

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

November 10, 2020

10:34 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 November 10th at 10:34 AM. This meeting was being held at the Boynton Beach Police Department 2100 High Ridge Road, Boynton Beach, Florida. There was also audio video access available for the presenters and the public through ZOOM.

TRUSTEES PRESENT:

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

TRUSTEES ABSENT:

Mr. Russell Faine -Secretary

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

OTHERS ATTENDING BY AUDIO VIDEO:

Ms. Bonni Jensen, Board Attorney – Klausner, Kaufman, Jensen & Levinson.

Mr. Frank Wan – Burgess Chambers & Associates.

Ms. MJ Serene, – Russell Investments.

Mr. Pete Strong – Gabriel, Roeder, Smith and Company.

OTHERS PRESENT IN PERSON:

Mr. Louis Penque and Ms. Amy Sinnott – Plan Administrator

PUBLIC DISCUSSION:

There were no comments from the public.

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

The Board reviewed the August 11th, 2020, City of Boynton Beach Police Officers' Pension Fund quarterly meeting minutes, and the minutes from the October 21st 2020 City of Boynton Beach Police Officers' Pension Fund Special Meeting. Trustee Brian McDeavitt made a motion to

approve the August 11th, 2020 and October 21st, 2020 meeting minutes which was seconded by Trustee Mike Kelley. The motion passed 3-0 unanimously. Trustee Daniel Dugger was not present for this motion.

WARRANTS:

The Board reviewed warrants 407 through 427. After review and consideration, Trustee Brian McDeavitt made a motion to approve the warrants which was seconded by Trustee Mike Kelley. The motion passed 3-0 unanimously. Trustee Daniel Dugger was not present for this motion.

ACTUARY REPORT:

Mr. Pete Strong made the presentation to the Board on behalf of Gabriel, Roeder, Smith and Company. Mr. Strong advised that the presentation would be an overview of Assumption and Experience Study for Seven Years Ending September 30th, 2019:

Mr. Strong recommended changes resulting from the assumption study and experience study. Mr. Strong reviewed over nine recommendations for the Board to consider. The recommendations presented are as follows:

- Update the future salary increase assumption to reflect generally lower observed salary increases, on average, than expected.

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
(\$171,274) or (1.38%) of covered payroll	+0.3%

- Update assumed rates of future retirement to reflect higher observed retirement experience than expected.

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
+\$217,440 or 1.89% of covered payroll	(0.8%)

- Update the mortality assumption to the latest Florida Retirement System (FRS) mortality assumption used in the July 1, 2019 FRS actuarial valuation. Florida Statutes Chapter 112.63(1)(f) mandates the use of the mortality tables used in either of the two most recently published actuarial valuation reports of FRS.

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
(\$212,837) or (1.85%) of covered payroll	+1.3%

- Update assumed rates of future separation from employment based on actual experience (to reflect higher observed withdrawal experience than expected).

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
(\$143,809) or (1.25%) of covered payroll	(0.1%)

- Update assumed rates of future disability to reflect lower observed disability experience than expected.

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
(\$18,407) or (0.16%) of covered payroll	+0.0%

- Combined effect of all of the above assumption changes (salary increase rates, retirement rates, mortality rates, rates of separation from employment, and disability rates).

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
(\$315,920) or (2.64%) of covered payroll	+0.5%

- Combined effect of all assumption changes noted above PLUS a change in the investment return assumption from 7.25% to 7.00%, net of investment expenses.

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
+\$59,470 or 0.63% of covered payroll	(1.3%)

- Combined effect of all assumption changes noted above PLUS a change in the investment return assumption from 7.25% to 6.75%, net of investment expenses.

Estimated First Year Impact on Annual Contribution Requirement*	Estimated First Year Impact on Funded Ratio*
+\$527,847 or 4.71% of covered payroll	(3.4%)

*Results include a 1.0% load on Normal Retirement liabilities and a 2.1% load on DROP balances to value additional liabilities resulting from a 7.0% guaranteed interest crediting rate in the DROP for members hired before October 1, 2019 (with an assumed rate of return in the Fund of 6.75%).

- Combined effect of all assumption changes noted above PLUS a change in the investment return assumption from 7.25% to 6.50%, net of investment expenses.

Estimated First Year Impact on Annual Contribution Requirement*	Estimated First Year Impact on Funded Ratio*
+\$1,008,852 or 8.90% of covered payroll	(5.5%)

*Results include a 1.9% load on Normal Retirement liabilities and a 4.3% load on DROP balances to value additional liabilities resulting from a 7.0% guaranteed interest crediting rate in the DROP for members hired before October 1, 2019 (with an assumed rate of return in the Fund of 6.5%).

