

BOYNTON BEACH POLICE OFFICERS' PENSION FUND

MINUTES

May 12, 2020

10:39 AM

The regular meeting of the Board of Trustees of the City of Boynton Beach Police Officers' Pension Fund was called to order on behalf of the Board by Chairman Jason Llopis on May 12th at 10:39 AM. This meeting was being held pursuant to Executive Order 20-69, which was signed by Governor Ron DeSantis. This Executive order allows governmental bodies to utilize audioconferencing and or teleconferencing to conduct public meeting. The first order of business was for the Boynton Beach Pension Board to accept a new administrative policy governing the use of audio-visual conference or teleconferencing to conduct virtual public board of trustee meetings.

TRUSTEES PRESENT:

Mr. Jason Llopis -Chairman; Mr. Russell Faine -Secretary; Mr. Brian McDeavitt-Trustee; Mr. Daniel Dugger- Trustee; Mr. Michael Kelley-Trustee.

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

OTHERS PRESENT:

Ms. Bonni Jensen, Board Attorney – Klausner, Kaufman, Jensen & Levinson; Mr. Louis Penque and Ms. Amy Sinnott – Plan Administrator; Mr. Frank Wan – Burgess Chambers & Associates; Ms. MJ Serene – Russell Investments; Pete Strong – GRS Consulting.

ADOPTION OF NEW ADMINISTRATIVE POLICY:

Attorney Bonni Jensen explained the policy to the board after which a motion was made by Mr. Jason Llopis – Chairman to approve the new policy. Trustee Mike Kelley seconded the motion which passed unanimously with no members opposing the motion.

PUBLIC DISCUSSION:

There were no comments from the public. Attorney Jensen did say retirees may encounter challenges in getting their proof of life notices notarized but emphasized the forms should be sent in and no benefits should be stopped unless there was a confirmed death.

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

The Board reviewed the February 11th, 2020, City of Boynton Beach Police Officers' Pension Fund meeting minutes. Trustee Mike Kelley made a motion to approve the February 11th, 2020

meeting minutes which was seconded by Trustee Faine. The motion passed unanimously with no board members opposing the motion.

WARRANTS:

The Board reviewed warrants 371 through 390. After review and consideration, Trustee Faine made a motion to approve as presented, which was seconded by Trustee Kelley. The motion passed unanimously with no board members opposing the motion.

FORMAL HEARING FOR AMY HOFFMAN:

Attorney Bonni Jensen informed the pension board that member Amy Hoffman withdrew her claim filed with the pension board. Attorney Bonni Jensen will send the member a letter officially closing the matter.

ACTUARY REPORT:

Mr. Strong presented the Actuarial Valuation Report as of October 01, 2019. He noted there would be a small increase in the City's required contribution (\$126,392). There was a question as to whether or not his report should include the effects of the change in benefits. He was aware the City had not yet passed the Ordinance. Additionally, the City has not yet implemented the change to employee contributions as agreed in the CBA. As a result, the report voted on by the Board at this meeting will not include the changes in benefits and contributions. He will follow the report with an impact statement to address the changes.

ACTUARIAL EXPERIENCE

There was a net actuarial experience loss of \$1,147,748 for the year, which means that actual experience was less favorable than expected. The actuarial loss was partly due to a lower than expected investment return on the actuarial value of assets. The return on the actuarial value of assets was 6.73% versus 7.25% expected. The return on market value of assets was 5.17%. In addition, there were more retirements than expected during the year (4 actual versus 1 expected), and retiree mortality experience was than expected (there was 1 actual death with an annual benefit of \$20,301 during the year versus an expected reduction in retiree payroll of \$75,549).

The net actuarial loss for the year caused an increase in the annual required employer contribution of 0.76% of covered payroll (or \$87,436).

FUNDED RATIO

The funded ratio is 67.2% as of October 1, 2019 compared to 65.9% as of October 1, 2018. The funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liability.

For purposes of transparency please visit the following link to view the entire Actuarial Valuation Report as of October 01, 2019 Report for Year 2019.

