



## *CITY OF BOYNTON BEACH POLICE OFFICERS' PENSION FUND*



# Minutes

February 7 2018

1:30 P.M.

The regular meeting of the Board of Trustees of the City of Boynton Beach Police Officers' Pension Fund was called to order at 1:39 P.M. on behalf of the Board of Trustees by the Plan Administrator, Mr. Robert Dorn on February 7, 2018, at 2100 North Florida Mango Road, West Palm Beach, Florida.

### **TRUSTEES PRESENT:**

Mr. Toby Athol – Chairman; Mr. Jason Llopis – Secretary, Mr. Russell Faine – Trustee; & Mr. Brian McDeavitt – Trustee.

### **ABSENT:**

Mr. Scott Caudell- Trustee

### **OTHERS PRESENT:**

Ms. Bonni Jensen, & Ms. Cassandra Ward, Board Attorney - Klausner, Kaufman, Jensen & Levinson; Mr. Bob Dorn, Plan Administrator- Precision Pension Administration, Inc.; Ms. Mary Jean Serene – Russell Investments; Mr. Frank Wan , Fund's Monitor-Burgess, Chambers & Associates; Mr. Pete Strong, Actuary- Gabriel, Roeder, Smith & Company; Mr. John Peters- Retiree; Mr. Paul Valerio – Retiree; Mr. Steven Schoenfeld- Retiree; Mr. David Gainsborg – Retiree; Mr. Richard Cristini & Ms. Jeanine Bittinger, Auditors - Davidson, Jamieson & Cristini.

It should be noted that there was a quorum for the Board to have an official meeting.

### **PUBLIC DISCUSSION:**

No public comments were presented.

### **CONSENT AGENDA:**

### **APPROVAL OF THE MINUTES:**

The Board reviewed the November 14, 2017 meeting minutes. Trustee Llopis made a Motion to approve the November 14, 2017 City of Boynton Beach Police Officers' Pension Fund's meeting minutes. Trustee Faine seconded the Motion. The Motion passed 4-0.

### **APPROVAL OF WARRANTS:**

The Board reviewed and discussed Warrants 144 through 159. Trustee Llopis made a Motion to approve Warrants 144 through 159. Trustee Faine Seconded the Motion. The Motion passed 4-0.

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**WARRANT 144**

This Warrant is for Klausner, Kaufman, Jensen & Levinson for legal services rendered through 11/28/2017. The invoice number is 20873. The amount of this Warrant is for \$1,113.00

**WARRANT 145**

This Warrant is for Burgess Chambers & Associates, Inc for investment performance monitoring services rendered through 12/31/2017. The invoice number is 17-392. The amount of this Warrant is for \$6,250.00.

**WARRANT 146**

This Warrant is for Suntrust Bank for expenses related to Fund business. The amount of this Warrant is for \$1,042.12.

**WARRANT 147**

This Warrant is for Klausner, Kaufman, Jensen & Levinson for legal services rendered through 08/31/2017. The invoice number is 20459. The amount of this Warrant is for \$1,304.75

**WARRANT 148**

This Warrant is for Klausner, Kaufman, Jensen & Levinson for legal services rendered through 12/31/2017. The invoice number is 21012. The amount of this Warrant is for \$1535.50

**WARRANT 149**

This Warrant is for Gabriel, Roeder, Smith & Company for actuarial services rendered from 10/1/2017 through 11/30/2017. The invoice number is 434796. The amount of this Warrant is for \$2,234.00

**WARRANT 150**

This Warrant is for Russell Investments for investment services. The amount of this Warrant is for \$166,878.73

**WARRANT 151**

This Warrant is for Retiree Jeffrey Katz for his rollover sick & vacation time. The amount of his Warrant is for \$20, 576.49.

**WARRANT 152**

This Warrant is for Suntrust Bank for expenses related to Fund business. The amount of this Warrant is for \$2,397.48.