After the presentation and discussion between Board members and Mr. Strong a motion was made by Trustee Brian McDeavitt to accept and incorporate the assumptions as presented by

Mr. Strong and to lower the investment return assumption from 7.25% to 7.00%. This motion was seconded by Trustee Mike Kelley. The motion passed 3-0 unanimously. Trustee Daniel Dugger was not present for this motion. The investment assumption change will take effect after actuarial valuation report is completed later in the fiscal year.

INVESTMENT REPORT:

Ms. MJ Serene made the presentation to the Board on behalf of Russell Investments. Ms. Serene advised the first presentation would be an overview of the relationship between Russell Investments and the Boynton Beach Police Pension Fund. During the presentation, Russell Investment offered a fee reduction to the plan in a response to the plans failure to meet or exceed benchmarks in the last several quarters. Ms. Serene presented an alternative to the Investment Monitor's suggestion the Board consider moving ten million dollars to another investment option. The below is an overview of what was presented by Russell Investments:

- > We are committed to our longstanding partnership with the City of Boynton Beach Police and to being a co-fiduciary to the Plan, working to meet the Plan's goals and objectives and adding value as an active manager. As part of this commitment, we will reduce Plan fees.
- > We believe that active and passive management have a place in successful investment programs and are happy to continue to engage with the Board on finding the appropriate balance and implementing it in thoughtful way.
- > The current positioning of the return-seeking portfolio has resulted in near term poor relative performance and has been significant enough to weigh on longer term results. We have conviction in this positioning being in the best interest of the Plan going forward and results delivered during periods prior to the last ~18 months illustrate our ability to add value for the Plan.

- > We want the Plan and Board to be empowered to make asset allocation decisions separate from a desire to lower fees
- > We want to acknowledge in an impactful way that you may have less confidence in our partnership than in the past
- > As such, we will be lowering fees by 11.7% to 65.25 bps at the plan level which is expected to save the Plan approximately \$99,200/year¹

Ms. MJ Serene presented an addendum to the Investment Management Agreement which provided a detailed explanation of the fee reduction. After some discussion, Trustee Brian McDeavitt made a motion to approve the addendum. The motion was seconded by Trustee Mike

Kelley. The motion passed 3-0 unanimously with no Board members opposing the motion. Trustee Daniel Dugger was not present for this motion.

After completing the presentation of the Investment Management Agreement, Ms. Serene reviewed recent market conditions, fund performance and future outlook. Ms. Serene again mentioned the top five companies in the S & P 500 Index represent a disproportionate share of the index (22.6%). This concentration exceeds that of the late 1990's (immediately before the Tech Bubble adjustment) and that the amount of companies in the S & P 500 Index that outperform is the lowest since 1999. Russell believes the fund is well positioned (overweight in Value over Growth stocks) to do well when the market adjusts. Today's growth vs. value gap is greater than the peak of the Tech Bubble, which corrected in less than one year.

/ Growth vs. value stocks

Leadership can shift quickly



- > Today's growth vs value gap is greater than the peak of the Tech Bubble
- > The Tech Bubble corrected in less than one year

While the COVID-19 recession was significant, the global economy is growing again and the recession was the sharpest but shortest ever. The Global Market sentiment is slightly positive, while there is uncertainty surrounding the downside risk from 2nd waves, vaccine news and expectations regarding additional stimulus money is helping to normalize the market.

Ms. Serene reviewed fund performance with FY20 net of fees earnings at 4.43%, missing the Russell Custom Benchmark of 7.81%. She advised the Board the primary benchmark used is changing going forward as the heavy concentration of technology (historically volatile market) in the current benchmark does not represent the defensive positioning of the fund. A broader market benchmark, the Russell 1000 Benchmark, is more aligned with the primary goals of the

fund to minimize volatility and provide a return comparable to the broad market over a full market cycle (7-10 years).

Changing the benchmark not the philosophy

The Defensive Equity Fund's approach remains constant

The Fund will continue to:

- > Seek to generate **superior risk-adjusted returns** relative to the broad market
- > Seek to provide **lower absolute return volatility** and **downside protection** in periods of market stress
- > Focus on **defensive fundamental characteristics** of higher quality companies (low earnings variability, high profitability, low leverage)
- > Employ a blend of **concentrated fundamental and quantitative managers**
- > Prudently manage portfolio construction and concentration risks

INVESTMENT MONITOR REPORT:

Mr. Frank Wan made the presentation to the Board on behalf of Burgess Chambers & Associates. As mentioned last meeting, he noted the underperformance of the Fund as compared to its peers continued for the last four of five quarters. The Fund's average peers earned 7.6%, while the Fund has earned only 5.2%. He reviewed the performance and noted that although they missed the benchmarks again, there are positive signs for the current positioning of the fund. He also noted how well the Bond Funds in the portfolio have done. Mr. Wan suggested, if the Board is inclined to move funds within Russell Investments, that they do so in smaller increments and as a first step suggested 3-5%, rather than the 9% illustrated in Ms. Serene's presentation. Ms. Serene explained the 9% was used to illustrate the ten million dollars Burgess Chambers suggested the Board move at the previous meeting and was not the amount she was recommending the Board reallocate.

