

**BOYNTON BEACH POLICE OFFICERS' PENSION FUND  
MINUTES**

**August 11, 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 August 11<sup>th</sup> 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.

**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 and Mitchel Brennan– Burgess Chambers & Associates.

Ms. MJ Serene, Mr. Justin Owens and Karen Pheneger – Russell Investments.

Lauren Albanese – Reporter for Financial Investment News.

**PUBLIC DISCUSSION:**

There were no comments from the public.

**CONSENT AGENDA:**

**APPROVAL OF THE MINUTES:**

The Board reviewed the May 12<sup>th</sup>, 2020, City of Boynton Beach Police Officers' Pension Fund meeting minutes. Trustee Daniel Dugger made a motion to approve the May 12<sup>th</sup>, 2020 meeting minutes which was seconded by Trustee McDeavitt. The motion passed unanimously with no board members opposing the motion.

## **WARRANTS:**

The Board reviewed warrants 391 through 406. After review and consideration, Trustee Dugger made a motion to approve as presented, which was seconded by Trustee Faine. The motion passed unanimously with no board members opposing the motion.

## **INVESTMENT REPORT:**

Ms. MJ Serene made the presentation to the Board on behalf of Russell Investments. Ms. Serene advised that the first presentation would be an overview of an asset/liability study. This study was presented by Justin Owens from Russell Investments:

- > **A periodic and thorough review of the plan's asset allocation strategy through an asset/liability study helps fulfill fiduciary responsibilities**
- > **The goal of an asset/liability study is to select or confirm an appropriate asset allocation that meets the objectives of the plan and sponsor**
- > **With asset/liability studies, we try to estimate how assets and liabilities may change over the next 10 years using a wide variety of possible outcomes**
- > **Output of the study is put in ranges for certain key financial outcomes (i.e., contributions, funded ratios)**
- > **This process is done for the existing asset allocation and a variety of alternatives (adjusting the ratio of return-seeking/risk reducing assets)**

The Following Summary and recommendations were presented by Mr. Owens:

**The current asset allocation is an appropriate mix of risk and return characteristics and is expected to maintain funded position over the long term**

**Funding levels, on average, are expected to stay about the same, though the outcomes have significant variation due to the unknown future path of asset returns**

**Recommend maintaining the current asset allocation**

**Recommend repeating the asset/liability study in 3-4 years**

After completing the asset/liability study the presentation was turned back over to Ms. MJ Serene for the Q2 Investment Review report. Ms. Serene discussed the upward trend of the market at the beginning of 2020, which began to change in mid-February when it became apparent the COVID-19 virus was going to be a world health crisis. The market experienced the fastest 30% decline in history, but since the end of June the market has also seen the largest 50-day gain in history. U.S. markets are now close to neutral and the world markets are recovering.

## Year to date in review

A wild ride for investors in 2020



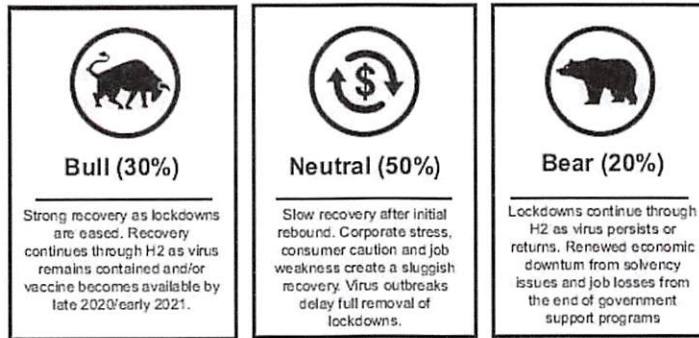
- Market volatility has whipsawed investors in 2020
- Sharp drop in Q1 followed by rebound in Q2 highlights difficulty of timing the market
- Investors who stuck with the plan have recovered most losses from start of the year

Source: Morningstar. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indices are unmanaged and cannot be invested in directly.

The above graph illustrates conditions since January 2020 and the next graphic depicts anticipated market conditions as vaccine news emerges.

## / Scenarios

Vaccine news could drive the bull scenario but end of government support & 2<sup>nd</sup> wave risks the bear outcome



Source: Russell Investments. For illustrative purposes only.



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Ms. Serene attributed the investments falling short of benchmarks almost exclusively to the managers' preference of value as opposed to growth stocks and the underperformance of those value stocks as compared to growth. Russell expects the value stocks to benefit from a quick turn and managers maintain their opinion the fund is positioned properly.

