

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

February 09, 2021

10:30 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 February 09th 2021 at 10:30 AM. This meeting was held at the Boynton Beach Police Department 2100 High Ridge Road, Boynton Beach, Florida. There was also remote 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 there was a quorum for the Board to have an official meeting.

OTHERS PRESENT:

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

Mr. Frank Wan – Burgess Chambers & Associates

Mr. Richard Cristini, CPA and Ms. Jeanine Bittinger, CPA – Saltmarsh, Cleaveland and Gund, P.A.

PRESENTORS ATTENDING BY AUDIO VIDEO:

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

Ms. MJ Serene – Russell Investments

PUBLIC DISCUSSION:

None

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

The Board reviewed the November 10th, 2020, City of Boynton Beach Police Officers' Pension Fund meeting minutes. The Board also reviewed the October 21st, 2020, Special Meeting for the City of Boynton Beach Police Officers' Pension Fund. Trustee Dugger made a motion to approve the minutes from both meetings, which was seconded by Trustee McDeavitt. All Trustees voted yes, and the motion was passed 4-0.

WARRANTS:

The Board reviewed warrants 428 through 449. After review and consideration, Trustee McDeavitt made a motion to approve as presented, which was seconded by Trustee Dugger. All Trustees voted yes, and the motion was passed 4-0.

AUDITOR'S REPORT:

Ms. Bittinger reviewed the FY2019 and FY2020 financial statements for the Board. She and Mr. Cristini acknowledged the administrator for his responsiveness during the audit process. The opinions rendered in the auditor report are the highest they are allowed to give for any plan they review. Mr. Cristini further advised the plan's rate of return is the second highest among the 30 plans they examine.

The Auditors noted the Plan Fiduciary Net Position as a percentage of total pension liability (70.07%) is comparable with most large plans. They reviewed the Administrative and Investment Expenses for the fiscal year. The investment fees as a percentage of plan net position did increase from .65% to .66% and plan Administrative Expenses fell from .16% to .15%. The total, .66% is still much lower than the 1% considered excellent.

Attorney Jensen did note an error on page 34 of the report which had the Actual Contribution as a percentage of covered payroll listed at 495.52% for fiscal year end September 30th, 2020. Ms. Bittinger advised they will amend the report as noted.

Trustee McDeavitt made a motion accept the report as amended. It was seconded by Trustee Dugger. All trustees voted yes, and the motion was passed 4-0.

The Board was then presented with a Professional Service Agreement from SALT MARSH for the dates September 30th, 2021 through September 30th, 2023. The fee increases were included in this agreement which are as follows:

2021 - \$17,500.00

2022 - \$18,500.00

2023 - \$19,500.00

There will also be a \$4,000.00 preparation charge for the annual fund report. Any additional services will be billed at \$200.00/ Hour.

Trustee McDevitt made a motion accept the Professional Service Agreement. It was seconded by Trustee Dugger. All trustees voted yes, and the motion was passed 4-0.

For purposes of transparency please visit the following link to view the entire Financial Statements Report for Fiscal Years 2019-2020.

http://bbpdp.org/docs_state/FinancialStatements/2018%20Financial%20Statement.pdf#zoom=100

INVESTMENT REPORT:

Ms. MJ Serene made the presentation to the Board on behalf of Russell Investments and began with a review of 2020. She advised that by year end, US Stocks and Bond performance both exceeded expectations, despite the global pandemic. She showed over the last twelve months the only negatives were commodities and some real estate investments. Ms. Serene highlighted the performance of the market pre- and post-vaccine approval, with value stocks finally outpacing growth stocks once emergency use authorization was announced.