**WARRANT 153**

This Warrant is for Retiree Daniel Griswold for a DROP disbursement from his DROP account. The amount of this Warrant is for \$20,000.00.

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**WARRANT 154**

This Warrant is for Retiree Frank Danysh for refund of overpayment of his DROP loan. The amount of this Warrant is \$2728.77.

**WARRANT 155**

This Warrant is for Davidson, Jamieson & Cristini for the 2017 State Annual Report for the Pension Fund. The invoice number is R7796. The amount of this Warrant is for \$2,000.00

**WARRANT 156**

This Warrant is for Trustee Jason Llopis for reimbursement for funds spent for a pension conference. The amount of this Warrant is for \$240.00

**WARRANT 157**

This Warrant is for Klausner, Kaufman, Jensen & Levinson for legal services rendered through 01/31/2018. The invoice number is 21143. The amount of this Warrant is for \$1,404.50

**WARRANT 158**

This Warrant is for Davidson, Jamieson & Cristini for audit services rendered to the Pension Fund. The invoice number is R7795. The amount of this Warrant is for \$6,000.00

**WARRANT 159**

This Warrant is for Trustee Brian McDeavitt for reimbursement of expenses during a pension conference from 1/28/2018 to 1/31/2018. The amount of this Warrant is for \$240.00.

**NEW/UNFINISHED BUSINESS:**

No New and/or Unfinished Business

**AUDITOR'S REPORT:**

Mr. Richard Cristini and Ms. Jeanine Bittinger made the presentation for Davidson, Jamieson & Cristini, P.L.

Mr. Cristini advised that they have completed the audit report and in their opinion, the financial statements in the audit report are present fairly, in all material respects, the net position of the Boynton Beach Police Officers' Pension fund as of September 30, 2017 and 2016, and in accordance with accounting principles generally accepted in the United States of America. Mr. Cristini advised that all vendors and the City of Boynton Beach administration assisted in this audit and all vendors complied with supplying data without any issues. Mr. Cristini advised that there are 116 retirees receiving benefits, 11 DROP retirees, and 20 terminated employees entitled to future benefits but not yet receiving them. There are currently 77 active vested members and 56 active non-vested members. Mr. Cristini reviewed the description of the Pension Fund benefits for the members and supplemental retirement benefits.

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Mr. Cristini advised the following information to the Board:

<b><u>ADDITIONS</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<b><u>Contributions</u></b>		
Employer:	\$4,791,528	\$4,391,305
Plan Members:	\$946,743	\$902,350
Plan Members- Buy-Backs :	\$29,945	\$25,803
Rollover to DROP:	\$98,740	\$109,362
<b><u>TOTAL CONTRIBUTIONS:</u></b>	<b><u>\$5,866,956</u></b>	<b><u>\$5,428,820</u></b>
<b><u>Intergovernmental Revenue:</u></b>		
Chapter 185 State Excise Tax Rebate:	\$781,307	\$735,945
<b><u>Investment Income:</u></b>		
Net Appreciation in fair value of Investments :	\$9,429,604	\$8,822,097
Interest:	\$1,151	\$8,032
Other:	\$450	\$900
<b><u>TOTAL INVESTMENT INCOME</u></b>	<b><u>\$9,431,205</u></b>	<b><u>\$8,831,029</u></b>
Less Investment Income:	\$633,478	\$576,576
Net Investment Income:	\$8,797,727	\$8,254,453
<b><u>TOTAL ADDITIONS:</u></b>	<b><u>\$15,445,990</u></b>	<b><u>\$14,419,218</u></b>
<b><u>DEDUCTIONS:</u></b>		
<b>Benefits</b>		
Age & Service:	\$4,926,412	\$4,494,629
Disability:	\$371,794	\$304,944
Beneficiaries:	\$868,009	\$1,336,286
Refunds:	\$11,413	\$93,339
Administrative Expenses:	\$167,698	\$164,398
<b><u>TOTAL DEDUCTIONS:</u></b>	<b><u>\$6,438,585</u></b>	<b><u>\$6,426,836</u></b>
Net Increase in Net Position:	\$9,007,405	\$7,992,382
Net Position Beginning of Year:	\$86,202,090	\$78,209,708
<b><u>Net Position at Fiscal Year:</u></b>	<b><u>\$95,209,495</u></b>	<b><u>\$86,202,090</u></b>