Mr. Wan also reviewed other pension funds which are more heavily weighted in passive investments, FRS (85%) and Nevada (100%). Nevada has consistently outperformed the benchmarks, while having significant fee savings. Mr. Wan advised the suggested move to the passive investment fund would reduce fees beyond the \$99,200.00 being saved with the

amended fee schedule approved earlier in the meeting. Chairman Llopis inquired as to whether or not the Board needed to make a change to the investment policy in order to transfer money from the RITC LC Defensive Equity Fund to the RITC R1000 Index Fund. Mr. Wan explained that the two Funds are in the same asset class, so there would be no change to the investment policy, however, if the Board wanted to make a change to less international or equity investments, that would require a change. He cautioned this was likely not the time to make the latter change.

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

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Boynton Beach Police Pension Fund
Asset Allocation & Performance - Net
September 30, 2019

	Market Value	QTD ROR - Rank	1 Year ROR - Rank	3 Year ROR - Rank	5 Year ROR - Rank
Total Fund	107,023,136	1.1	5.3	7.3	6.7
Policy Benchmark		1.3	6.0	8.1	6.7
Russell Large Cap Defensive Equity (CF)	27,534,885	2.4	5.3	12.1	10.2
Russell 1000 Index		1.4	3.9	13.2	10.6
Russell 1000 Defensive Index		3.1	11.5	14.8	12.0
Russell Multi-Asset Core (CF)	41,252,626	-0.9	0.9	7.5	6.4
Multi-Asset Core Composite Index		0.8	3.7	8.7	6.3
Russell Multi-Manager Bond (CF)	30,616,407	2.6	11.2	2.9	3.5
Fixed Income Benchmark		2.3	10.3	2.9	3.4
Russell Real Estate Equity (CF)	7,071,372	1.2	4.9	6.3	8.2
Real Estate Benchmark		1.3	6.1	7.6	9.6
Russell ST Inv Cash Sweep (CF)	547,847	0.3	5.7	2.3	1.4
ICE BofAML 3 Month U.S. T-Bill		0.6	2.4	1.5	1.0

1 Policy Benchmark (IPS hybrid benchmark objective): Since 07/2019 is 30% MSCI ACWI + 25% Russell 1000 + 32% BC Aggregate + 2% NAREIT + 2% S&P Global Infrastructure Index + 5% NCREIF Open-End Diversified Core Equity + 2% DJ UBS Commodities + 2% ML 3M T-Bills; prior from March '14 is 30% MSCI ACWI + 25% Russell 1000 + 32% BC Aggregate + 2% NAREIT + 2% S&P Global Infrastructure Index + 5% NCREIF ODCE EQ (NFI ODCE EQ) + 2% DJ UBS Commodities + 2% ML 3M T-Bills; prior from May/13 48% MSCI ACWI + 35% BC Aggregate + 5% NAREIT + 5% NFI ODCE EQ + 5% DJ UBS Commodities + 2% ML 3M T-Bills; Mar'12 is 34% Russell 1000 + 11% Russell Mid-Cap + 11% MSCI Net EAFE + 4% MSCI Net EM + 5% FTSE/NAREIT + 30% BC Aggregate + 5% BC TIPS; from Sep'09 was 34% Russell 1000 + 11% Russell Mid-Cap + 11% MSCI Net EAFE + 4% MSCI Net EM + 5% Wilshire REIT + 30% BC Aggregate + 5% BC TIPS; from May'05 was 34% Russell 1000 + 16% Russell Mid-Cap + 10% MSCI Net EAFE + 5% Wilshire REIT + 30% LB Intern Aggregate + 5% Lehman Intern TIPS; from Jul'02 was 60% S&P 500 + 35% LB Govt/Credit.

2 The Multi-Asset Core Composite Benchmark: 75.0% Russell World Cap 50% Hedged Net Index / 5.0% Bloomberg Commodity Index / 5.0% FTSE EPRA/NAREIT Developed Real Estate Index (Net) / 5.0% S&P Global Infrastructure Index Net / 7.0% Barclays U.S. Aggregate Bond Index / 3.0% Barclays U.S. 1-3 Month Treasury Bill Index. This benchmark is appropriate for evaluating the Russell Multi-Asset Core Fund over a 3 to 5 year horizon.

3 Fixed Income Benchmark (IPS fixed income hybrid): Sep'09 is 100% BC Aggregate; from May'05 was 100% LB Intermediate Aggregate; from Jun'02 was 100% Lehman Govt/Credit.

