

**MINUTES
REGULAR RETIREMENT COMMITTEE MEETING
CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT PLAN
SEPTEMBER 29, 2021**

1. Call to Order

Chair Ellingsworth called the meeting to order at 1:11 p.m.

Roll Call

Committee Members present: Chair Howard Ellingsworth, Adam Frankel, John Lege, and Thomas MacManus. Joanna Oberhofer was absent.

Also present: Board Attorney Janice Rustin (Lewis, Longman & Walker as designated by City Attorney, Brendon Vavrica (AndCo Consulting), Pension Administrator Lisa Castronovo, and Pension Specialist Elizabeth Brown.

Guests present: Terrence Moore, Kelly Brandon

Agenda Adoption

MOTION made by Mr. Frankel, seconded by Mr. Lege, to adopt the September 29, 2021 Agenda. In a voice vote by the members present, **Motion** passed 4-0.

2. Public Comments

City Manager Terrence Moore introduced himself and provided a synopsis of his background.

3. Consent Agenda

- A. May 20, 2021 Regular Meeting Minutes
- B. Ratification of Plan Expenses and Termination Refunds
- C. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to approve the Consent Agenda. In a voice vote by the members present, **Motion** passed 4-0.

4. AndCo Consulting – Brendon Vavrica

- A. Portfolio Performance Review – Quarter End June 30, 2021
Report made part of these Minutes.

Mr. Vavrica reported that everything was great through June 30, 2021, and for the most part through August, but since then had cooled down. For the quarter ended June 30, 2021, the Retirement Plan's return was 5.66% vs. 5.26% for the benchmark and for the fiscal year through June 30th the return was 26.31% vs. the benchmark of 25.52%. From March 31, 2021, the System's assets grew from \$167.8M to \$175.5M on June 30, 2021. Mr. Vavrica noted the Plan was a bit overweight in equity manager Boston since the Committee previously decided to invest more money with them due to their large cap value status.

- B. Flash Report – August 2021

Report made part of these Minutes.

Mr. Vavrica reported that through August 31, 2021, the fiscal year-to-date return was 29.99%, but through September 28, 2021, it had declined to probably about 26.5% due to a recent downturn in the market. Mr. Vavrica noted for the fiscal year to-date of August 31, 2021: 1) equity value manager Boston had returned 53.1% vs. its benchmark of 39.9%, 2) international equity manager Harding Loevner did okay but was a bit behind its benchmark, and 3) the Vanguard index funds were performing as expected. Turning to Garcia Hamilton ("GHA"), Mr. Vavrica noted that up

until about three years ago, GHA had been close to perfect with their investment decisions, but recently were missing the mark due to their large investments in corporate bonds instead of US Treasury bonds. When interest rates bottomed out in the last twenty-four months, GHA's investment in corporate bonds caused their entire portfolio to under-perform.

Mr. MacManus asked if the Committee should stay with GHA or get away from them. The next question would be if the decision was made to leave GHA, should the Committee invest with another core fixed income manager or move instead into alternative investments. Mr. Vavrica said that with a plan like the Retirement Plan, some assets needed to be invested in core fixed income. Mr. MacManus repeated his question if the decision was made to stay invested in core fixed income, should it be with GHA. Mr. MacManus wondered perhaps split the Plan's core fixed income investments between GHA and another core fixed income manager or split the current core fixed income allocation between GHA and alternatives or between another core fixed income manager and alternatives.

The Committee agreed there was a need to invest in higher returning assets to offset the overall low core fixed income returns. Mr. Vavrica noted that Blackrock and JPMorgan Income Builder were very good alternatives to traditional fixed income investments.

C. Review Near Term Cash Requirements and Possible Asset Rebalancing

Mr. Vavrica reviewed the Plan's current asset allocation noting that to rebalance the Plan back to target for domestic equity, approximately \$7.5M would have to be moved out of it and into another asset class, specifically fixed income. Further, the Plan was more overweight in value equity than it was overweight in growth equity. Mr. MacManus said he wanted to leave some overweight in value equity since value stocks were expected to do much better in the next 1-3 years than they had in the last few years.

