

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

August 10, 2021

10:33 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 Secretary Russell Faine on August 10th, 2021, at 10:33 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. Russell Faine -Secretary, Mr. Brian McDeavitt-Trustee; Mr. Daniel Dugger-Trustee; Mr. Michael Kelley-Trustee.

TRUSTEES ABSENT:

Mr. Jason Llopis -Chairman

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

OTHERS PRESENT:

Mr. Louis Penque – Plan Administrator

Mr. Frank Wan – Burgess Chambers & Associates

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

PRESENTORS ATTENDING BY AUDIO VIDEO:

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

Ms. MJ Serene, Darrin Hogsed, Darren Spencer – Russell Investments

PUBLIC DISCUSSION:

None

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

The Board reviewed the May 11th, 2021, City of Boynton Beach Police Officers' Pension Fund meeting minutes. Trustee Brian McDeavitt made a motion to approve the May 11th, 2021, meeting minutes which was seconded by Trustee Daniel Dugger. The motion passed unanimously 4-0 with no Board members opposing the motion.

WARRANTS:

The Board reviewed warrants 479 through 500. 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 4-0 with no Board members opposing the motion.

ATTORNEY REPORT:

Due to the time restrictions of some trustees and the need for a quorum to be present for approval of items, we moved on to the Attorney report.

Attorney Bonni Jensen presented proposed language for the City Pension Ordinance. The language is for clarification of eligibility for members collecting benefits. It also clarifies age and years of service for eligibility to collect an early benefit. This language does not change the current practice of the plan, it is for clarification of the Ordinance.

After some discussion Trustee Brian McDeavitt made a motion to approve the additional proposed ordinance language. The motion was seconded by Trustee Daniel Dugger. The motion passed unanimously 4-0 with no Board members opposing the motion.

Attorney Bonni Jensen is going to send the language to Actuary Pete Strong for his review. After the actuary review, the language will be sent to the city commission for their approval.

Attorney Bonni Jensen advised the board that the Pension Ordinance Change to Section 18-169 was approved by the City Commission on July 20th, 2021. This language changed the date of the members 1% pension contribution to cease after 20 years of service to February 15th, 2022. The previous date for this was October 1st, 2022. The pension board approved this change at the May 11th, 2021, meeting.

Attorney Bonni Jensen concluded her report and Administrator Penque presented the Board with the Administrative Expense Budget for FY 2021/2022. After some discussion, Trustee Brian

McDeavitt made a motion to approve the Administrative Expense Budget. The motion was seconded by Trustee Daniel Dugger. The motion passed unanimously 4-0 with no Board members opposing the motion.

AUDITORS INTRODUCTIONS:

Ms. Jeanine Bittinger and Mr. Richard Cristini attended the meeting and introduced Mr. Chuck Landers as one of the shareholders with Saltmarsh, Cleaveland and Gund.

INVESTMENT REPORT:

Ms. MJ Serene began the presentation advising the Board her position was changing, and she would no longer be the primary Investment advisor. Ms. MJ Serene introduced Darrin Hogsed as her replacement. Ms. MJ Serene advised that she will remain as a back-up to Darrin Hogsed.

Ms. MJ Serene then introduced Darren Spencer to the Board who gave a presentation on Private Equity and Private Credit

Mr. Darrin Hogsed began his presentation discussing the best performing sectors in 2020 and 2021.

U.S. equity: (Russell 3000® Index) U.S. stock index which includes the 3,000 largest U.S. stocks as measured by market capitalization
Non-U.S. developed equity: (MSCI EAFE Index) International market index that includes Western Europe, Japan, Australia
Emerging markets: (MSCI Emerging Markets Index) Emerging markets index that includes S. Korea, Brazil, Russia, India and China
U.S. bonds: (Bloomberg Barclays U.S. Aggregate Bond Index) Broad index for U.S. Fixed Income market
Global REITs: (FTSE EPRA/NAREIT Developed Index) Index for global publicly traded real estate securities
Commodities: (Bloomberg Commodity Index Total Return) Broad index of common commodities