The total pension liability for the Pension Fund is \$133,418,274 and the Plan's Fiduciary Net Position is \$95,209,495. The City's net pension liability is \$38,208,779. The Plan's Fiduciary Net Position as a percentage of total pension liability is 71.36%. . The Plan's

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Fiduciary Net Position as a percentage of total pension liability was 68.24% in 2014. The actuarial assumptions were reviewed with the Board. The cost of investment expenses was 0.67% in percentage of Fund' net position. The cost of administrative expenses was 0.18% in percentage of Fund's net position. Mr. Cristini advised that the administrative expenses were slightly down from last year and it is good to have these expenses less than 1% of the Fund's net position. Mr. Cristini advised that the expenses were all reasonable. The Board discussed the report. Trustee McDeavitt made a Motion to approve the Financial Statement Report as of September 30, 2017 and 2016. The Motion was seconded by Trustee Faine. The Motion was passed 4-0. Mr. Cristini advised that he would send a copy to the State via the new reporting system, Mr. Dorn advised that he would send a copy to the City Clerk's Office and the City's Finance Director. Mr. Dorn also advised that he would have the report posted on the disclosure section on the Fund's web site.

Mr. Cristini presented to the Board a new auditor's contract for 2018 (\$15,500), 2019 (\$16,500) & 2020 (\$17,500). The previous contract with the Board expired in 2017. The Attorney reviewed the contract and approved it for the Board. The Board discussed this contract. Trustee Llopis made a Motion to approve the auditor's contract as presented. Trustee McDeavitt seconded the Motion. The Motion passed 4-0.

**ACTUARY REPORT:**

Mr. Pete Strong made the presentation to the Board for Gabriel, Roeder, Smith & Company. Mr. Strong advised that his firm is working on the Actuarial Valuation report and it will be ready for the Board's review in the first week of March/2018.

Mr. Strong presented to the Board a study illustrating the impact of the changing of the investment return assumption. Mr. Strong advised the Board of the finding of this study. Mr. Strong advised that if the Board changed the investment return assumption from 7.5% to 7.4%, this would increase the City's required contribution by 1.15% of covered payroll (from 47.42% to 48.57%) or approximately \$137,970 in the first year. If the Board changed the investment return assumption from 7.5% to 7.25% this would increase the City's required contribution by 2.90% of covered payroll (from 47.42% to 50.32%) or approximately \$347,925 in the first year. Mr. Strong advised the Board that various pension plans around the State of Florida are trying to get the investment return assumption to 7.0% in small incremental decreases for their plans. Mr. Strong then advised that he reviewed the payroll assumption rate for the last ten years and the actual payroll for this Pension Fund. Mr. Strong advised that if they are allowed to change the payroll assumption rate to the contribution year to a flat rate of 2.5% then the cost of the change of the investment return assumption to 7.25% would have only a slight increase to the City's contribution and the Pension Fund would be in a better position going forward. The cost of covered payroll in the contribution year of October 1, 2016 was 47.51%. If the Board approved the change in assumed rate of increase in covered payroll assumption and the change in the investment return assumption, then the City's increase would only go to 47.91% of covered payroll as of October 1, 2017. The Board and the actuary discussed this issue. The investment advisors also agreed that lowering the assumption rate of return on investments would greatly help the Pension Fund in the future. The Board agreed to this change. Trustee Llopis made a Motion to change the assumed rate of increase in covered payroll in the contribution year to a flat 2.5% along



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with changing the investment return assumption to 7.25% as of October 1, 2017. The Motion was seconded by Trustee Athol. The Motion passed 4-0. Mr. Strong advised that he would make the necessary changes. Mr. Dorn advised that he would send the aforementioned changes to the Division of Retirement.