<http://bbpdp.org/modules/stateDocs/index.asp>

Mr. Strong further advised the FRS Mortality tables have been updated and contribute to the lower than expected City Contributions. While he advised the Board has taken multiple steps to increase the funded ratio of the Pension Fund, the change in the mortality tables may present an opportunity to make more conservative assumptions. He recommended the Board consider an experience study which normally follows adjustments to the mortality tables. The last experience study of this Pension Fund was in 2011. He explained industry standard for these studies is normally five to six years. Mr. Strong advised the cost of such a study is comparable to a valuation report and would be about \$12,000 or \$13,000.

Mr. Strong went over the future impact of the gains and losses over time. He noted 2019 was the final year of recognizing a large loss and that should allow the losses from the current pandemic to have less of an impact on the City's contribution in the next fiscal year.

Trustee Faine made a motion to approve the Actuary Report without the impact of the CBA and Ordinance changes, advising Mr. Strong will provide an impact statement regarding the changes to the plan. Trustee Duggar seconded the motion. The motion passed unanimously.

The Board agreed to adopt the expected rate of return at 7.25%. The motion was made by Trustee McDeavitt and it was seconded by Trustee Duggar. The motion passed without opposition.

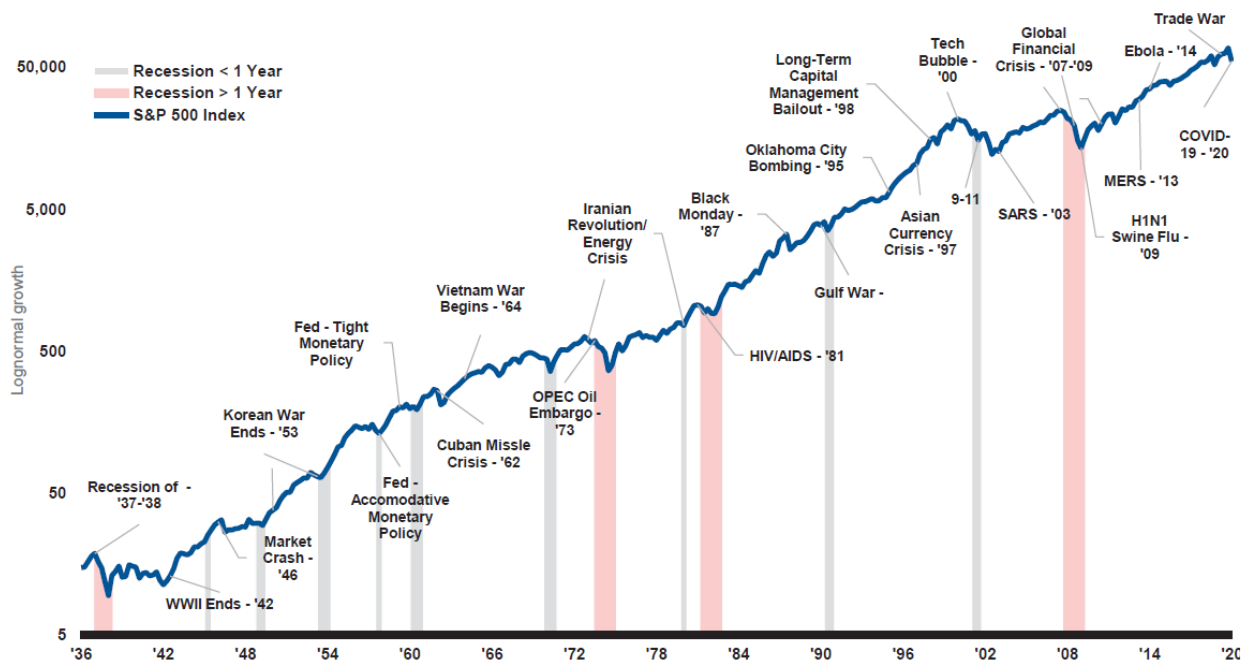
The Board agreed to have the recommended experience study done by Mr. Strong's firm. The motion was made by Trustee Duggar and Seconded by Trustee Faine. This motion also passed without opposition. Mr. Strong advised the report would be completed by the fall, prior to October 1, 2020 and subsequently left the meeting.

