

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

## **MINUTES**

**May 11, 2021**

**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 May 11<sup>th</sup>, 2021 at 10:34 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. Russell Faine -Secretary, Mr. Brian McDeavitt-Trustee; Mr. Daniel Dugger- Trustee; Mr. Michael Kelley-Trustee.

### **TRUSTEES ABSENT:**

None

It should be noted 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 – Plan Administrator, Craig Hanning – Member

### **PRESENTORS ATTENDING BY AUDIO VIDEO:**

Ms. MJ Serene – Russell Investments

Mr. Frank Wan – Burgess Chambers & Associates

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

### **PUBLIC DISCUSSION:**

None

**CONSENT AGENDA:**

**APPROVAL OF THE MINUTES:**

The Board reviewed the December 11<sup>th</sup>, 2020, City of Boynton Beach Police Officers’ Special Pension Fund meeting minutes. Trustee Daniel Dugger made a motion to approve the December 11<sup>th</sup>, 2020 meeting minutes which was seconded by Trustee Brian McDeavitt. The motion passed unanimously with no Board members opposing the motion.

The Board reviewed the February 9<sup>th</sup>, 2021, City of Boynton Beach Police Officers’ Pension Fund meeting minutes. Trustee Brian McDeavitt made a motion to approve the February 9<sup>th</sup>, 2021 meeting minutes which was seconded by Trustee Daniel Dugger. The motion passed unanimously with no Board members opposing the motion.

The Board reviewed the February 25<sup>th</sup>, 2021, City of Boynton Beach Police Officers’ Special Pension Fund meeting minutes. Trustee Russell Faine made a motion to approve the February 25<sup>th</sup>, 2021 meeting minutes which was seconded by Trustee Brian McDeavitt. The motion passed unanimously with no board members opposing the motion.

**WARRANTS:**

The Board reviewed warrants 450 through 478. After review and consideration, Trustee Brian McDeavitt made a motion to approve as presented, which was seconded by Trustee Daniel Dugger. The motion passed unanimously with no Board members opposing the motion.

**ACTUARY REPORT:**

Mr. Strong presented the Actuarial Valuation Report as of October 1, 2020. He first covered the Comparison of Required Employer Contributions which reflected an increase of \$690,033.00. There was a reduction as a percentage covered payroll of (0.62%). This was mostly due to a 13.1% increase of payroll and the assumption of the payroll increase was 5.8%. Please see chart below:

	For FYE 9/30/22 Based on 10/1/2020 Valuation	For FYE 9/30/21 Based on 10/1/2019 Valuation	Increase (Decrease)
Required Employer/State Contribution As % of Covered Payroll	\$ 7,154,550 55.11 %	\$ 6,464,517 56.19 %	\$ 690,033 (1.08) %
Estimated State Contribution As % of Covered Payroll	\$ 465,087 3.58 %	\$ 465,087 4.04 %	\$ 0 (0.46) %
Required Employer Contribution As % of Covered Payroll	\$ 6,689,463 51.53 %	\$ 5,999,430 52.15 %	\$ 690,033 (0.62) %

Mr. Strong reviewed over the Experience Study presented in the November 2020 Pension meeting, which resulted in an increase to the employer contribution of 0.36% of covered payroll or \$30,105.00. The adopted assumptions are listed below:

- Change in the assumed rates of salary increases reflecting somewhat lower overall observed salary increases, on average, than expected over the seven-year period ending September 30, 2019;
- Change in the assumed rates of retirement reflecting higher observed normal retirement experience than expected over the seven-year period ending September 30, 2019; and,
- Change in the assumed rates of separation from active membership (withdrawal) reflecting higher observed experience than expected over the seven-year period ending September 30, 2019.
- Change in the assumed rates of disability reflecting lower observed experience than expected over the seven-year period ending September 30, 2019.

Lastly, the assumed investment return assumption has been reduced by 0.25% from 7.25% per annum to 7.00% per annum, compounded annually and net of investment expenses.

### **ACTUARIAL EXPERIENCE**

There was a net actuarial experience loss of \$3,443,838 for the year, which means actual experience was less favorable than expected. The actuarial loss was primarily due to higher-than-expected salary increases (16.9% actual versus 5.8% expected). Additionally, there was a lower-than-expected investment return on the actuarial value of assets. The return on the actuarial value of assets was 6.94% versus 7.25% expected. The return on market value of assets was 4.30%. The net actuarial loss for the year caused an increase in the annual required employer contribution of 2.02% of covered payroll (or \$262,904).

### **FUNDED RATIO**

The funded ratio is 66.3% as of October 1, 2020 compared to 67.2% as of October 1, 2019. The funded ratio would have been 67.4% this year prior to recognizing the assumption changes. The funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liability.

