



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



# Minutes

November 16, 2016

10:00 A.M.

The regular meeting of the Board of Trustees of the City of Boynton Beach Police Officers' Pension Fund was called to order at 10:00 A.M. on behalf of the Board of Trustees by the Plan Administrator, Mr. Bob Dorn on November 16, 2016, at 2100 North Florida Mango Road, West Palm Beach, Florida.

### **TRUSTEE PRESENT:**

Mr. Toby Athol – Chairman; Mr. Jason Llopis – Secretary; Mr. Russell Faine – Trustee.

### **TRUSTEE ABSENT:**

Mr. Scott Caudell – Trustee & Mr. Joseph DeGiulio – Trustee.

### **OTHERS PRESENT:**

Ms. Bonni Jensen, Board Attorney - Klausner, Kaufman, Jensen & Levinson; Mr. Bob Dorn, Plan Administrator- Precision Pension Administration, Inc.; Mary Jean Serene – Russell Investments; Pete Strong, Fund's Actuary - Gabriel, Roeder, Smith & Company; Mitch Brennan – Fund's Monitor- Burgess, Chambers & Associates; Mr. Ronald Davis- Public; Chris Yannuzzi – Public

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 of Trustees reviewed the minutes for the May 10, 2016 meeting. Mr. Dorn inquired if there were any changes required to the cited minutes. No changes. A Motion was made by Mr. Llopis to approve the minutes. The Motion was seconded by Mr. Faine. The Motion passed 3-0.

The Board of Trustees reviewed the minutes for the August 9, 2016 meeting. Mr. Dorn inquired if there were any changes required to the cited minutes. No changes. A Motion was made by Mr. Llopis to approve the minutes. The Motion was seconded by Mr. Faine. The Motion passed 3-0.

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**APPROVAL OF WARRANTS:**

Mr. Dorn presented Warrants 46-53 to the Board and then read each Warrant for the record. Attached to all Warrants were invoices from the various vendors. The Board reviewed each of the Warrants. Mr. Llopis made a Motion to approval all Warrants as outlined. Mr. Faine seconded the Motion. The Motion passed 3-0.

**WARRANT 43**

This Warrant is to Gabriel, Roeder, Smith & Company for actuarial services rendered through 8/31/16. The amount of this Warrant is for \$2,173.00.

**WARRANT 44**

This Warrant is to SunTrust Bank for credit card cost for postage. The amount of this Warrant is for \$56.48.

**WARRANT 45**

This Warrant is to Trustee Russell Faine for reimbursement of expenses during the FPPTA pension conference from 9/25/16 to 9/28/16. The amount of this Warrant is for \$266.10.

**WARRANT 46**

This Warrant is to former member Diana Hayes for the return of her member contributions to the Fund. The total amount was submitted to the Fund by the City's Payroll Department. The amount of this Warrant is for \$2,385.98.

**WARRANT 47**

This Warrant is to Russell Investments for investment services rendered through 9/30/16. The amount of this Warrant is for \$140,758.00.

**WARRANT 48**

This Warrant is to SunTrust Bank for credit card fees for Trustee travel and educational expenses. The amount of this Warrant is for 1,499.21.

**WARRANT 49**

This Warrant is to Trustee Toby Athol for reimbursement of expenses during a pension conference from 10/23/16 to 10/25/16. The amount of this Warrant is for \$169.65.

**WARRANT 50**

This Warrant is to Russell Investments for check payment services rendered through 9/30/16. The amount of this Warrant is for \$964.67.

**WARRANT 51**

This Warrant is to Retiree Chris Yannuzzi for a one-time partial DROP disbursement. The amount of this Warrant is for \$25,000

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**WARRANT 52**

This Warrant is to Retiree Frank Danysh for a one-time partial DROP disbursement. The amount of this Warrant is for \$187,500.00.

**WARRANT 53**

This Warrant is to Trustee Jason Llopis for reimbursement of expenses during the pension conference from 11/01/16 to 11/04/16. The amount of this Warrant is for \$467.30.

