

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

November 09, 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 November 09th, 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:

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

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

PRESENTORS ATTENDING BY AUDIO VIDEO:

Mr. Darrin Hogsed, – Russell Investments

Mr. Pete Strong – GRS

PUBLIC DISCUSSION:

None

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

The Board reviewed the August 10th, 2021, City of Boynton Beach Police Officers' Pension Fund meeting minutes. Secretary Russell Faine made a motion to approve the August 10th, 2021, meeting minutes which was seconded by Trustee Brian McDeavitt. The motion passed unanimously 4-0 with no Board members opposing the motion.

WARRANTS:

The Board reviewed warrants 501 through 520. After review and consideration, Trustee Brian McDeavitt made a motion to approve as presented, which was seconded by Secretary Russell Faine. The motion passed unanimously 4-0 with no Board members opposing the motion.

10:49 hours Trustee Danial Dugger entered meeting.

ACTUARY REPORT:

Mr. Pete Strong from GRS began his presentation with a recommendation for the Board to lower the assumption rate of return for a second year in a row. This recommendation is based on the Capital Market Assumption Rates prediction that future returns will not make the current rate of 7%.

Mr. Strong recommended that the Board reduce the assumption rate 15-20 basis points.

After discussion with Board members Trustee Brian McDeavitt made a motion to lower the current assumption rate 10 basis points taking the assumption rate from 7% to 6.9% effective date 10/01/2021. This motion was seconded by Secretary Russell Faine. The motion passed unanimously 5-0 with no Board members opposing the motion.

The Board then moved into discussion over the recent engagement letter that was received by GRS for conducting the Fund's annual state report.

The Fund's annual state report has historically been completed by SALTMARSH. Attorney Bonni Jensen explained to the Board that SALTMARSH will no longer be able to complete the Fund's Annual State Report due to a recent personal shortage, but SALTMARSH will continue to complete the financial statements for the Fund. SALTMARSH contacted GRS and asked for their assistance to complete the annual state report this year.

After Board discussion Trustee Danial Dugger made a motion to accept the engagement letter and proposed fees associated with completing the annual state report by GRS. This motion was seconded by Trustee Brian McDeavitt. The motion passed unanimously 5-0 with no Board members opposing the motion. Administrator Louis Penque was directed to contact Jeff Amrose from GRS to advise him of the Board's acceptance of the engagement letter.

The Board was then presented with new language drafted by Attorney Bonni Jensen to clarify language in the pension ordinance. This clarification was the result of discussion in the previous meeting regarding early retirement eligibility at age 50 with 10-year vesting. This language also clarified vested deferred members with 15 years of service eligibility to collect at age 50.

After Board discussion Trustee Daniel Dugger made a motion to accept the new ordinance language and for it to be retroactive in effect to July 1st, 2020. This motion was seconded by Trustee Brian McDeavitt. The motion passed unanimously 5-0 with no Board members opposing the motion.

Once this is approved by the City Commission, member Rita Swan will be eligible for a 13-month repayment. Ms. Swan began collecting her pension on 09-01-2021 which marked her "would have been 20 years of service". Ms. Swan separated service in 09/2016 with 15.7 years of service. Once this ordinance language is approved by the City Commission, Ms. Swan eligibility date will change to August 2020. The actuary has already completed the new benefit calculation.

