

MINUTES
MARCH 9, 2023 REGULAR BOARD MEETING
CITY OF DELRAY BEACH FIREFIGHTERS' RETIREMENT SYSTEM

1. CALL TO ORDER, ROLL CALL

Chair Giaccone called the meeting to order at 10:03 a.m.

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

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

Public attendees: Tyler Adams

2. AGENDA ADOPTION

MOTION made by Mr. Warner, seconded by Mr. Mahoney, to adopt the March 9, 2023, Agenda. In a voice vote by the members present, **Motion** passed 4-0 (connection with Mr. Glanfield was lost).

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. December 8, 2022 Regular Meeting Minutes
- b. Warrant Ratification (#269)
- c. Warrant Approval (#270)
- d. Ratify/Approve – Refunds/Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities

MOTION made by Mr. Warner, seconded by Mr. Kirschenbaum, to approve the Consent Agenda. In a voice vote by the members present, **Motion** passed 4-0 (connection with Mr. Glanfield was lost).

5. REPORTS

a. Salem Trust – Karen Russo

Ms. Russo presented information about the new Pensioner Portal offered by Salem Trust. If the Board decided to offer the Portal to its retirees, each retiree would have access to the Portal's "core" services of 1) ACH deposit confirmation within the Portal rather than mailed paper confirmations, 2) access to historical payment information, 3) ability to print tax forms, and 4) access to any documents the Board made available through the Portal. If the Board chose to do so, it could allow the retirees to update their address, tax withholding, and direct deposit directives through the Portal. Ms. Russo explained the Portal would require two-step authentication to protect the retiree as much as possible.

Discussion ensued. The Board agreed the Portal was a good idea. Ms. Castronovo said she was very much in favor of the Portal with two exceptions: address changes and direct deposit changes. Ms. Russo said any option the Board did not authorize at this time options could be added at a later date once the Board, staff and retirees were comfortable with the Portal.

MOTION made by Mr. Mahoney, seconded by Mr. Kirschenbaum, to implement Salem Trust's Pensioner Portal core services and the tax withholding service of the optional services. In a voice vote by the members present, **Motion** passed 5-0 (connection with Mr. Glanfield was reestablished).

- b. NFP Retirement Inc. December 31, 2022 Quarterly Report – Matt Dickey
Report made part of these Minutes

Mr. Dickey opened his presentation by reporting that MissionSquare had not, as of the date of this meeting, distributed the DROP account's administrative allowance account ("AAA"), which the Board directed be distributed in December 2022. Mr. Dickey said that even after recent discussions with various MissionSquare representatives, there was not an idea of when the AAA would be distributed. Mr. Dickey added that the investment fund changes within the DROP account the Board approved at its December meeting had not yet been made.

Mr. Dickey said many of NFP's clients were experiencing issues with MissionSquare since they changed their administrative website in October 2022 from the one used when they were known as ICMA-RC to their new one. Mr. Dickey said some of NFP's clients were considering issuing RFP's for retirement plan management and administrative services like those offered by MissionSquare. Mr. Dickey said that while MissionSquare's pricing is low and competitive, he believed competitive bids could be found if the City's three DROP plans collectively issued an RFP. Mr. Herrera recommended, from strictly a fiduciary point of view, the Board issue an RFP.

MOTION made by Mr. Mahoney, seconded by Mr. Kirschenbaum, authorizing Chair Giaccone to sign a mutual recommendation that the City's three pension plans issue an RFP for defined contribution plan management and administrative services and have NFP, Inc. prepare the information for the RFP. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Warner recommended, with Mr. Kirschenbaum agreeing, that the Board issue an RFP for defined contribution plan management and administrative services, and to let the Retirement Committee of the General Employees' Retirement Plan, the Board of Trustees of the Police Officers' Retirement System, and the proper personnel of the City know about the Firefighters' Board's intent to issue a RFP.

MOTION made by Mr. Mahoney, seconded by Mr. Kirschenbaum, authorizing NFP, Inc. to issue an RFP for the Firefighters' DROP plan management and administrative services but not until June 1, 2023 to give the General Employees' and Police Officers' DROP accounts to be part of the RFP. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Dickey continued his presentation by briefly summarizing a few of the main points of the recently adopted SECURE Act 2.0 including: the required minimum distribution age increases from age 73 in 2023 to age 75 in 2025; provision changes for catch-up contributions to various defined contribution plans; employees can change their desired contribution rate at any time during the month rather than only on the first day of the month; and first responders can use up to \$2,500 from a 457 or 401(a) plan to pay long-term health care premiums.

Mr. Dickey concluded his presentation noting that, while the investment line-up offered to participants was very good and the overall account was very cost-effective, many participants continue to invest almost in cash. Mr. Dickey did not recommend making any investment fund changes at this time other than the ones the Board approved and authorized at its December meeting.

c. AndCo Consulting – Brendon Vavrica

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

Report made part of these Minutes.