**INVESTMENT REPORT:**

Ms. Serene made the presentation for Russell Investments to the Board. The period covered for this presentation ended on 12/31/ 2017.

Ms. Serene gave an overview of the fourth quarter of 2017. The U.S. equity market was up because of a strong earnings growth and newly signed tax bill. The developed non-U.S. stock markets continued upward on strong consumer confidence and low inflation. The emerging markets were also up on improving economic growth and strong technology performance. The U.S. bond markets were up as markets priced in higher growth and inflation. The global real estate was up across most regions as interest rate remained basically unchanged in 2017. The commodities were up for 2017, but the various sectors returns were mixed.

The portfolio lagged slightly behind the benchmarks because of their defensive positions. The investment balancing of the late investment cycle is balancing the reward with the risk. When investing, we are reviewing the late investment cycle in U.S. stocks, 2019 recession risks, monetary policy shifts, U.S. shares are expensive, bonds are expensive and credit looks stretched, but on the other side, the markets are at records highs, with strong momentum, non-U.S. growth, earnings surprises, yields are still low, and U.S. tax cuts tailwinds. Several scenarios for the next 18 months could be an upside with a late rally before a collapse if the Federal Reserve remains neutral with little change in interest rates, U.S. growth is the same and inflation doesn't rise much or the downside could happen for a recession if the Federal reserve over tightens into a sluggish economy, returns are much lower than expected and markets hits a downward slide quickly in the beginning of 2018. These are just some factors that may occur and the defensive position is where we believe is the best suited for this portfolio in the short term or a long term recession. As a reminder, the gains have been good, but not as much as the benchmarks.

Ms. Serene reviewed each of the major investment funds with the Board. The Fund ended the period with a market value of \$101,881,899 as of 12/31/17.

**MONITOR REPORT:**

Mr. Frank Wan gave the report for Burgess Chambers & Associates, Inc. The beginning market value of the portfolio was at \$95,020,618. There were \$3,607,451 in contributions and a positive \$3,325,257 in investment gains during the quarter. The ending market value of the portfolio as of 12/31/2017 was \$101,953,326.

For the quarter, the Fund experienced an investment gain of 3.4% gross (3.2% net) and the Policy benchmark return was 3.8%. For the one-year period, the Fund earned \$12.1 million or +13.8% gross (+13.0% net). For the three-year period, the Fund earned 20.9million or 8.2% (7.4% net) and ranked in the top 19th percentile compared to other similar type pension plans. These results were ahead of the Policy Benchmark (7.2%).

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For the five-year period, the Fund ranked in the top 47<sup>th</sup> percentile and earned \$36.2 million or 9.3% gross (8.4% net), also ahead of the Policy Benchmark (8.4%). The start of the 2018 investment period was a very volatile market. We are going to start looking at the bond market more closely with the Federal Reserve advising that there will be 3-4 interest rate hikes during the year. Overall, corporate earnings are strong. This has been almost seven years of a strong growth market for investors. Domestic equity is still leading the markets but the International market is looking better. Overall, the returns were good.

The following are the investment returns compared to the benchmarks:

	Quarter	1-Year	3-Year
Total Fund	3.2	13.0	7.4
Policy Benchmark	3.8	14.7	7.2
Russell Large Cap Defensive Equity	6.5%	19.5%	10.4%
Russell 1000 Defensive Index Bench Mark	7.1%	20.6%	10.8%
Russell Multi-Asset Core	3.7%	17.0%	8.6%
Benchmark-Multi-Asset Core Composite Index	4.7%	17.9%	7.7%
Russell Multi-Manger Bond	0.1%	3.7%	2.5%
Fixed Income Benchmark	0.4%	3.5%	2.2%
Russell Real Estate Equity	1.1%	5.9%	8.8%
Real Estate Benchmark	2.2%	7.8%	10.7%

Mr. Wan advised that at this time, he recommends no change in asset allocation and no rebalances at this time. Mr. Dorn asked Mr. Wan if he believes the investment return of 7.25% is obtainable for the new fiscal year? Mr. Wan advised that he believed that it is reasonable to expect the 7.25% investment return based upon the long term returns of the various asset classes in the pension plan and the asset allocation strategy next year, the next several years and over the long run.