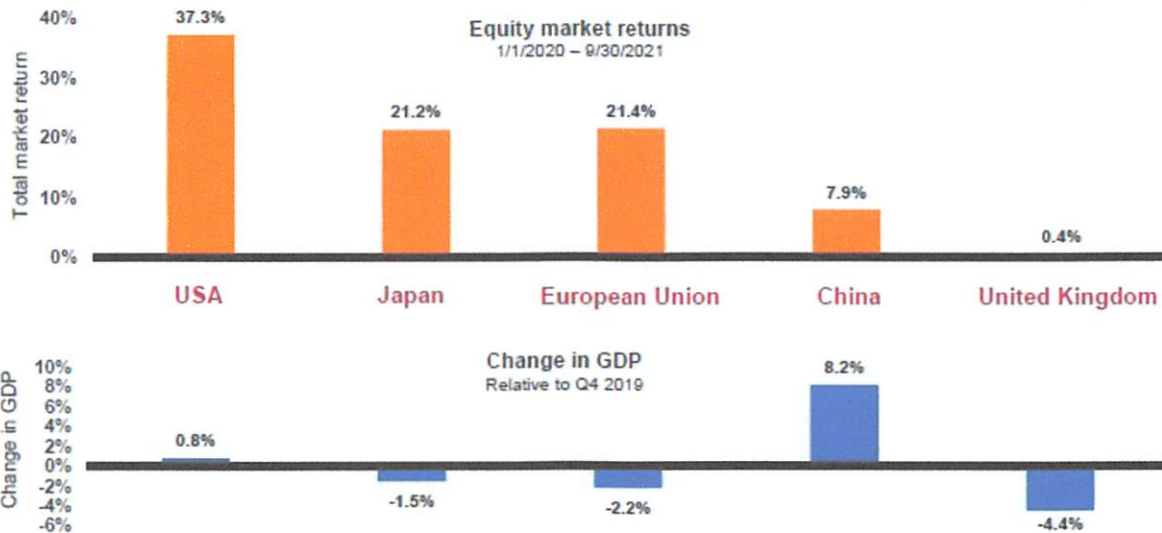
There was Board discussion on changing the early retirement penalty to match the plan multiplier of 3% percent replacing the current rate of 1.5%. After Board discussion it was decided to not change the penalty since the savings to the Fund would not be significant.

INVESTMENT REPORT:

Mr. Darrin Hogsed began the presentation of the investment report advising the previous quarter was relatively flat, and we are still Globally the recovery stage from the pandemic. Mr. Hogsed also echoed the information presented by Mr. Pete Strong forecasting capital market assumptions will be trending downward in the future.

Recoveries across the globe

U.S. has made full recovery while many other economies still catching up



Economic activity is above pre-covid levels in U.S. and China but still recovering in other major developed regions.
Non-U.S. markets may have larger upside as reopening continues.

Mr. Hogsted discussed the recent concern over inflation, which he believes is transitory and he expects to see recovery in the next 5-6 months:

Tracking inflation

Signs of slowing after recent acceleration

Monthly price increases for select categories (%)

Category	2020												2021							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
All items	0.1	0.1	-0.4	-0.8	-0.1	0.6	0.6	0.4	0.2	0.0	0.2	0.2	0.3	0.4	0.6	0.8	0.6	0.9	0.5	0.3
Lodging away from home	0.2	2.0	-6.8	-7.1	-1.5	1.2	1.2	0.9	-0.4	-3.2	3.9	-0.3	-1.9	-2.3	3.8	7.6	0.4	7.0	6.0	-2.9
Public transportation	0.2	0.2	-8.5	-9.4	-3.8	1.5	3.4	-1.2	1.3	2.6	2.5	-1.0	-1.7	-2.3	0.7	5.8	4.0	2.4	0.4	-5.5
Used cars and trucks	-1.2	0.4	0.8	-0.4	-0.4	-1.2	2.3	5.4	6.7	-0.1	-1.3	-0.9	-0.9	-0.9	0.5	10.0	7.3	10.5	0.2	-1.5
Car and truck rental	1.2	-2.2	-6.9	-16.6	-3.5	17.5	4.0	4.6	4.9	7.4	4.4	-4.5	-1.1	7.4	11.7	16.2	12.1	5.2	-4.6	-8.5
Airline fares	0.7	-0.3	-12.6	-15.2	-4.9	2.6	5.4	1.2	-2.0	6.3	3.5	-2.5	-3.2	-5.1	0.4	10.2	7.0	2.7	-0.1	-9.1
Energy	-0.7	-2.0	-5.8	-10.1	-1.8	5.1	2.5	0.9	0.8	0.1	0.4	2.6	3.5	3.9	5.0	-0.1	0.0	1.5	1.6	2.0
Food	0.2	0.4	0.3	1.5	0.7	0.6	-0.4	0.1	0.0	0.2	-0.1	0.3	0.1	0.2	0.1	0.4	0.4	0.8	0.7	0.4

March – May 2020	June – Nov. 2020	March – June 2021	July – Aug. 2021
<i>Sharp drop in prices due to initial Covid shock</i>	<i>Gradual price increases as lockdowns ease</i>	<i>Prices spike on vaccines and pent-up demand</i>	<i>Increases pause after surge from re-opening</i>

Re-opening categories have had some of the largest price increases in 2021, however recent pressures have started to subside.