INVESTMENT REPORT:

Ms. MJ Serene made the presentation to the Board on behalf of Russell Investments. Ms. Serene first looked back to the pre-COVID 19 conditions, noting the economy was still picking up into January. Then the health crisis reached pandemic conditions and there was a sharp fall into a recessionary environment, mostly due governmental shutdowns aimed at limiting the spread of the virus. There have been unprecedented global stimulus packages nearing 7.3 trillion dollars, or 8% of global GDP. Conditions went to a bear market in 16 days, the fastest ever, noting it took 44 days in the Great Depression. There has been a 30% rally to date since the fall and the US investments have not fallen quite as far as other markets due to a slight appreciation of the dollar.

Going forward the watch points are (1) control of the outbreak, (2) how many of the job losses are permanent and (3) the ability of consumers to spend. At this time China's production levels are already at 80% of their pre-COVID 19 levels. Ms. Serene also showed prior statistics which demonstrate the resilience of the US Stock Market over time.

Resilience of the U.S. stock market History of moving through difficult times



Source: Morningstar Direct – S&P 500 Index, St. Louis Federal Reserve.

Market Value Reconciliation

City of Boynton Beach Police Retirement Fund

As of March 31, 2020

Boynton Beach Police Officers Retirement Trust Investment Account - QU7W

| | One Month | Three Months | Year to Date | FYTD 09/30 |
|----------------------------------|-------------|--------------|--------------|---------------|
| Beginning Market Value (\$) | 108,882,318 | 115,699,859 | 115,699,859 | 107,023,136 |
| Inflows (\$) | 96,003 | 357,886 | 357,886 | 6,265,368 |
| Outflows (\$) | -695,966 | -2,141,158 | -2,141,158 | -4,659,084 |
| Net Inflows / Outflows (\$) | -599,963 | -1,783,272 | -1,783,272 | 1,606,284 |
| Appreciation / Depreciation (\$) | -10,794,325 | -16,474,277 | -16,474,277 | -11,189,847 |
| Income Earned (\$) | 0 | 45,719 | 45,719 | 48,457 |
| Net Market Gain/Loss (\$) | -10,794,325 | -16,428,557 | -16,428,557 | -11,141,390 |
| Ending Market Value (\$) | 97,488,030 | 97,488,030 | 97,488,030 | 97,488,030 |

The above graph is the value at the end of Q1. Ms. Serene noted the current value is up to \$104 million, already having recouped some of the losses incurred in Q1.

INVESTMENT MONITOR REPORT:

Mr. Frank Wan made the presentation to the Board on behalf of Burgess Chambers & Associates. His opening remarks directed the Board to page twelve of his report. He noted the report identified the total fund performance as compared to the approximately 250 funds initially reporting, but when more funds reported the median of the 400 funds was -13.7. He highlighted the total fund performance (-14.4) was not too far below the median.

Mr. Wan reviewed options before the Board, noting the fund has been underperforming as compared to its peers for four consecutive quarters. Russell's active defensive product outperformed the Russell 1000, but underperformed when compared to Russell's Passive Defensive Index fund, which is not available to the Board. He advised it was a sound decision to remain as currently invested for the time being.

| | <u>Quarter</u> | <u>One Year</u> | <u>Three Years</u> | <u>Five Years</u> |
|--------------------|----------------|-----------------|--------------------|-------------------|
| ● Total Fund | -14.4 (72) | -6.6 (79) | 2.7 (59) | 4.1 (26) |
| ▼ Policy Benchmark | -12.0 (29) | -3.0 (20) | 3.9 (19) | 4.3 (18) |
| 5th Percentile | -6.8 | 1.0 | 4.7 | 5.0 |
| 1st Quartile | -11.7 | -3.3 | 3.7 | 4.1 |
| Median | -13.1 | -4.7 | 2.9 | 3.5 |
| 3rd Quartile | -14.6 | -6.4 | 2.3 | 3.1 |
| 95th Percentile | -16.6 | -8.5 | 1.2 | 2.2 |

Parentheses contain percentile rankings.