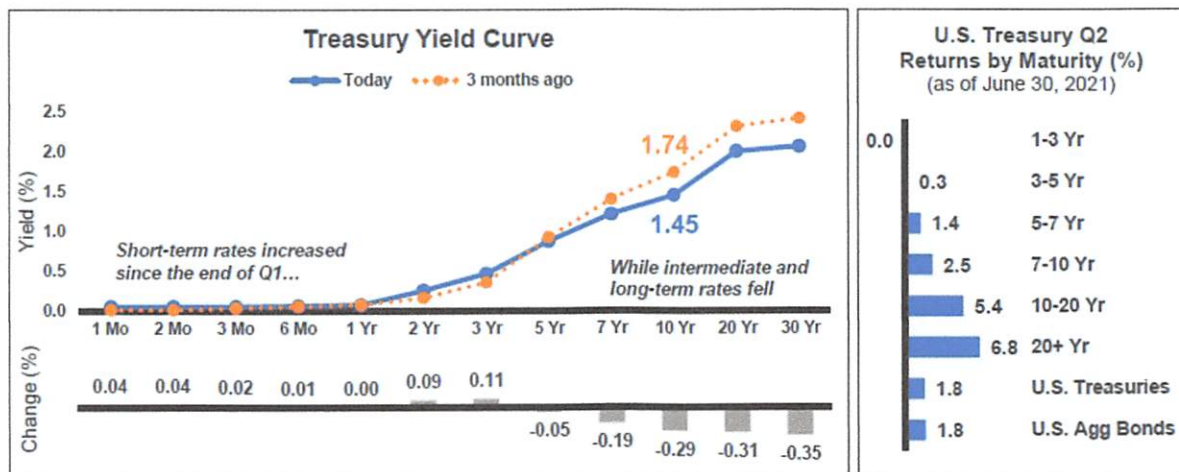
CAPITAL MARKETS 2Q 2021:

- **U.S. equity** up on positive economic data. Most sectors were in positive territory for 2Q 2021.
- **Non-U.S. developed equity** up on continued vaccine rollouts and strong corporate earnings.
- **Emerging markets** up in 2Q on accelerated vaccine rollouts despite concerns of inflation and central banks tightening policy.
- **U.S. bonds** up across most sectors as long-term U.S. Treasury yields declined despite inflation concerns.
- **Global REITs** rebounded on hopes of post-pandemic reopening.
- **Commodities** up as energy led other sectors. Soybean oil was the top performer, platinum was the worst performer.

Mr. Hogsed discussed Value versus Growth stocks. Growth is currently outperforming Value, but historically Value is poised for a comeback.