### INVESTMENT MONITOR REPORT:

Frank Wan and Mitchel Brennan made the presentation to the Board on behalf of Burgess Chambers & Associates. As mentioned last meeting, they noted the underperformance of the Fund as compared to its peers continued. They reviewed the performance again and followed with some recommendations on alternatives.

The following graphic illustrates the fund performance, benchmark comparisons as well as three- and five-year performance measures.

Global economies are recovering from COVID-19, however for most countries, the pain of this recession will likely last through the end of 2020. Among countries/regions mentioned below, China has provided early indications that a recovery could be "V" shaped. See China's Manufacturing PMI below.

% ch annualized. \*Q4:Q4

	2016-19	2020				2020*	2021*
		1Q	2Q	3Q	4Q		
Global	3.0	-11.5	-19.7	31.1	7.4	-2.2	3.6
DM	2.0	-7.4	-34.8	33.6	7.3	-4.0	3.0
US	2.4	-5.0	-31.0	20.0	4.5	-4.8	3.2
Euro area	1.8	-13.6	-40.0	60.0	7.0	-2.9	3.1
Japan	0.7	-2.2	-27.0	10.0	8.0	-4.0	1.4
UK	1.5	-8.5	-56.7	63.9	23.4	-5.4	3.3
EM	4.6	-17.6	3.1	27.2	7.4	0.5	4.4
EM Asia	5.8	-23.2	23.2	22.0	6.0	3.3	4.8
China	6.5	-34.7	48.8	21.6	5.5	5.7	5.0
India	6.3	2.3	-40.0	53.0	12.0	1.3	5.2
EMEA EM	2.9	-1.3	-38.1	27.9	6.0	-5.1	4.6
Poland	4.2	-1.6	-45.0	47.5	5.0	-4.3	4.2
Russia	1.6	-0.3	-36.7	24.0	6.0	-4.6	4.2
Latam	1.0	-6.9	-51.8	51.2	15.2	-6.6	2.4
Mexico	1.3	-4.9	-60.0	55.0	34.5	-5.6	0.3
Brazil	0.8	-6.0	-51.0	67.0	4.0	-5.4	2.3

Source: J.P. Morgan



- For the quarter, the Fund was up +12.7% gross (or +12.5% net; \$12.2 million), in line with the Policy Benchmark (+12.7%) and ranking in the top 41st percentile. The best performing asset category was the Russell Multi-Asset Core fund (+18.1%).
- For the one-year period, the Fund experienced a market-based gain of \$2.4 million or +2.4% gross (+1.6% net), behind the Policy Benchmark (+5.8%). The best performing asset category was the Russell Multi-Manager Bond fund (+9.1%).
- For the three and five-year periods, the Fund earned +5.0% and +5.8% net, respectively.

Boynton Beach Police Pension Fund  
Asset Allocation & Performance - Gross  
June 30, 2020

	Market Value	QTD ROR - Rank	FYTD ROR - Rank	1 Year ROR - Rank	3 Year ROR - Rank	5 Year ROR - Rank
<b>Total Fund</b>	<b>108,128,575</b>	<b>12.7 (41)</b>	<b>1.1 (76)</b>	<b>2.4 (65)</b>	<b>5.8 (48)</b>	<b>6.6 (18)</b>
Policy Benchmark		12.7	4.5	5.8	7.1	6.9
<b>Russell Large Cap Defensive Equity (CF)</b>	<b>28,058,601</b>	<b>16.2</b>	<b>3.2</b>	<b>5.8</b>	<b>9.7</b>	<b>10.3</b>
Russell 1000 Index		21.8	6.0	7.5	10.6	10.5
Russell 1000 Defensive Index		16.0	2.3	5.4	11.8	11.4
<b>Russell Multi-Asset Core (CF)</b>	<b>42,487,685</b>	<b>18.1</b>	<b>-5.3</b>	<b>-6.0</b>	<b>2.7</b>	<b>4.8</b>
Multi-Asset Core Composite Index		15.8	-0.6	0.1	5.1	5.4
<b>Russell Multi-Manager Bond (CF)</b>	<b>29,968,298</b>	<b>6.0 (9)</b>	<b>6.2 (69)</b>	<b>9.1 (43)</b>	<b>5.6 (50)</b>	<b>4.9 (31)</b>
Fixed Income Benchmark		2.9	6.3	8.7	5.3	4.3
<b>Russell Real Estate Equity (CF)</b>	<b>7,066,723</b>	<b>-1.2</b>	<b>1.0</b>	<b>2.6</b>	<b>6.0</b>	<b>7.5</b>
Real Estate Benchmark		-1.6	0.9	2.2	5.9	7.6
<b>Russell ST Inv Cash Sweep (CF)</b>	<b>547,269</b>	<b>0.0</b>	<b>1.8</b>	<b>2.1</b>	<b>2.9</b>	<b>1.8</b>
ICE Bof/AML 3 Month U.S. T-Bill		0.0	1.1	1.6	1.8	1.2