Calculation based on quarterly data.



Asset class returns were widely dispersed during the first quarter of 2020. The fear of COVID19 induced panic and massive selling into capital markets. The chart below compares the same fund (Vanguard Intermediate Corporate Bond Fund), however in different vehicles. What the ETF captures is a substantial discount to the Net Asset Value during the worst week since 2008.



- For the quarter, the Fund was down -14.4% gross (or -14.6% net; \$16.5 million), behind the Policy Benchmark (-12.0%). The best performing asset category was the Russell Real Estate Equity fund (+0.6%).
- For the one-year period, the Fund experienced a market-based loss of \$6.9 million or -6.6% gross (-7.3% net), behind the Policy Benchmark (-3.0%). The best performing asset category was the Russell Multi-Manger Bond fund (+6.5%).
- For the three and five-year periods, the Fund earned +1.9% and +3.3% net, respectively.

For purposes of transparency please visit the following link to view the entire investment report.

[http://bbpdp.org/docs/investments/2018-09-30%20Boynton%20Beach%20Police%20\(Quarterly%20Report\).pdf#zoom=100](http://bbpdp.org/docs/investments/2018-09-30%20Boynton%20Beach%20Police%20(Quarterly%20Report).pdf#zoom=100)

ATTORNEY REPORT:

Attorney Bonni Jensen provided updates to the Board on the following cases:

Attorney Jensen advised the board members their Annual Form 1 Statement of Financial Interest are due by July 1st, 2020. She does recommend the forms be filed by e-mail.

Attorney Jensen reviewed several memoranda included in the meeting packet:

- 1) Federal Cares Act – Special Rules for use of Retirement Funds.
- 2) Several memos for COVID 19 updates

There was an update on terminated members Antico and Brown.

Mr. Antico has filed an appeal with the USSC. We should know by the fall of this year if the court will hear the case.

Mr. Brown is appealing his sentencing.

Attorney Jensen is going to conduct further research and recommended the board set a special meeting when it is time to evaluate the applicability of benefit forfeiture.

PLAN ADMINISTRATOR REPORT:

Mr. Penque reported the following updates since the last Board meeting:

Pension contribution refunds for the following members:

- 1) Gabriel Albala, vested member, received a rollover for \$79,534.80
- 2) George Solomon, non-vested terminated, received a rollover for \$10,693.12
- 3) Jennifer Worrell, non-vested terminated, received a rollover for \$21,499.77

No members entered either DROP or Retirement this quarter.

There were two service buy backs initiated this quarter

- 1) Douglas Gilbert purchased 5-months of service.
- 2) Christine Naulty-Willis purchased 136-days of service.

Member Richard Ross died on April 9th, 2020. He was receiving the life annuity benefit. Michael Kirrman's widow repaid \$3,000.00 of the overpayment she received, leaving an outstanding balance of \$1,245.46. \$3,000.00 was the Death Benefit she received from the City.

The Board was presented with the June 1st, 2020 special pay report. After reviewing the report, Trustee Dugger made a motion for approval. Trustee Faine seconded the motion. The motion

passed unanimously with no board members opposing the motion. Total cost of the special pay is \$254,088.56.

The Board was also advised that the Fiduciary Liability Insurance was renewed. This was an increase of \$817.00 over last year's premium. The current year premium was \$17, 162.00.

The Board was also advised of an additional City pension contribution received on May 4th, 2020 for \$218,211.00. This satisfied the City's pension obligation for FY 18-19 of \$5,815,515.00

NEW/UNFINISHED BUSINESS:

None

ADJOURN:

The meeting was adjourned at 1:02 PM.

Next Regular Scheduled Meeting: August 11, 2020 at 10:30 AM.

Jason Llopis, Chairman

FOR THE BOARD