Mr. Lege said he would like to diversify within fixed income rather than reduce the allocation to it. Mr. Vavrica said the Firefighters' Board moved out of GHA and split the fixed income allocation between Baird Advisors and Western Asset Management. Mr. Vavrica asked the Committee if they would like to hear a presentation by GHA at the November meeting. The Committee said they want GHA at the November meeting, but they would also like Mr. Vavrica to present information about other core fixed income managers at that meeting.

D. Alternative Investments Discussion

Reports made part of these minutes.

Mr. Vavrica presented an Asset Allocation Analysis report that included pages on long term asset allocation models and potential asset mixes and statistics. Mr. Vavrica noted that almost all of the presented asset allocation variances were more efficient than the Plan's current allocation.

Mr. Vavrica reviewed his report on direct lending and specifically private debt investments. Mr. Vavrica reminded the Committee that private equity and debt are very illiquid assets, as is real estate to some extent, the no pension fund should ever be more than 30% allocated to such investments.

Discussion ensued regarding how the Plan's assets should be invested moving forward. Mr. MacManus liked the private debt space and would like to see the Plan start investing in that space with a discussion on where the money for such investments would come from to be held once the decision was made to make such investment. Mr. MacManus said he would like to make an initial \$3-5M commitment to private debt and asked Mr. Vavrica for the best way to make such an investment. Mr. Vavrica responded the best way to invest in private debt was to commit 'x' dollars per year on an ongoing basis so that the funds would flow in and out of the investment on an even basis.

Mr. Vavrica explained that in private debt investments, an investor was higher in the capital spectrum than an investor in private equity so the private debt investor would get paid out sooner than a private equity investor.

Mr. Vavrica presented specific information on three private debt investment managers: Deerpath Capital Management, GC Advisors, and Monroe Capital Management Advisors. He said Deerpath and Monroe were small- to mid-market investors whereas Golub was a more mid- to large-market investor. Mr. MacManus asked Mr. Vavrica to provide levered and unlevered returns for the three investment managers.

Mr. Vavrica explained that with any private debt investment, the Plan will experience negative returns in the first few years due to fees and all of the capital calls. Private debt investments follow the typical J-curve of returns: low to negative returns in the first few years and then significant positive returns in the later years resulting in overall returns around 20%.

Mr. Frankel wanted to know why hadn't the Plan ever invested in real estate to which Mr. Vavrica responded it was due primarily to the fact that the prior chair did not like that particular asset class.

Mr. Vavrica agreed to ask GHA to make a presentation at the November meeting and to bring an AndCo analyst to the meeting to discuss in more detail the pros and cons of private debt investing.

Discussion turned to how the Committee would like to invest the incoming \$2,882,706 City contribution. Mr. Vavrica stated some of it had to go to the Vanguard Total Stock fund to cover upcoming monthly retirement benefit checks.

MOTION made by Mr. MacManus, seconded by Mr. Lege, to invest \$1M of the incoming City contribution in the Vanguard Total Stock fund, \$1M in RhumbLine Value Equity fund, \$400K in Blackrock, \$400K in JP Morgan Income Builder with the remaining \$82,706 to remain in cash. In a voice vote by the members present, **Motion** passed 4-0.

MOTION made by Mr. MacManus, seconded by Mr. Lege, to move \$5M from RhumbLine Growth Equity fund to Polen Capital. In a voice vote by the members present, **Motion** passed 4-0.

5. Legal Items

Ms. Rustin reviewed the actuarial valuation summary she drafted for the three retirement plans that she shared with the City Manager Terrence Moore.

Mr. Frankel asked if the Police Officers' and Firefighters' retirement systems had improved their unfunded liability since they were split apart in 2016. Ms. Rustin replied that both groups were improving due in large part to adjusted actuarial assumptions that will better reflect actual experience which in turn helps lower their unfunded liabilities. Mr. Vavrica said both Boards had taken great strides in improving their investments resulting in more diversity and positive returns.

- A. Gabriel, Roeder, Smith & Co. Actuarial Services Contract
The actuarial services contract is up for annual renewal.

MOTION made by Mr. Frankel, seconded by Mr. MacManus, to renew the actuarial services contract with Gabriel, Roeder, Smith & Company through September 30, 2022. In a voice vote by the members present, **Motion** passed 4-0.