**ATTORNEY'S REPORT:**

Ms. Jensen gave the presentation to the Board for Klausner, Kaufman, Jensen and Levinson.

Ms. Jensen advised that she spoke to the City regarding the rollover of sick and vacation time to the Pension Fund for all members, not just retirees or DROP members. Ms. Jensen advised that the City advised that they would send all sick and vacation time to the Fund and also sent the City an Ordinance on the pending issues (re-employment after retirement, death benefit for a non-spouse beneficiary, etc...). Mr. Dorn advised that the City's Payroll Department has been sending over all sick & vacation time for all members since January 1, 2018.

Ms. Jensen reviewed with the Board the Required Minimum Distributions to comply with IRS rules. Mr. Dorn advised that he will be working with the actuary on this issue.

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Ms. Jensen reviewed with the Board the new IRS mileage rate for 2018 which is 54.5 cents per mile.

Ms. Jensen gave an overview of Senate Bill 980/House Bill 1363 to the Board.

**PLAN ADMINISTRATOR'S REPORT:**

Mr. Dorn advised that death checks were completed and Retiree William Hamilton passed away on February 3, 2018. Mr. Dorn advised that William Hamilton's wife is his beneficiary and will receive 75% benefit option from his pension. The Board acknowledged this.

Mr. Dorn advised that there are several new DROP members who submitted their DROP application and all necessary documents. Mr. Dorn advised that Ms. CaryAnn Matson will enter the DROP on 3/1/2018, Mr. Charles Ramos will enter the DROP on 3/1/2018, Mr. Anthony Magnanti has entered the DROP on 2/1/2018, and Mr. Alex Moreno has entered the DROP on 12/1/2017.

Mr. Dorn advised that Mr. Daniel Dugger is purchasing 1 year and 5 months via payroll deductions. Mr. Dorn advised that Mr. Thomas Murphy is purchasing 3 years via payroll deductions and partial lump-sum payment.

Mr. Dorn advised that Mr. Jeffery Katz retired on 12/31/2017 and will start collecting his pension. He will be receiving an estimate until the final payroll and rollover amounts have been forward to the Fund for his final numbers.

Mr. Dorn explained to the Board and the members present the 185 Distribution calculations. Mr. Dorn reviewed with the Board the calculations for the 185 Distributions. Mr. Dorn advised that the actuary reviewed the total amount and agreed with the calculations. Mr. Dorn advised that the total amount to be disbursed for the 185 Distribution in June/2018 is \$167,876.14.

Mr. Dorn then explained the 1% Supplemental calculations. Mr. Dorn advised that the actuary also reviewed the calculations and agreed with the total calculation. Mr. Dorn advised that the total amount to be distributed for the 1% Supplemental Distribution in December/2018 is \$388,769.88. Mr. Dorn advised that for both distributions, there is a point system. The point system is based on a maximum of 20 points for twenty years of service and a maximum of 20 points for years in retirement for a maximum total of 40 points for a retiree if they reached these maximum points. Mr. Dorn advised that if a person enters the DROP, the time starts their retirement points and not when they exit the DROP. Mr. Dorn submitted to the Board the actual individual distributions for the retirees for the 1% Supplemental and 185 Distributions. Mr. Paul Valero asked several questions regarding the calculations. Some of the questions Mr. Valero asked were (1) the way distributions are made, (2) the point system, (3) who has access to the Pension Fund's money and (4) 185 Distributions and why there hasn't been a larger increase in these payments over the years? . Trustee Athol answered these questions. Mr. Dorn also advised that there are checks and balances in everything we do. All calculations are reviewed by the actuary, before any funds leave the custodial bank. There are three signatures (Plan Administrator and two trustees) on the forms before any funds leave the custodial bank.