**NEW/UNFINISHED BUSINESS:**

Mr. Athol spoke about the topic on deferred compensation plan/ qualified retirement plans rollover to the member's DROP account. The issue was that this had to be done prior to the member leaving employment and the actual practice of money received after the member leaves employment. Mr. Dorn advised that some deferred compensation programs take up to six weeks to make the transfer at times. Mr. Dorn advised that the current procedure is that if a member does a rollover, the member would contact the Plan Administrator and the current deferred compensation provider, complete all necessary transfer forms while the member is still employed. Mr. Dorn advised that the transfer funds sometimes will be received after employment is terminated, but the process had already been started. Ms. Jensen reviewed the City Ordinance. Ms. Jensen advised that the process would have to start while the member is employment and the transfer should at least be started by the member. Ms. Jensen advised that she did not believe that an Ordinance change was needed at this time. Mr. Athol and the rest of the Trustees discussed what rate of return would the transfer of funds receive? All members agreed that it should be the variable rate.

Mr. Dorn advised that the auditors will be in the area from February 7-10, 2017. Mr. Dorn asked the Board if they can change the meeting date in February to accommodate the auditors so that they can give their presentation to the Board on the audit. The Board all agreed to change the date to February 7, 2017.

Ms. Jensen submitted to the Board a new "Buy-Back" form for the Board's review. This form outlines the agreement between the member and the Fund. The Board reviewed the new form and gave its approval.

Mr. Dorn presented to the Board the 1% payment amounts for retirees and DROP members. The total amount distributed will be \$219,891.52. Mr. Dorn advised that the retirees will receive their payments on December 2, 2016. Mr. Dorn advised that a flat 20% tax deduction will be made for all non-disability retirees for the distribution. The Board approved this amount and tax issue for the 1% payment.

**INVESTMENT MANAGER'S REPORT:**

Ms. Mary Jean Serene (MJ) gave the investment report for Russell Investments. Ms. Serene gave the following brief overview of the capital markets: U.S. equity markets remain healthy finishing up the quarter and year-to-date, but experience some volatility in September on uncertain Fed policy. Developed non-U.S. equity markets posted strong results as earning expectations stabilized. Emerging markets were up 8.7% for the quarter and up 18% for the 1-year on improved fundamentals and attractive valuations.

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The U.S. bonds were up slightly at 0.5%. Global REITs finished up 1.3% with mixed regional returns. Commodities were down for the quarter as global demand softened, but they remain positive year-to-date.

Ms. Serene stated the following items to look for in remainder of the 2016 year: (1) National, state and local elections, (2) potential Federal Reserve interest rate increase and (3) Europe will remain in the news. The global outlook is still expected to be volatile and bond yields to eventually rise. The key to all of these events is the diversification of the portfolio which this Fund has.

The four major funds that the Fund has is 91) RTC Multi-Asset Core Fund, (2) RTC Russell LC Defensive Equity Fund, (3) RTC Multi – Manager Bond Fund and (4) RTC Real Estate Equity Fund. The Fund started the fiscal year with a total market value of \$78,037,730.00 and ended the fiscal year with a total market value of \$86,039,124.00. The Fund's portfolio for the year gross was 11.06% and the net return was 10.25%. The Fund beat the benchmark in total return for the fiscal year. Ms. Serene reviewed each investment fund's returns to the Board.

**MONITOR REPORT:**

Mr. Brennan gave the presentation for Burgess, Chambers & Associates. During past economic recoveries, increased government spending and tax policies (fiscal policies), in conjunction with the Federal Reserve (Fed), reducing borrowing costs, have been effective in stimulating the real economy. Mr. Brennan gave a brief review of how this recovery process is supposed to happen. It is possible to return to a real growing economy if the citizens, entrepreneurs, and lawmakers are given the freedom to create and take risks. Allow for credit expansion and tax cuts, then prosperity will soon follow as it has in the past.

The bull market recently surpassed 7 ½ years, and the S & P 500 index persisted higher (+7.8%) through 2016 in spite of fears and uncertainties. It's hard to reconcile this against the backdrop of weak domestic (GDP) growth and five quarters of decline in corporate earnings. Equity process (S&P 500) remain elevated at the P/E multiple of 16.8x, compared to 14.3x, which is the ten year average. However, this should come to no surprise when the S&P 500 dividend yield is 2.0% and the U.S. 10-Year Treasury Yield is 1.7%.