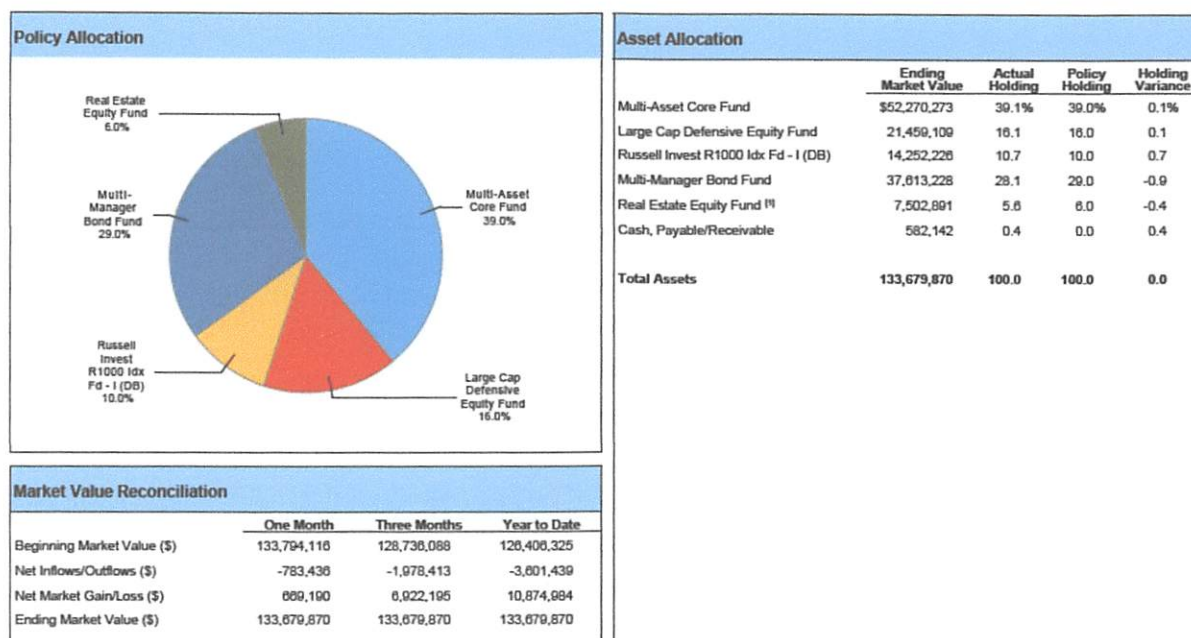


Mr. Hogsd concluded his presentation discussing the interest and the yield curve flattening as long-term rates fall.



- The yield curve is a visual depiction of the relationship between the yields of varying maturities of Treasury securities
- Short-term rates are influenced by the Fed's interest rate policy, while long-term yields are also impacted by expectations around future economic growth, inflation and appetite for risk
- The yield curve flattened during Q2 (short-term rates rose and long-term rates fell) as the market's expectations around the timing of future rate hikes by the Federal Reserve accelerated

Ms. Serene began her presentation to the Board. Ms. Serene advised this was a good quarter. Ms. Serene highlighted the passive index fund as the best performing this quarter at 8.53%. She then went into the review of the current Asset Allocation:



Ms. Serene reviewed over the market value reconciliation report:

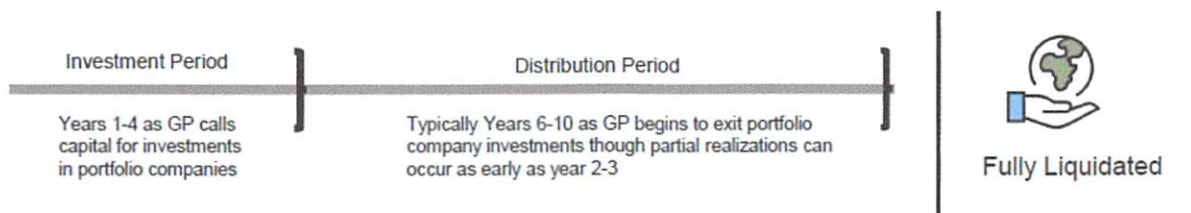
	One Month	Three Months	Year to Date	FYTD 09/30
Beginning Market Value (\$)	133,794,116	128,736,088	126,406,325	111,814,319
Inflows (\$)	127,293	387,054	753,119	7,195,595
Outflows (\$)	-910,728	-2,365,467	-4,354,558	-8,545,610
Net Inflows / Outflows (\$)	-783,436	-1,978,413	-3,601,439	649,986
Appreciation / Depreciation (\$)	669,190	6,922,195	10,871,471	21,212,052
Income Earned (\$)	0	0	3,513	3,513
Net Market Gain/Loss (\$)	669,190	6,922,195	10,874,984	21,215,565
Ending Market Value (\$)	133,679,870	133,679,870	133,679,870	133,679,870

Ms. Serene reviewed the Fund's performance over Q-2 for 2021, 5.27% compared to the benchmark of 5.47%; FYD, 17.97% compared to the benchmark 17.04%; and the trailing one-year period, 22.63% compared to the benchmark of 23.09%.

Darren Spencer then began his presentation on Private Equity and Private Credit. Mr. Spencer explained to the Board private equity is anything not traded publicly as he reviewed over the 5 groups below:



Mr. Spencer explained the long-term commitment to this type of funding and that the fees are high compared to traditional investments. In a 20-year chart Private Equity outperformed public equity on an average of 662bps, which accounts for the increase fees.



Mr. Spencer also explained Private Credit investment to the board:

- Private credit refers to loans by non-bank lenders that are not traded and are unrated
- Bank consolidations that began in the mid 1990's led to a curtailment of lending to small and medium sized enterprises