After reviewing the Fund performance, they presented the program analysis and suggested the Board consider moving ten million dollars from Russell Investments in a 70/30 split between a Fidelity 500 Index Fund and Fidelity US Bond Index Fund. They suggested leaving the remaining funds in the current allocation at Russell. Mr. Wan noted a significant difference in fund fees as a factor in the consideration. He mentioned the transfer could save the Fund as much as \$70,000 in investment fees.



Ms. Serene responded to the recommendations and after discussion was afforded the opportunity to return with a proposal from her firm regarding passive options and a possible fee reduction. She suggested an alternative strategy. She recommended if funds were moved, they all come from the Russell Large Cap Defensive Equity Fund. She further explained Russell's fees are higher, but they are intended to be all inclusive.

Mr. Wan advised there was not an urgency to make the move and believed there may be benefits to leaving the entire Fund with Russell if the fee difference is adequately addressed. There are several options to investigate and the total costs of each would need to be vetted.

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

<http://bbpdp.org/investments>

**ATTORNEY REPORT:**

Attorney Bonni Jensen provided the Board with an addendum to the City Pension Ordinance to deal with adopting IRS changes without having to continuously make changes to the pension ordinance. After some discussion with the trustees, the decision was made to table this change and will be revisited at a later date.

There was an update on terminated members Philip Antico and Michael Brown.

Attorney Jensen advised the Board both members have exhausted their appeals processes. She briefed the Board on statutes and case law governing forfeiture of the two pensions. Attorney Jensen provided Board members with a detailed memo explaining the members' federal felony convictions and how it may be necessary to proceed with forfeiture hearing as it relates to Florida State Statute 112.3173(3). After discussion, a motion to proceed with the forfeiture hearing was made by Trustee Dugger and it was seconded by Trustee Faine. The motion passed unanimously with no Board members opposing the motion.

Attorney Jensen will notify members Antico and Brown of the Board's action and determine if one or both wish to proceed with a hearing, and whether they request the hearings to be jointly heard. If at least one of the members requests a hearing, the Board will hold a special meeting to determine whether the Board will hear the case or contract with a hearing officer to do so and make a recommendation.

**PLAN ADMINISTRATOR REPORT:**

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

Retired member Justin Harris began collecting his vested deferred pension on July 1st, 2020.

Two members entered either DROP this quarter.

- 1) Brad Leitner 06/30/2020
- 2) Henry Diehl 06/30/2020

Member Clifford Lewis died on June 30th, 2020. He was receiving a 50% Joint and survivor benefit. The member did receive 100% of the July 1st payment. The August Payment was held as a repayment for the July 1st payment. Normal pension payments will resume on September 1st, 2020. I did have communication with the surviving spouse and all the necessary paperwork was completed.

The Board was also advised the CYBER INSURANCE is up for renewal on 8/28/2020. There are some questions Attorney Jensen has for the insurance agent. I will attempt to resolve the issue this week. The premium for FY 20-21 will be \$1575.00.

The Board was presented with the FY 20/21 administrative budget totaling \$377,800.00. After Attorney Jensen provided a rough estimate of the possible forfeiture hearings it was recommended by Administrator Penque an additional \$100,000.00 be added to the budget to cover the possible hearing(s). The total of the amended budget will be \$477,800.00. A motion was made by Trustee Faine to approve the budget which was seconded by Trustee Dugger. The motion passed unanimously with no Board members opposing the motion.

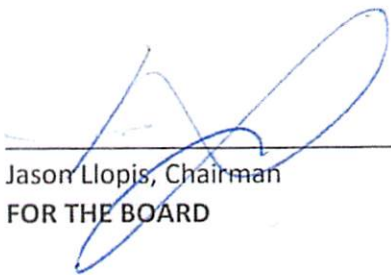
**NEW/UNFINISHED BUSINESS**

Administrator Penque is making arrangements to hold the future pension meetings at the new Boynton Beach Police Station in the community room.

**ADJOURN:**

The meeting was adjourned at 2:03 PM.

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



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Jason Llopis, Chairman  
FOR THE BOARD