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Mr. Valero asked if the Board has a study completed by the actuary several years ago where the retirees would receive 300 dollars a month for five years and then 700 dollars every year thereafter which was connected to the 185 and/or 1% Supplemental Distributions. Mr. Dorn advised that he has not seen or read such study. Mr. Strong (actuary) advised that he does not know of any such study that his firm has completed regarding these types of numbers. Mr. Athol also advised that he doesn't know of any such study. Mr. Dorn advised that he would look through the files and see if there are such actuarial studies. Trustee Llopis made a Motion to approve the 185 Distribution in the total amount of \$167,876.14 to the retirees. Trustee Faine seconded the Motion. The Motion passed 4-0. Trustee Llopis made a Motion to approve the 1% Supplemental Distribution to the retirees in the total amount of \$388,769.88. The Motion was seconded by Trustee McDeavitt. The Motion passed 4-0.

Mr. Dorn advised that he submitted a renewal application of the Board's fiduciary insurance, but the insurance company will not review the application until the audit report and actuarial valuation report are approved by the Board. Mr. Dorn advised that the insurance will lapse on 4/1/2018. The Board advised that they will have a meeting when the valuation report is finished so we can submit the report for the renewal of the insurance before 4/1/2018.

Mr. Dorn advised that the 5<sup>th</sup> member Trustee position notice has been posted and Members Russell Faine and Paul Deale have submitted their names for the 5<sup>th</sup> member Trustee position. The 5<sup>th</sup> member position is voted on by the Board of Trustees. Trustee Llopis made a Motion to have Russell Faine as the 5<sup>th</sup> member of the Board of Trustees. Trustee Athol seconded the Motion. The Motion passed 3-0. The term of this position is for 4 years. Trustee Faine abstained from the vote. Ms. Jensen advised that Trustee Faine has to complete the state ethics form (8b) for a voting conflict. Trustee Faine acknowledged this. (Note: The State Ethics Form completed by Trustee Faine is attached to these minutes). Mr. Dorn advised that he will notify the City's Clerk Office of the vote and the name of the 5<sup>th</sup> member.

The Board decided to take a shore recess at 4:10 P.M. The Board resumed the meeting at 4:28 P.M.

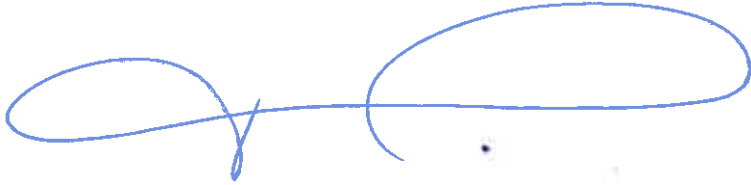
**OPEN DISCUSSION**

Ms. Jensen gave an over view of the forfeiture procedures as well as the City Ordinance and State Statues on forfeiture to the Board. The Board discussed that there might be a potential forfeiture for Michael Brown and Philip Antico as they were convicted in federal court of a crime that occurred while working. Ms. Jensen advised that one of the issues is to determine the gain, advantage, profit for the member or for the some other person through the use or attempted use of power, rights duties, etc... Ms. Jensen advised that if the federal crime does not match a state crime, then you have to determine the closest criminal statute if there is one for a forfeiture case. Ms. Jensen advised that her office will obtain the court disposition of the case and have it on the agenda for initial review at the next quarterly meeting to determine if it is a forfeiture situation for these members. The case is on appeal for both members.

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**ADJOURN:**

Trustee Llopis made a Motion to adjourn the meeting. Trustee McDeavitt seconded the Motion. The Motion passed 4-0. The meeting was adjourned at 5:07 P.M.



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Mr. Toby Athol, Chairman

***FOR THE BOARD***