Mr. Strong explained the increase payment on the UAAL was primarily caused by the 13.1% increase in covered payroll from 10-01-2019 through 10-01-2020. The expected UAAL was \$43,711,364 and the actual UAAL came in at 47,155,202.

Mr. Strong drafted the following conclusions of this report as follows:

*It is important to note that system assets are insufficient to cover the liabilities for inactive members. As of October 1, 2020, the net market value of assets was \$93.9 million and the liability for current inactive members was \$94.2 million. Additionally, the funded ratio was over 96.5% in 2000 but is currently 66.3%. Multiple steps have been taken to address this issue, including reducing the investment return assumption, shortening the UAAL amortization period, applying a portion of the annual insurance premium tax money to the UAL, and, most recently, conducting an experience study and implementing new assumptions based on actual*

*experience. Over time, these changes should help the Plan's funded status improve, assuming future experience does not deviate significantly from the actuarial assumptions.*

For purposes of transparency please visit the following link to view the entire Actuarial Valuation Report as of October 01, 2020 Report for Year 2020.

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

Trustee Faine made a motion to approve the Actuary Report. Trustee Duggar seconded the motion. The motion passed unanimously. Trustee Michael Kelley was not present for the vote.

Mr. Strong presented the Board with updated Summary Plan Documents. They were prepared in February 2021. After the updated SPD's were reviewed by the Board a motion was made by Trustee Brian McDeavitt and Seconded by Trustee Daniel Dugger. This motion also passed without opposition. Trustee Michael Kelley was not present for this vote.

For purposes of transparency please visit the following link to view the updated Summary Plan Description.

[http://bbpdp.org/docs/planDesc/SummaryPlanDescription\\_201708.pdf#zoom=100](http://bbpdp.org/docs/planDesc/SummaryPlanDescription_201708.pdf#zoom=100)

The Board agreed to adopt the expected rate of return at 7.00%. The motion was made by Trustee Brian McDeavitt and it was seconded by Trustee Russell Faine. The motion passed without opposition. Trustee Michael Kelley was not present for this vote.

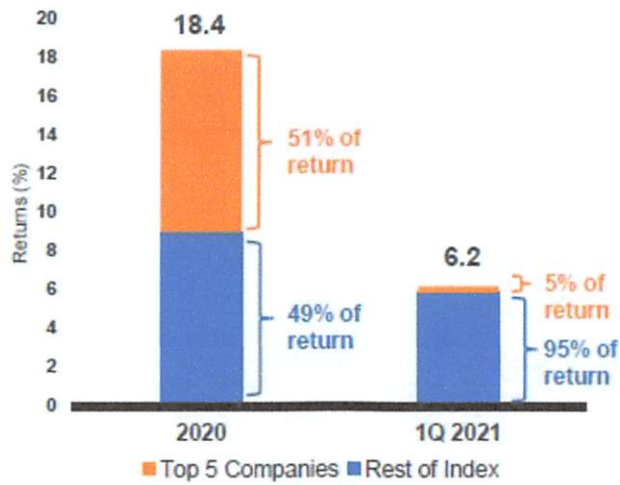
There was a discussion over Vested Deferred members' eligibility to collect an early pension once they reach the age 50 with over ten years of service. Attorney Bonni Jensen advised she is going to review the matter and report back to the Board at the next scheduled meeting in August. The Board agreed and the matter was tabled.

#### **INVESTMENT REPORT:**

Ms. MJ Serene made presentation to the Board on behalf of Russell Investments. Ms. Serene advised this was a good quarter. The only negative return was bonds, which came in at negative (-3.4%).

Ms. Serene pointed out the S&P 500 performance in 2020 compared to the first quarter of 2021. In 2020 the top 5 Mega Cap returned 18.4% of the entire S&P compared to 5% in Q-1 of 2021.

**Contributors to S&P 500 Index Returns**  
Top 5 companies vs. rest of index



Ms. Serene believes the Fund will continue to outperform the benchmark and the portfolio is well positioned moving into the second quarter.

Ms. Serene did review over the current Asset Allocation:

Boynton Beach Police Officers Retirement Trust Investment Account - GU7W

Policy Allocation		Asset Allocation			
		<b>Ending Market Value</b>	<b>Actual Holding</b>	<b>Policy Holding</b>	<b>Holding Variance</b>
		\$50,489,749	39.2%	39.0%	0.2%
		20,985,229	16.3	16.0	0.3
		13,132,584	10.2	10.0	0.2
		36,289,441	28.2	29.0	-0.8
		7,275,125	5.7	6.0	-0.3
		563,960	0.4	0.0	0.4
		<b>Total Assets</b>	<b>128,736,088</b>	<b>100.0</b>	<b>100.0</b>
					<b>0.0</b>
Market Value Reconciliation					
	<b>One Month</b>	<b>Three Months</b>	<b>Year to Date</b>		
Beginning Market Value (\$)	126,228,882	126,406,325	126,406,325		
Net Inflows/Outflows (\$)	-471,726	-1,623,026	-1,623,026		
Net Market Gain/Loss (\$)	2,978,933	3,952,789	3,952,789		
Ending Market Value (\$)	128,736,088	128,736,088	128,736,088		