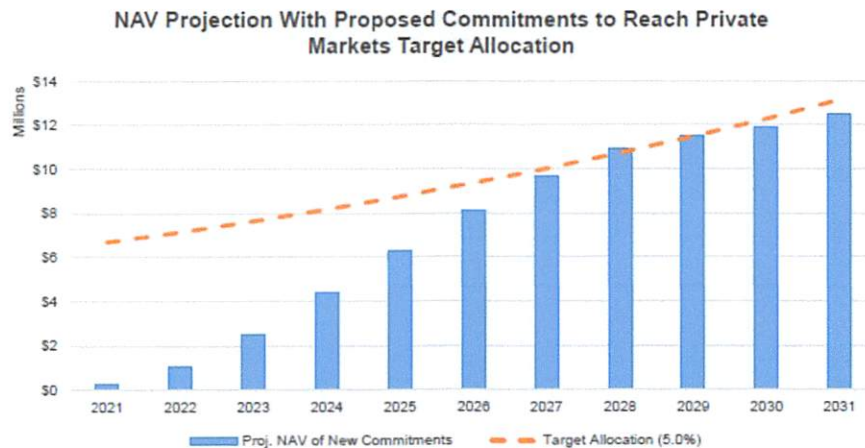
Bank regulations following the 2008 Global Financial Crisis further accelerated this curtailment and resulting in reduced lending activity

As traditional sources of financing became less available, capital from private credit funds filled the void

Private credit is sometimes referred to as private debt or direct lending

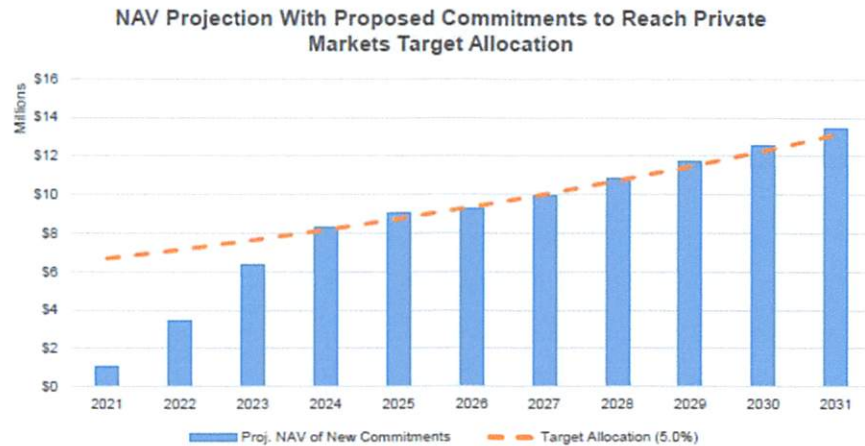
Mr. Spencer explained that the maturity in Private Credit is shorter in duration than Private Equity. Private Credit is approximately 3-4 years where Private Equity is 6-10 years. Mr. Spencer concluded his presentation with a review of a commitment forecast for Private Equity and Private Credit:

Private Equity Commitment Forecast



Forecasted Exposures (Millions)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Portfolio Size	\$133.5	\$142.8	\$152.8	\$163.5	\$175.0	\$187.2	\$200.3	\$214.4	\$229.4	\$245.4	\$262.6
Target Allocation (5.0%)	\$6.7	\$7.1	\$7.6	\$8.2	\$8.7	\$9.4	\$10.0	\$10.7	\$11.5	\$12.3	\$13.1
Over/(Under) Exposure (\$)	-\$6.4	-\$6.1	-\$5.2	-\$3.8	-\$2.4	-\$1.2	-\$0.3	\$0.2	\$0.1	-\$0.4	-\$0.6
Over/(Under) Exposure (%)	-96.1%	-85.7%	-67.6%	-46.4%	-27.8%	-13.0%	-3.3%	1.8%	0.6%	-2.9%	-4.8%
Proposed New Commitments	\$5.0	\$3.0	\$2.0	\$1.5	\$1.8	\$2.0	\$2.5	\$3.0	\$3.3	\$3.5	\$3.5
Proj. NAV of New Commitments	\$0.3	\$1.0	\$2.5	\$4.4	\$6.3	\$8.1	\$9.7	\$10.9	\$11.5	\$11.9	\$12.5
New Forecasted NAV	\$0.3	\$1.0	\$2.5	\$4.4	\$6.3	\$8.1	\$9.7	\$10.9	\$11.5	\$11.9	\$12.5