For the quarter, the Fund experience an investment gain of 2.5% gross (or 2.3% net; \$2.1 million dollar gain), behind the Policy benchmark (2.9%). The best performing asset category was the Multi-Asset Core fund (4.4%), while the defensive equity portfolio lagged due to a risk-on environment. For the fiscal year, the Fund earned 8.5 million or 11.0 gross. This exceeded the Policy Benchmark by 0.7% and ranked in the top 13<sup>th</sup> percentile of public funds. The best performing asset category for the fiscal-year was the Russell Large Cap Defensive Equity Fund which was up 14.3%.

For the three-year period, the Fund earned 18.2 million dollars or a return of 8.0% gross (or 7.2% net) and ranked in the top 3<sup>rd</sup> percentile of public funds. For the five-year period, the Fund ranked in the top 22<sup>nd</sup> percentile of public funds and earned 34.6 million dollars or 10.5% gross (or 9.6% net).

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Mr. Brennan advised that the investments classes and returns are within the Board's investment policy for the Fund.

**ACTUARY REPORT:**

Mr. Pete Strong gave the presentation to the Board for Gabriel, Roeder, Smith & Company. Mr. Strong spoke to the Board about lowering the assumption rate of the Fund. Mr. Strong gave several different ways the Board could phrase in the reduction such as (1) lowering the assumption rate by 10 basis points a year for 7 years, (2) lowering the assumption rate back on 10/1/2016 to 7.50% and have a plan to reduce the rate in the future and (3) lowering the rate to twenty basis points a year for 3 years. The goal is to reduce the assumption rate to 7.0% in the future. The Florida Retirement System has made reductions in the past and again this year to reduce the assumption rate to a more realistic assumption rate for the current investment market returns. The Board discussed this issue and reviewed the cost issues associated with the proposed changes. The Board agreed to lower the assumption rate to 7.50% starting on 10/1/2016 and agreed to look at the issue each year. Mr. Llopis made a Motion to lower the assumption rate of the Fund to 7.50% starting on 10/1/2016. Mr. Faine seconded the Motion. The Motion passed 3-0.

**ATTORNEY'S REPORT:**

Ms. Jensen gave the presentation to the Board for Klausner, Kaufman, Jensen and Levinson. Mr. Jensen submitted to the Board a contract for Gabriel, Roeder, Smith & Company. The Board the contract and agreed to it. Mr. Llopis made a Motion to accept the contract for Gabriel, Roeder, Smith & Company as the actuary for the Fund and appoint the chairman to execute all necessary documents for the contract. Mr. Faine seconded the Motion. The Motion passed 3-0.

Ms. Jensen presented to the Board a new contract for her legal services. The Board reviewed the contract. Mr. Llopis made a Motion to accept the contract from Klausner, Kaufman, Jensen and Levinson for legal services for the Fund and appoint the chairman to execute all necessary documents for the contract. Mr. Faine seconded the Motion. The Motion passed 3-0.

Ms. Jensen advised the Board that the Boynton Beach Police Union for the Officers, Sergeants and Lieutenants have made a mutual consent agreement with the City of Boynton Beach to allow the City of Boynton Beach to use \$60,000 of premium tax revenue or additional premium tax revenue received by the City will be used to reduce the City's unfunded liability to the City of Boynton Beach Police Officers' Pension Fund. These funds will be provided to the City in \$30,000 increments by November 2017 and November 2018. The Board reviewed the agreement and also agreed to this.

Ms. Jensen gave an update on the Robert Kellman disability case. We are waiting on responses from Mr. Kellman's and the Fund's IME doctors.

Ms. Jensen gave an update on Ronald Davis disability case. We have all of the necessary documents for the Board to review his disability case. The Board discussed the issue of when to have the hearing date and decided on November 30, 2016 at 1:00 P.M. The

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Board directed Mr. Dorn to make the necessary arrangements. Mr. Dorn advised that he would.