Asset Summary

City of Boynton Beach Police Retirement Fund

As of December 31, 2020

Boynton Beach Police Officers Retirement Trust Investment Account - QU7W

Policy Allocation		Asset Allocation			
		Ending Market Value	Actual Holding	Policy Holding	Holding Variance
		\$49,646,576	39.3%	39.0%	0.3%
		29,227,641	23.1	23.0	0.1
		3,877,245	3.1	3.0	0.1
		35,920,766	28.4	29.0	-0.6
		7,162,685	5.7	6.0	-0.3
		571,412	0.5	0.0	0.5
		Total Assets	126,406,325	100.0	100.0
					0.0
Market Value Reconciliation					
	One Month	Three Months	Year to Date		
Beginning Market Value (\$)	123,569,314	111,814,319	115,699,859		
Net Inflows/Outflows (\$)	-763,873	4,251,425	111,790		
Net Market Gain/Loss (\$)	3,600,884	10,340,581	10,594,676		
Ending Market Value (\$)	126,406,325	126,406,325	126,406,325		

Ms. Serene advised that although there was a significant recovery in the fourth quarter, the Fund's investments did not capture as much of the gains as hoped mostly due to being more heavily invested into Value over Growth stocks going into this recovery. Above was the asset allocation at year end.

She advised that in the fourth quarter equities were the biggest additive to the gains, but that fixed income investments fared better over the entire year. Ms. Serene provided a historical perspective as partial explanation for the positioning of the investments and provided the below graphic to explain current positioning and alternatives.

/ US equity strategy –current considerations

City of Boynton Beach Police Retirement Fund

Strategy

	Large Cap Defensive Equity Fund	Large Cap U.S. Equity Fund	Russell 1000® Index Fund
	Active		Passive
Current target allocation	23% (90% of dedicated US)	n/a	3% (10% of US)
Objective and strategy	Seeks to provide a return comparable to the Russell 1000® Index over a full market cycle aiming to protect in down markets and have ~85% of the volatility of the Russell 1000® Index. Invests in common stocks of large and medium capitalization U.S. companies. Employs a multi-manager approach with underlying managers using distinct methods to identify stocks with expected to have lower than average stock price volatility, higher financial quality and/or stable business fundamentals.	Seeks to outperform the Russell 1000® Index with above average consistency over a full market cycle. Invests in common stocks of large and medium capitalization U.S. companies. Employs a multi-style, multi-manager approach with underlying managers using various methods to identify stocks with positive excess return potential.	Seeks to passively mirror the returns of the Russell 1000® Index The Fund invests primarily in stocks that closely match the composition of the Russell 1000® Index. The stocks are diversified across industries and sectors.
Benchmark	Russell 1000® Index		

- > Long-term strategy could be a single or blend of funds
- > Implementation could happen immediately or over time

As there were no further questions after Ms. Serene concluded her presentation, the meeting was turned over to Frank Wan of Burgess Chambers and Associates.

INVESTMENT MONITOR REPORT:

Mr. Frank Wan made the presentation to the Board on behalf of Burgess Chambers & Associates.

- For the quarter, the Fund was up +8.8% gross (or +8.6% net; \$10.3 million), trailing the Policy Benchmark (+8.9%). The best performing asset category was Multi-Asset Core (+14.3%).
- For the one-year period, the Fund experienced a market-based gain of \$10.5 million or +9.3% gross (+8.5% net), behind the Policy Benchmark (+13.8%). The best performing asset category was Large Cap Defensive Equity (+12.6%).
- For the three and five-year periods, the Fund earned +7.2% and +8.5% net, respectively.
- On November 20, 2020, \$3,644,952 worth of the Russell 1000 Index Fund was purchased using funds raised from the Large Cap Defensive Equity fund.

Mr. Wan made a recommendation to the Board to move an additional 7% from the Large Cap Defensive Equity fund to the Russell 1000 Index. This is due to the continued sub-par performance of the Large Cap Defensive Equity fund as compared to the Index fund. This Asset allocation will also save the fund approximately \$25,000 additional in annual fees. The one-year rate of return was an example provided by Mr. Wan, showing the Russell Large Cap Defensive Equity Fund earning 12.0 % charging 47 basis points while the Russell 1000 Index Fund earned 21.0 % while charging only 7 basis points.

After the presentation Trustee Kelley made a motion to transfer 7% of the Fund from the Large Cap Defensive Equity Fund to the Russell 1000 Index Fund. The motion was seconded by Trustee McDevitt. All Trustees voted yes, and the motion was passed 4-0.