Private Credit Commitment Forecast



Forecasted Exposures (Millions)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Portfolio Size	\$133.5	\$142.8	\$152.8	\$163.5	\$175.0	\$187.2	\$200.3	\$214.4	\$229.4	\$245.4	\$262.6
Target Allocation (5.0%)	\$6.7	\$7.1	\$7.6	\$8.2	\$8.7	\$9.4	\$10.0	\$10.7	\$11.5	\$12.3	\$13.1
Over/(Under) Exposure (\$)	-\$5.7	-\$3.7	-\$1.2	\$0.1	\$0.3	-\$0.1	-\$0.1	\$0.1	\$0.3	\$0.3	\$0.3
Over/(Under) Exposure (%)	-84.7%	-51.6%	-16.4%	1.5%	3.2%	-0.8%	-1.1%	0.9%	2.3%	2.6%	2.3%
Proposed New Commitments	\$3.0	\$3.0	\$2.5	\$2.5	\$3.0	\$3.3	\$3.5	\$3.8	\$4.0	\$4.3	\$4.5
Proj. NAV of New Commitments	\$1.0	\$3.5	\$6.4	\$8.3	\$9.0	\$9.3	\$9.9	\$10.8	\$11.7	\$12.6	\$13.4
New Forecasted NAV	\$1.0	\$3.5	\$6.4	\$8.3	\$9.0	\$9.3	\$9.9	\$10.8	\$11.7	\$12.6	\$13.4

INVESTMENT MONITOR REPORT:

Mr. Frank Wan made his presentation to the Board on behalf of Burgess Chambers & Associates. He opened with a recommendation to rebalance international equity by liquidating \$4,500,000 from the Russell Multi-Core Fund and purchase additional shares of the Russell 1000 Index fund. This will keep the plan in compliance with federal regulations keeping below the 25% allocation to International.

After some discussion Trustee Brian McDevitt made a motion to approve the rebalance of \$4,500,000 from the Russell Multi-Core Fund and purchase additional shares of the Russell 1000 Index fund. The motion was seconded by Trustee Daniel Dugger. The motion passed unanimously 3-0 with no Board members opposing the motion. Trustee Russell Faine was absent for the vote.

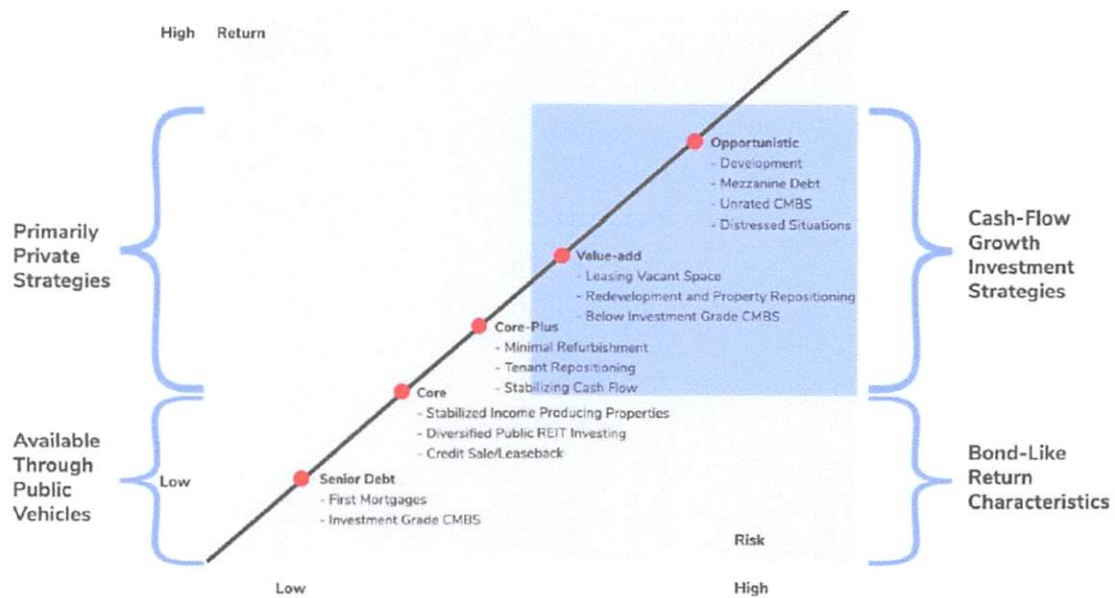
Mr. Wan provided a review of the plans investment summary:

- For the quarter, the Fund was up +5.5% gross (or +5.3% net; \$7.0 million), similar to the Policy Benchmark (+5.7%). The best performing asset category was the Russell 1000 Index (+8.5%).
- For the one-year period, the Fund experienced a market-based gain of \$25.7 million or +23.3% gross (+22.5% net), close behind the Policy Benchmark (+23.9%). The best performing asset category was Multi-Asset Core (+36.1%).
- For the three and five-year periods, the Fund earned +10.0% and +9.3% net, respectively.