B. Travel Policy Review

Ms. Rustin reviewed the Travel Policy noting that the Committee decided to allow members to attend two in-state and one out-of-state conference per year, but there was no discussion on whether the Committee wanted to join the various organizations that provided the conferenced (FPPTA, IFEBP, NCPERS, OPAL). The Committee asked Ms. Castronovo to bring to the November meeting information regarding membership fees for each of the organizations.

Ms. Castronovo informed the Committee that Mr. Frankel had paid an individual membership fee to attend IFEBP's annual conference and she was now asking on his behalf if they would reimburse him for that out-of-pocket expense in addition to the other covered expenses.

MOTION made by Mr. MacManus, seconded by Mr. Lege, to reimburse Mr. Frankel for the membership fee he personally paid to IFEBP to attend their annual conference. In a voice vote by the members present, **Motion** passed 3-0 (Mr. Frankel abstained since the motion directly affected him).

6. PENSION ADMINISTRATOR REPORT

Ms. Castronovo provided a detail of the actual administrative and investment-related expenses for October 1, 2020 through September 23, 2021. Ms. Castronovo reported that she unsuspended benefits for three retirees who she suspended in June because they returned their benefit verification letter.

So that she would not have to ask in advance of each conference she wished to attend, Ms. Castronovo asked for broad Committee approval for her to attend any future conference covered by the Committee's Travel Policy with the cost of such attendance to be paid evenly by the City's three retirement plans.

MOTION made by Mr. Frankel, seconded by Mr. MacManus, for Ms. Castronovo to be able to attend any future conference covered by the Committee's Travel Policy without advance approval and for the cost of such attendance to be shared equally with the City's two other pension plans. In a voice vote by the members present, **Motion** passed 4-0.

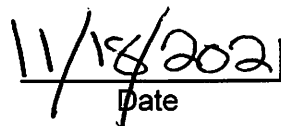
7. OTHER BUSINESS

The Committee said they would like both NFP and Salem Trust to make presentations at the February 2022 meeting rather than the November 2021 meeting.

8. ADJOURNMENT

The meeting adjourned at 3:34 p.m.


W. Howard Ellingsworth, Chair


Date

FORM 8B MEMORANDUM OF VOTING CONFLICT FOR COUNTY, MUNICIPAL, AND OTHER LOCAL PUBLIC OFFICERS

LAST NAME—FIRST NAME—MIDDLE NAME Frankel - Adam - Lawrence		NAME OF BOARD, COUNCIL, COMMISSION, AUTHORITY, OR COMMITTEE Delray Beach General Employees Retirement Fund Committee	
MAILING ADDRESS 150 NE 6th Ave. Unit L		THE BOARD, COUNCIL, COMMISSION, AUTHORITY OR COMMITTEE ON WHICH I SERVE IS A UNIT OF:	
CITY Delray Beach	COUNTY Palm Beach	<input type="checkbox"/> CITY <input type="checkbox"/> COUNTY <input type="checkbox"/> OTHER LOCAL AGENCY	
DATE ON WHICH VOTE OCCURRED 9-29-2021		NAME OF POLITICAL SUBDIVISION: Board Trustee	
		MY POSITION IS: <input type="checkbox"/> ELECTIVE <input checked="" type="checkbox"/> APPOINTIVE	

WHO MUST FILE FORM 8B

This form is for use by any person serving at the county, city, or other local level of government on an appointed or elected board, council, commission, authority, or committee. It applies to members of advisory and non-advisory bodies who are presented with a voting conflict of interest under Section 112.3143, Florida Statutes.

Your responsibilities under the law when faced with voting on a measure in which you have a conflict of interest will vary greatly depending on whether you hold an elective or appointive position. For this reason, please pay close attention to the instructions on this form before completing and filing the form.