Ms. Serene reviewed over the market value reconciliation report:

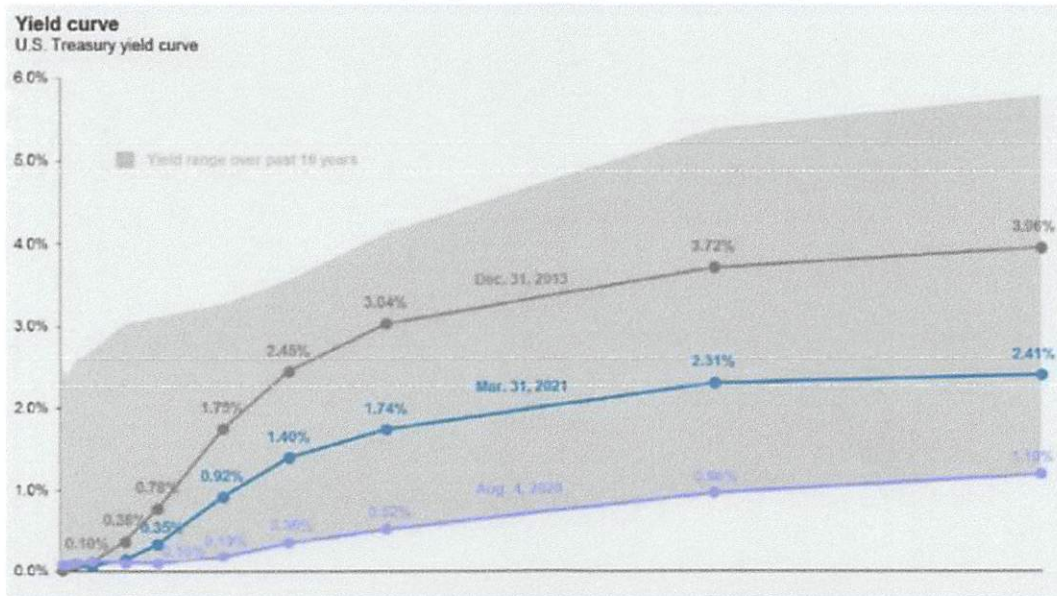
	One Month	Three Months	Year to Date	FYTD 09/30
Beginning Market Value (\$)	126,228,882	126,406,325	126,406,325	111,814,319
Inflows (\$)	132,940	366,065	366,065	6,808,542
Outflows (\$)	-604,666	-1,989,092	-1,989,092	-4,180,143
Net Inflows / Outflows (\$)	-471,726	-1,623,026	-1,623,026	2,628,399
Appreciation / Depreciation (\$)	2,976,220	3,949,276	3,949,276	14,289,858
Income Earned (\$)	2,713	3,513	3,513	3,513
Net Market Gain/Loss (\$)	2,978,933	3,952,789	3,952,789	14,293,371
Ending Market Value (\$)	128,736,088	128,736,088	128,736,088	128,736,088

Ms. Serene reviewed the Fund’s performance over Q-1 for 2021, 3.18% compared to the benchmark of 3.02%; FYD, 12.43% compared to the benchmark 12.07%; and the trailing one-year period, 31.97% compared to the benchmark of 12.07%.

**INVESTMENT MONITOR REPORT:**

Mr. Frank Wan made the presentation to the Board on behalf of Burgess Chambers & Associates. He opened with a presentation on Cryptocurrency. He reviewed over the two types, decentralized and centralized. In April, China began a centralized Cryptocurrency and the China Central Bank began testing it cross-border.

Mr. Wan showed COVID-19 vaccine optimism is promoting a steeper yield curve, causing higher inflation than expected. Below, he highlighted changes between August 2020 and March 2021:



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Forecasts are not a reliable indicator of future performance. Positive yield does not imply positive return. Guide to the Markets – U.S. Data are as of March 31, 2021.

- For the quarter, the Fund was up +3.1% gross (or +2.9% net; \$3.8 million), ahead of the Policy Benchmark (+2.2%).
- The best performing asset category was Multi-Asset Core (+6.7%).
- For the one-year period, the Fund experienced a market-based gain of \$30.9 million or +31.7% gross (+30.8% net), behind the Policy Benchmark (+32.2%).
- The best performing asset category was Multi-Asset Core (+51.0%).
- For the three and five-year periods, the Fund earned +8.5% and +8.8% net, respectively.
- In February, the Fund was rebalanced in accordance with the new asset allocation targets.