Mr. Wan then reviewed over the Asset Allocation of the Fund along with the Net performance:

Boynton Beach Police Pension Fund Asset Allocation & Performance - Gross June 30, 2021						
	Market Value	QTD ROR - Rank	FYTD ROR - Rank	1 Year ROR - Rank	3 Year ROR - Rank	5 Year ROR - Rank
Total Fund	133,709,583	5.5 (40)	18.4 (71)	23.3 (79)	10.8 (66)	10.1 (76)
Policy Benchmark		5.7	17.7	23.9	12.3	11.0
Russell 1000 Index Fund - SR I	14,252,226	8.5	N/A	N/A	N/A	N/A
Russell Large Cap Defensive Equity (CF)	21,459,109	6.7	25.9	34.4	16.3	15.1
Russell 1000 Index		8.5	30.7	43.1	19.2	18.0
Russell Multi-Asset Core (CF)	52,270,273	6.4	29.8	36.1	10.4	11.4
Multi-Asset Core Composite Index		6.5	26.2	34.0	12.5	12.2
Russell Multi-Manager Bond (CF)	37,613,228	2.6 (7)	0.7 (26)	2.2 (27)	6.6 (18)	3.9 (34)
Fixed Income Benchmark		1.8	-0.9	-0.3	5.3	3.0
Russell Real Estate Equity (CF)	7,532,604	3.9	7.5	8.1	5.9	6.9
Real Estate Benchmark		3.9	7.5	8.0	5.7	6.7
Russell ST Inv Cash Sweep (CF)	582,142	0.0	0.0	0.0	2.5	1.8
ICE BofAML 3 Month U.S. T-Bill		0.0	0.1	0.1	1.3	1.2

Mr. Wan then moved into a presentation to educate the board on real estate investments. The presentation began with an explanation of the Real Estate risk- return spectrum:



Mr. Wan then gave a detailed description on three Real Estate Alternatives Investment Managers:

- TerraCap: Event Driven / Core Plus & Value-Add
- Affiliated Development: Niche / Opportunistic
- Bloomfield: Bridge Loan & Private Debt / Opportunistic

At this time there are no recommendations being made. This presentation is educational as requested by the board. Mr. Wan will provide continued education as needed.

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)

PLAN ADMINISTRATOR REPORT:

Mr. Penque reported the following updates since the last Board meeting:
 The annual F-1 forms were approved for all trustees except for Trustee Michael Kelley. Attorney Jensen will be sending Trustee Kelley a new e-mail address for him to file with the state.

Administrator Penque presented the Board with a state letter that was received on July 27th, 2021. The letter had state recommendations that will need to be addressed in the future actuary reports. The recommendation is being based on the October 1, 2019, valuation report when the assumption rate of return was 7.25%. The state is recommending that the assumption rate be lowered to 5.75% to 6.75%. The board did lower the assumption to 7.00% on October 1st, 2020, after the completion of the last valuation report. Attorney Jensen will address the letter with the actuary to address the State's recommendation in the upcoming valuation report.

Administrator Penque brought a question to the Board as it related to the two special pays that are distributed to the retirees annually. The actuary reviewed the June 1st special pay, it is his belief that the surviving spouses should be adjusted to reflect their benefit selection. The June 1st payment was not adjusted and was distributed as the past practice since inception of the benefit. Attorney Jensen will review this and advise the Board at the November meeting with a recommendation on adjusting the surviving spouse benefit pay.

Retirements for this quarter:

- a) Median Diaz 07/01/2021

Members entering the DROP this quarter:

- a) Anthony Felitti 7/1/2021

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

Trustee Russell Faine Board Appointed Trustee

Trustee Brian McDeavitt elected Trustee


NEW/UNFINISHED BUSINESS:

None

ADJOURN:

The meeting was adjourned at 12:18 PM.

Next Regular Scheduled Meeting: November 09, 2021, at 10:30 AM.



Jason Llopis, Chairman

FOR THE BOARD