar
amount needed for immunization was a large percentage of the Plan's total assets which would
thus result in little "free" assets available for investing.

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 Mr. Vavrica informed the Committee that both the Police Board and Fire Board wanted him to conduct a workshop in early 2020 at which he would bring other AndCo consultants who specialized in alternative investments. The Police and Fire Boards requested the workshop to learn about alternative ways to increase their respective plan's rates of return.

**MOTION** made by Mr. Frankel, seconded by Mr. Ellingsworth, to approve the Committee's participation in AndCo educational workshop with the Police and Fire Boards. In a voice vote by the members present, **Motion** passed 5-0.

A. Portfolio Performance Review – Quarter End September 30, 2019 Report made part of these Minutes.

Mr. Vavrica noted it was time to rebalance the fund as it was drifting away from the set target weights.

**MOTION** made by Mr. Ellingsworth, seconded by Mr. MacManus, to approve the transfer of 1) \$500,000 from the Vanguard Total Stock Index Fund to Harding Loevner's International Equity Fund and 2) \$850,000 from the GTA funds to Harding Loevner's Emerging Markets fund. In a voice vote by the members present, **Motion** passed 5-0.

**MOTION** made by Mr. Ellingsworth, seconded by Mr. MacManus, to approve the transfer of 1) \$425,000 from JP Morgan Income Builder Fund to Harding Loevner's Emerging Markets fund and 2) \$425,000 from Blackrock Multi-Asset Income Fund to Harding Loevner's Emerging Markets fund. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Vavrica noted that the actual rate of return for year-end September 30, 2019 was 3.11% which, while less than the actuarial assumed rate of return of 6.75%, was still good considering the first quarter of the fiscal year was very negative.

B. Flash Report - October 2019

Report made part of these Minutes.

Mr. Vavrica reported that the return for the first month of the fiscal year was approximately 3.50% which was a great start to the year.

E. State of Massachusetts Alternative Investment Pool There was no discussion regarding this item.

F. Sustainability Investments

Mr. Vavrica stated he did not recommend that the Committee pursue sustainability investments.

#### 11. OTHER BUSINESS

A. Attendance Policy

Mr. Frankel and Mr. Ellingsworth both stated they did not believe a member who attended close to an entire Committee meeting should be dinged with a half-meeting absence. Chair Smith stated it might be a good idea to move all items that required a vote to the beginning of each meeting so that when someone had to leave the meeting early, it would not affect the voting. Ms. Rustin noted that the Committee's attendance policy could not supersede the City's policy so she would research to determine the City's policy and would also share the Committee's proposed attendance policy with the City Attorney for their legal input.

After further discussion, this item was tabled.

#### 12. AGENDA ITEM SUGGESTIONS FOR FEBRUARY 20, 2020 COMMITTEE MEETING

The Committee agreed to review their out-of-state travel policy at the next meeting. Mr. Amrose stated he would provide a final draft of the actuarial funding policy for the Committee to review at their February meeting. Based on his upcoming meetings, Mr. Frankel will provide an update on the proposed State law.

#### 13. ADJOURNMENT

The meeting adjourned at 3:55 p.m.

James/Smith, Chair

Date

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