Ms. Jensen drafted an Ordinance for an “Amendment to Add Rehire After Retirement Provision”. The following is the drafted language:

- a. Any Retiree who is retired under this Fund, except for disability retirement, may be re-employed by any public or private employer, except the City, and may receive compensation from that employment without limiting or restricting in any way the retirement benefits payable under this Fund. Re-employment of a Retiree by the City on or after January 1, 2017 shall be subject to the limitations set forth in this section;
- b. Re-employment in a position other than a Police Officer. Notwithstanding any other provision of this Fund, a Retiree who is retired from the Fund on a “Normal Retirement Age” and who is subsequently re-employed by the City in a position other than a Police Officer shall, upon being re-employed, continue receipt of benefits from this Fund. The benefit paid from the Fund shall not be changed in any way by such re-employment.
- c. Re-employment as a Police Officer. In the event a Retiree who is retired from the Fund is subsequently re-employed by the City as a Police Officer or into a position that supervises Police Officers, the benefit payable to the Retiree from this Fund shall be suspended for the period of such re-employment, until the Retiree terminates employment with the City. Notwithstanding the preceding sentence, a Retiree who is retired from the Fund on a “Normal Retirement Age” may be re-employed by the City as part of the City’s Reserve Police Force under this Policy and Procedure and continue to receive benefits from the Fund.
- d. Notwithstanding any provision of subsection (a)(b) or (c) above, a Retiree who has retired on Early Retirement or Disability Retirement may not be re-employed by the City and continue to receive a benefit from the Fund.

The Board reviewed this draft ordinance and discussed this topic. The Board agreed to adopt the ‘Amendment to Add Rehire After Retirement Provision’ and direct Ms. Jensen to submit this to the City. Ms. Jensen agreed.

**PLAN ADMINISTRATOR’S REPORT:**

Mr. Dorn advised that the audit is currently in progress and the Auditors were on site reviewing documents from November 7-11, 2016.

Mr. Dorn advised that death checks were completed and no new reported deaths were found on the data base.

Mr. Dorn advised that the City of Boynton Beach made a full contribution to the Fund in the amount of \$4,791,528.00 as per their requirement.

Mr. Dorn advised that he is requesting from the Board to stop all future benefit payments to retirees Ortman and King since they have failed to complete their “Alive and Well’ forms. Mr. Dorn advised that they were each sent three different letters over the past five months with no response from either of them. Mr. Dorn advised that all

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Mr. Dorn advised that he is requesting from the Board to stop all future benefit payments to retirees Ortman and King since they have failed to complete their "Alive and Well" forms. Mr. Dorn advised that they were each sent three different letters over the past five months with no response from either of them. Mr. Dorn advised that all other retirees have submitted their forms. The Board directed Mr. Dorn to stop their December/2016 and all future payments until the necessary forms are submitted. Mr. Dorn acknowledged this direction from the Board.

Mr. Dorn advised that there are 18 current active members who have not submitted a beneficiary form nor have a beneficiary form on file. Mr. Dorn advised that letters were sent to these members and the Chairman also sent e-mails to these members requesting these forms. Mr. Dorn advised that there have been no responses at this time.

Mr. Dorn and Ms. Jensen reviewed with the Board the City Ordinance Section 18-174(g) which is the maximum amount of the actual retirement income paid in any given year with respect to a participant under this Fund shall not exceed the dollar amount allowable for any calendar year pursuant to section 415(b) of the IRS code. Mr. Dorn advised that these Code takes DROP money, monthly income, COLA increases and supplement payments into their calculations. Mr. Strong advised that these limits do increase every couple of years and the current limit is \$215,000.00 per year. The Board reviewed the City Ordinance and discussed this issue. No action was needed at this time.

Mr. Dorn advised that Mr. Robert Burnell spoke to him and has verbally requested to change his option on his monthly benefit selection. Mr. Dorn reminded the Board that the previous administrator gave Mr. Burnell monthly benefit numbers what were incorrect and was later reduced by the Board after the actuary submitted his findings. The Board directed Mr. Dorn to have Mr. Burnell attend the next quarterly meeting and have him present to the Board his formal request. Mr. Dorn advised that he would notify Mr. Burnell.

**OPEN DISCUSSION:**

No topics were discussed for Open Discussion.

**ADJOURN:**

Mr. Llopis made a Motion to adjourn the meeting. Mr. Faine seconded the Motion. The Motion passed 3-0. The meeting was adjourned at 12:45 P.M.

The Board of Trustee's reviewed and approved these minutes at the February 7, 2016 meeting.



Mr. Toby Athol, Chairman

**FOR THE BOARD**