Mr. Wan then reviewed over the Asset Allocation of the Fund along with the Net performance. Currently, there are no recommendations to make any changes to the plan:

**Boynton Beach Police Pension Fund  
Asset Allocation & Performance - Net  
March 31, 2021**

	Market Value	QTD ROR - Rank	FYTD ROR - Rank	1 Year ROR - Rank	3 Year ROR - Rank	5 Year ROR - Rank
<b>Total Fund</b>	128,623,648	2.9	11.9	30.8	8.5	8.8
<b>Policy Benchmark</b>		2.2	11.3	32.2	10.8	10.3
Russell 1000 Index Fund - SR I	13,132,584	5.9 (61)	N/A	N/A	N/A	N/A
Russell Large Cap Defensive Equity (CF)	20,985,229	6.5	17.7	45.5	14.2	13.6
Russell 1000 Index		5.9	20.4	60.6	17.3	16.7
Russell Multi-Asset Core (CF)	50,489,749	6.5	21.5	49.7	7.8	9.8
Multi-Asset Core Composite Index		4.7	18.4	45.7	10.8	11.3
Russell Multi-Manager Bond (CF)	36,289,441	-3.7	-2.0	5.1	4.9	3.5
Fixed Income Benchmark		-3.4	-2.7	0.7	4.7	3.1
Russell Real Estate Equity (CF)	7,162,685	0.0	1.1	-0.2	3.2	4.8
Real Estate Benchmark		2.1	3.4	2.3	5.1	6.4
Russell ST Inv Cash Sweep (CF)	563,960	0.0	0.0	0.0	2.5	1.8
ICE BofAML 3 Month U.S. T-Bill		0.0	0.1	0.1	1.5	1.2

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)

After completion of the Investment reports the Board moved into discussion regarding hearing a presentation from an investment company outside of Russell Investments. Trustee Daniel Dugger was approached by Jeff Marano requesting to be placed on the agenda for a presentation to the Board on alternative investments. Administrator Louis Penque contacted Chairman Jason Llopis regarding the addition. Chairman Llopis elected to have a Board discussion with input from the Investment Advisor Frank Wan prior to placing such presentations on the agenda.

The product discussed was Affiliated Housing Impact Fund. After some discussion the Board decided to receive an educational presentation from Investment Advisor Frank Wan on such Alternative Investments.

Chairman Jason Llopis will contact Investment Advisor Frank Wan to determine when this session will take place.

**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 1<sup>st</sup>, 2021. She does recommend the forms be filed by e-mail.

Attorney Jensen reviewed memoranda included in the meeting packet:

- 1) IRS Milage Rate for 2021.
- 2) Federal E-Verify program registration.

There was an update on terminated members Antico and Brown.

**PLAN ADMINISTRATOR REPORT:**

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

Rocky Zavattaro resigned from employment on 5/2/2021. He is a vested deferred member who is requesting his accumulated leave be paid directly to him from the City and avoid the monies being sent to the Pension Board for distribution. The Board approved this recommendation

The Board was advised the Liability Insurance premium was paid.

There was a brief discussion over changing the pension ordinance section 18-169 to reflect the correct date when members began making the 1% pension contribution toward the two special pays that are administered each year on June 1st and December 1<sup>st</sup>. The current language states the contributions began on October 1<sup>st</sup>, 2001 and are to cease after 20 years of contributions. The actual date the additional pension contribution deduction began was February 15<sup>th</sup>, 2002. The Board was supplied with the legislative language of the Pension Ordinance change. A motion was made by Trustee Russell Faine to move forward with the proposed changes. The motion was seconded by Trustee Brian McDeavitt. The motion passed without opposition.

The Board was advised the plan registration for E-Verify was completed.



The June 1<sup>st</sup> special pay was presented to the Board which totaled \$280,044.45. Five new members are now eligible to collect this benefit:

- 1) Gary Garofalo
- 2) Lisa Harrison
- 3) Greg Koch
- 4) Richard McNevin
- 5) Charles Turco

A Motion was made by Trustee Brian McDevitt to approve the June 1<sup>st</sup> special pay, and it was seconded by Trustee Russell Faine. The motion passed without opposition.

Retirements for this quarter:

- a) Theresa Everett 04/01/2021
- b) Charles Turco 06/01/2021
- c) Peter Zampini 06/01/2021
- d) Rocky Zavattaro 5/2/2021 Vested Deferred

Members entering the DROP this quarter:

None

There was a review over the trustees who terms will expire on December 31<sup>st</sup>, 2021

Trustee Russell Faine Board Appointed Trustee

Trustee Brian McDevitt elected Trustee

**NEW/UNFINISHED BUSINESS:**

None

**ADJOURN:**

The meeting was adjourned at 1:12 PM.

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

  
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Jason Llopis, Chairman  
FOR THE BOARD

Russell Faine, Secretary