Mr. Vavrica reported the Retirement System's net rate of return for the quarter ended December 31, 2022, was 6.5% compared to its benchmark of 5.8%. The System's market value increased from \$127.6M on September 30, 2022 to \$142.3M on December 31, 2022.

ii. Flash Report – January 2023

Report made part of these Minutes.

January 2023 saw positive returns that started in the fourth quarter of 2022. As bad as the market was in fiscal year 2022, markets rebounded in the first four months of fiscal year 2023. The market was starting to reflect the overall expectation that interest rates would decrease later in 2023. Specifically, for the month ended January 31, 2023, the System's return, net of fees, was 5.6% vs. the benchmark of 5.7% and the asset allocation was in line, with only equity a bit overweight. Polen Capital bounced back in January 2023 which was a step in the right direction after their poor returns in calendar year 2022.

Mr. Vavrica reported that Dune Real Estate Partners was looking to sell its Dune Real Estate Fund III in the near future. Once Dune made available the specifics of the sale, the Board would have only 20 days to make a decision on how to proceed. Mr. Herrera said if the trustees were comfortable with whatever AndCo recommended regarding the sale, they could authorize Chair Giaccone to made proceed with whatever AndCo recommended with the decision subject to ratification at the next meeting.

MOTION made by Mr. Mahoney, seconded by Mr. Warner, authorizing Chair Giaccone to make a decision regarding Dune Real Estate Fund III based on AndCo's recommendation with such decision subject to ratification at the next Board meeting. In a voice vote by the members present, **Motion** passed 5-0.

iii. U.S. Large Cap Growth Manager Analysis

AndCo's report compared U.S. large cap growth equity manager Polen Capital Management to four other large cap growth managers: DSM Capital Partners, Mar Vista Investment Partners, MFS Investment Management, and Winslow Capital Management. All five managers had less than 75 holdings with Polen Capital the most concentrated with only 23 holdings. Mar Vista was the least "growthy" of the five managers. All five managers underperformed the benchmark over the last ten years with each manager taking about the same amount of risk.

Chair Giaccone asked Mr. Vavrica if he had a recommendation to which Mr. Vavrica urged the Board to stay with Polen Capital not one of the five managers performed better than the other when the market had a down-turn. Mr. Glanfield asked if the trustees should move money out of Polen and place in short-term treasuries. Mr. Vavrica, as a matter of course, did not recommend moving assets for short-term purposes. Mr. Kirschenbaum said he was happy with where the Fund was at and thus hold the course.

d. Sugarman, Susskind, Braswell & Herrera

Mr. Herrera said that due to SECURE Act 2.0, the City Ordinance will need to be amended to reflect the new required minimum distribution age though there was no rush since the change did not need to be made for but five years.

Mr. Herrera reported the Florida legislature was considering House Bill 3 which, if adopted, would dictate that government plans could not consider anything other than pecuniary factors when selecting money managers and investment funds. Mr. Herrera said the Retirement System already only considered pecuniary factors, so if HB3 passed, it would not affect the System.

Mr. Herrera reviewed the issue of 3% non-compounded interest being credited to employee contribution refunds for each year a terminated, non-vested firefighter did not take their refund. Ms. Castronovo explained there were several terminated firefighters to whom she had provided their respective refund information to no avail resulting in them continuing to be credited with 3% interest on the first of each year. Discussion ensued. One idea floated was to charge each nonvested, terminated firefighter who was due a refund 3% annual administrative fees.

MOTION made by Mr. Kirschenbaum, seconded by Mr. Mahoney, authorizing 1) Mr. Herrera to work with the City to amend the Ordinance to remove the inclusion of three (3) percent interest on the return of employee contributions and 2) letters and refund paperwork to be sent to all terminated employees due contribution refunds directing them to take the refund or they will be issued a check. In a voice vote by the members present, **Motion** passed 5-0.

e. Pension Administrator – Lisa Castronovo

Ms. Castronovo: 1) provided the trustees with the 2022-23 administrative expense budget versus actual expenses through March; and 2) reported the Pension office mailed 124 benefit verification letters of which 119 had been returned to date.

6. ADMINISTRATIVE ITEMS

a. Direct Deposit Authorization form


Ms. Castronovo recommended adding a notary signature to Salem Trust's direct deposit authorization form as one way to combat fraud.

MOTION made by Mr. Mahoney, seconded by Mr. Kirschenbaum, to add a notary signature to Salem Trust's direct deposit authorization form. In a voice vote by the members present, **Motion** passed 5-0.

ADJOURNMENT

The meeting adjourned at 12:22 p.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 March 9, 2023, regular meeting of said body. These Minutes were formally approved and adopted by the Board on 5/18/2023.



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.