4 Real Estate Benchmark: Since July 2019 is 100% NCREIF Open-End Diversified Core Equity; prior from Sep'09 was 100% NCREIF ODCE EQ (NFI ODCE EQ); prior was 100% NCREIF Index.

The Fund's performance for the previous quarter ending September 30th 2020 was as follows:

- For the quarter, the Fund was up +4.1% gross (or +3.9% net; \$4.4 million), behind the Policy Benchmark (+5.3%). The best performing asset category was Large Cap Defensive Equity (+6.7%).
- For the one-year period, the Fund experienced a market-based gain of \$5.5 million or +5.2% gross (+4.5% net), behind the Policy Benchmark (+10.1%). The best performing asset category was Large Cap Defensive Equity (+10.1%).
- For the three and five-year periods, the Fund earned +5.4% and +7.3% net, respectively.

After Mr. Wan's presentation, Trustee McDeavitt made a motion to move 3% of the Fund's investments from the RITC LC Defensive Equity Fund to the RITC R1000 Index Fund. The motion was seconded by Trustee Dugger and passed unanimously, 4-0.

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 update on terminated members Philip Antico and Michael Brown. Two separate DOAH hearing officers have been assigned. The two hearings will be heard separately and Mr. Antico’s hearing is expected to be heard first, with possible dates of January 11-13th, 2020. The hearings are expected to be held in Palm Beach County, but if that is not possible, they will be held via Zoom. Mr. Brown’s hearing is not expected to be scheduled until after Mr. Antico’s hearing is complete. Richelle Levy has advised she will need the trial transcripts in order to proceed. Costs have been identified as \$1,319 (Antico) and \$2,732 (Brown).

Trustee Dugger made a motion to approve the expenditures for both and the motion was seconded by Trustee McDeavitt. The motion passed unanimously, 4-0.

Chairman Llopis asked if the Board would get an update on the process and what to expect from Levy as the hearing draws closer. Attorney Jensen advised she would make arrangements for such.

Attorney Jensen reviewed the status of in person meetings. The Governor has not extended the Executive Order to allow a quorum to be established virtually, however, the City of Boynton Beach did enact an ordinance allowing these virtual meetings which is set to expire on December 31, 2020. Attorney Jensen advised the ordinance does apply to the Pension Board meetings.

PLAN ADMINISTRATOR REPORT:

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

A report was provided for membership updates for FY 19-20:

Membership Deaths

- 1) John Hollihan 11-02-2019
- 2) Michael Kirrman 11/20/2019
- 3) Lee Thompson 1/17/2020
- 4) Rick Ross 4/9/2020
- 5) Clifford Lewis 6/30/2020

Retirements

- 1) Gary Garofolo 11/01/2019
- 2) Eric Reynolds 11/01/2019
- 3) Richard McNevin 03/01/2020
- 4) Justin Harris 07/01/2020 V.D.
- 5) Lorinda Broberg 09/01/2020

DROP

- 1) Henry Diehl 06/30/2020

Pension Contribution Refunds

- 1) Gabriel Albala \$79,534.80

2) Brad Leitner 6/30/2020
3) Paul Deale 09/30/2020

2) George Solomon \$10,693.12
3) Jennifer Worrell \$ 21,499.7

Administrator Penque advised the Board that the fund did receive the annual Chapter 185 monies from the state for \$907,956.88. The fund also received the City's annual pension contribution of \$5,999,430.00.

Administrator Penque requested the Summary Plan Description be updated. The last update was in January 2017 and there were pension changes in the previous CBA. Mr. Pete Strong acknowledged he will draft the update and present it at the February board meeting.

Administrator Penque provided the Board with the December 1st 2020 Special payment distribution spreadsheet. The Board was also advised member Michael Kelley was eligible to receive the special Chapter 185 payment in June 1st 2020, but was inadvertently omitted due to a data input error. The Board was presented with a revised June 1st 2020 payment sheet that displayed the actuarial adjustments each member would receive as the result of adding member Michael Kelley to that payment. The actuarial adjustment will be assessed in the December 1st 2020 special pay. The adjustments range from \$3.29 to \$11.72. After some discussion, Trustee Brian McDeavitt made a motion to approve the December 1st 2020 special pay which was seconded by Trustee Daniel Dugger. The motion passed 4-0 unanimously.

The total December 1st 2020 payment will be \$310,1789.49. The total actuarial adjustment will be \$1,247.44.

NEW/UNFINISHED BUSINESS

None

ADJOURN:

The meeting was adjourned at 12:48 PM.

Next Regular Scheduled Meeting: February 09, 2020 at 10:30 AM.



Jason Llopis, Chairman
FOR THE BOARD