Mr. Wan presented the Board with a proposal to increase BCA's fees from \$25,000.00 to \$30,000.00 annually. Mr. Wan advised their company has not proposed an increase in fees in the previous 6 years. Administrator Penque provided the Board with several fee schedules from other investment monitors for funds of comparable size. The fee proposed by Burgess Chambers and Associates is substantially lower than funds of comparable size are paying for comparable services.

Trustee Dugger made a motion to accept the fee increase which was seconded by Trustee Kelley. All Trustees voted yes, and the motion was passed 4-0. The fee increase will take effect on April 1st, 2021.

Attorney Jensen advised that would draft the contract and send it to Administrator Penque when complete.

For purposes of transparency please visit the following link to view the entire investment report.
[http://bbpdp.org/docs/investments/2018-09-30%20Boynnton%20Beach%20Police%20\(Quarterly%20Report\).pdf#zoom=100](http://bbpdp.org/docs/investments/2018-09-30%20Boynnton%20Beach%20Police%20(Quarterly%20Report).pdf#zoom=100)

ATTORNEY REPORT:

Attorney Bonni Jensen reviewed over the new Florida Law requiring all contractors dealing with public entities to register with and use the Department of Homeland Security's E-Verify system to confirm newly hired employees are legally permitted to perform services in the State of Florida. Administrator Penque has already notified all the providers for this plan.

Attorney Jensen also reviewed over a memo for RMD (required minimum distribution) and steps on how to locate members that are due pension contribution prior to forfeiting them to the plan.

Attorney Jensen advised the Board of the new court dates for the pension forfeiture hearings for Michael Brown and Phil Antico are as follows:

Michael Brown March 23, 2021

Phil Antico April 26, 2021.

There was some discussion as to necessity of a special meeting prior to the pension forfeiture hearing to review the procedural process for the hearing.

PLAN ADMINISTRATOR REPORT:

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

Retirements:

- 1) Douglas Gilbert 11/01/2020

DROP Entries:

- 1) Vincent Mastro 12/01/2020
- 2) Denise Schrecengost 01/01/2021

Mr. Penque presented the Contractual Provisions for Investment Managers which was signed off by the trustees

The Board was advised of the renewal application of the Fiduciary Insurance.

The special Pays for June 2021 and December 2021 were calculated and approved by the actuary.

The calculated amounts are listed below:

June 2021 - \$280,042.45

December 2021 - \$298,373.81

Trustee McDeavitt made a motion accept the Special Pay Amounts. It was seconded by Trustee Dugger. All trustees voted yes, and the motion was passed 4-0.

The 2020 RMD (required minimum distribution) report was reviewed.

The Board was advised that an accrual leave ledger is being created for members who separate service, are eligible to immediately collect their pension and do not enter the DROP plan. This will assist the auditors in preparing the state report by not including these members in the annual DROP report provided to the auditors.

Mr. Penque went over the pending revision of the SPD's (Summary Plan Document) to include the correct date in which the 1% special pay deduction began. According to the pension ordinance, this date is October 1st, 2001. This 1% deduction is to continue for 20 years of service at which time the deduction will cease. Human Resources was consulted prior to the meeting and advised the 1% deduction did not begin until February 15th, 2002. There were questions as to whether there was a retroactive correction at the time to match the start date to October 1st, 2001. Administrator Penque advised he would confirm this date with Human Resources. If the February 15th, 2002 date is accurate Administrator Penque and Attorney Jensen will confer with the Human Resource Director regarding a revision to the pension Ordinance.

There was also discussion over the language for Final Average Compensation in the SPD's in comparison to the Pension Ordinance. The SPD's could be interpreted as the best individual 60 months in the past 120 months while the ordinance clearly states the best five years of service. Administrator Penque advised he would contact the actuary to revise the SPD's to more reflect the Pension Ordinance more clearly.

NEW/UNFINISHED BUSINESS:

None

ADJOURN:

The meeting was adjourned at 1:04 PM.

Next Regular Scheduled Meeting: May 11, 2021 at 10:30 AM.



Jason Llopis, Chairman
FOR THE BOARD