INSTRUCTIONS FOR COMPLIANCE WITH SECTION 112.3143, FLORIDA STATUTES

A person holding elective or appointive county, municipal, or other local public office **MUST ABSTAIN** from voting on a measure which would inure to his or her special private gain or loss. Each elected or appointed local officer also **MUST ABSTAIN** from knowingly voting on a measure which would inure to the special gain or loss of a principal (other than a government agency) by whom he or she is retained (including the parent, subsidiary, or sibling organization of a principal by which he or she is retained); to the special private gain or loss of a relative; or to the special private gain or loss of a business associate. Commissioners of community redevelopment agencies (CRAs) under Sec. 163.356 or 163.357, F.S., and officers of independent special tax districts elected on a one-acre, one-vote basis are not prohibited from voting in that capacity.

For purposes of this law, a "relative" includes only the officer's father, mother, son, daughter, husband, wife, brother, sister, father-in-law, mother-in-law, son-in-law, and daughter-in-law. A "business associate" means any person or entity engaged in or carrying on a business enterprise with the officer as a partner, joint venturer, coowner of property, or corporate shareholder (where the shares of the corporation are not listed on any national or regional stock exchange).

* * * * *

ELECTED OFFICERS:

In addition to abstaining from voting in the situations described above, you must disclose the conflict:

PRIOR TO THE VOTE BEING TAKEN by publicly stating to the assembly the nature of your interest in the measure on which you are abstaining from voting; *and*

WITHIN 15 DAYS AFTER THE VOTE OCCURS by completing and filing this form with the person responsible for recording the minutes of the meeting, who should incorporate the form in the minutes.

* * * * *

APPOINTED OFFICERS:

Although you must abstain from voting in the situations described above, you are not prohibited by Section 112.3143 from otherwise participating in these matters. However, you must disclose the nature of the conflict before making any attempt to influence the decision, whether orally or in writing and whether made by you or at your direction.

IF YOU INTEND TO MAKE ANY ATTEMPT TO INFLUENCE THE DECISION PRIOR TO THE MEETING AT WHICH THE VOTE WILL BE TAKEN:

- You must complete and file this form (before making any attempt to influence the decision) with the person responsible for recording the minutes of the meeting, who will incorporate the form in the minutes. (Continued on page 2)

APPOINTED OFFICERS (continued)

- A copy of the form must be provided immediately to the other members of the agency.
- The form must be read publicly at the next meeting after the form is filed.

IF YOU MAKE NO ATTEMPT TO INFLUENCE THE DECISION EXCEPT BY DISCUSSION AT THE MEETING:

- You must disclose orally the nature of your conflict in the measure before participating.
- You must complete the form and file it within 15 days after the vote occurs with the person responsible for recording the minutes of the meeting, who must incorporate the form in the minutes. A copy of the form must be provided immediately to the other members of the agency, and the form must be read publicly at the next meeting after the form is filed.

DISCLOSURE OF LOCAL OFFICER'S INTEREST

I, Adam Frankel, hereby disclose that on 9/29, 20 21 :

(a) A measure came or will come before my agency which (check one or more)

- ☒ inured to my special private gain or loss;
- ☐ inured to the special gain or loss of my business associate, _____ ;
- ☐ inured to the special gain or loss of my relative, _____ ;
- ☐ inured to the special gain or loss of _____, by whom I am retained; or
- ☐ inured to the special gain or loss of _____, which is the parent subsidiary, or sibling organization or subsidiary of a principal which has retained me.

(b) The measure before my agency and the nature of my conflicting interest in the measure is as follows:

There was a vote on reimbursement to myself over a membership fee that I paid to the International Foundation of Employee Benefit Plans.

If disclosure of specific information would violate confidentiality or privilege pursuant to law or rules governing attorneys, a public officer, who is also an attorney, may comply with the disclosure requirements of this section by disclosing the nature of the interest in such a way as to provide the public with notice of the conflict.

10/2/21

Date Filed

s/ Adam Frankel

Signature

NOTICE: UNDER PROVISIONS OF FLORIDA STATUTES §112.317, A FAILURE TO MAKE ANY REQUIRED DISCLOSURE CONSTITUTES GROUNDS FOR AND MAY BE PUNISHED BY ONE OR MORE OF THE FOLLOWING: IMPEACHMENT, REMOVAL OR SUSPENSION FROM OFFICE OR EMPLOYMENT, DEMOTION, REDUCTION IN SALARY, REPRIMAND, OR A CIVIL PENALTY NOT TO EXCEED \$10,000.