Mr. Darrin Hogsed advised the best performing sector for the quarter was Real Estate Equity Fund at 5.31% while the entire Funds' performance was .09% net and for the FY 20-21 was 18.08%. Mr. Hogsed then reviewed over the Fund's asset allocation.

Policy Allocation		Asset Allocation				
		Ending Market Value	Actual Holding	Policy Holding	Holding Variance	
		Multi-Asset Core Fund	\$46,517,652	35.0%	35.0%	-0.0%
		Large Cap Defensive Equity Fund	20,895,628	15.7	16.0	-0.3
		Russell Invest R1000 Idx Fd - I (DB)	18,626,357	14.0	14.0	0.0
		Multi-Manager Bond Fund	38,471,189	28.9	29.0	-0.1
		Real Estate Equity Fund ⁽¹⁾	7,874,733	5.9	6.0	-0.1
		Cash, Payable/Receivable	540,633	0.4	0.0	0.4
		Total Assets	132,926,192	100.0	100.0	0.0
Market Value Reconciliation						
	One Month	Three Months	Year to Date			
Beginning Market Value (\$)	135,882,438	133,679,870	126,406,325			
Net Inflows/Outflows (\$)	357,819	-1,051,790	-4,653,229			
Net Market Gain/Loss (\$)	-3,314,065	298,111	11,173,095			
Ending Market Value (\$)	132,926,192	132,926,192	132,926,192			

Mr. Hogsed advised the forecast for the GDP this year was 7%. They are now adjusting that forecast to 6% and for the following year the forecast is 4%. Overall, a strong performance for

the FY. Mr. Hogsted then explained to the Board this may be a good time to look at Private Equity funds. This Fund is now positioned to diversify into this category. Mr. Hogsted advised the Board Russell does have the products to assist in Alternative Investments should the Board be interested.

Mr. Hogsted concluded his presentation advising the Board of a fee reduction. Russell reviews their plans on an annual basis and this year they are offering the plan a 10% reduction in fees, which equates to an approximate \$90,000.00 savings annually.

Secretary Russell Faine made a motion to accept the fee reduction, which was seconded by Trustee Brian McDeavitt. The motion passed unanimously 5-0 with no Board members opposing the motion.

INVESTMENT MONITOR REPORT:

Mr. Frank Wan made his presentation to the Board on behalf of Burgess Chambers & Associates. He opened with a recommendation to again rebalance the Assets. The recommendation is to move \$2,500,000 (1.7%) from the Russell Large Cap Defensive Equity Fund and purchase additional shares of the Russell 1000 Index fund.

After some discussion Secretary Russell Faine made a motion to approve the rebalancing of \$2,500,000 from the Russell Large Cap Defensive Equity Fund and to the Russell 1000 Index fund. The motion was seconded by Trustee Brian McDeavitt. The motion passed unanimously 5-0 with no Board members opposing the motion.

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

- For the quarter, the Fund was up +0.2% gross (or +0.1% net; \$298K), similar to the Policy Benchmark (+0.3%) and ranking the top 33rd percentile. The best performing asset category was the Russell Real Estate Equity (+5.3%).
- For the one-year period, the Fund experienced a market-based gain of \$21.5 million or +18.7% gross (+18.0% net), outperforming the Policy Benchmark (+18.0%). The best performing asset category was Multi-Asset Core (+29.4%).
- For the three and five-year periods, the Fund earned +9.1% and +8.8% net, respectively.
- On September 10, 2021, the 2020 Premium Tax Distribution of \$895,165 was deposited. \$799,387 was invested in the Multi-Manager Bond Fund and the remaining \$95,778 was invested in the Large Cap Defensive Equity Fund.

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

	Market Value	KUR - Rank	KUR - Rank
Total Fund	132,926,192	0.2 (33)	18.7 (71)
Policy Benchmark		0.3	18.0
Russell 1000 Index Fund - SR I	18,626,357	0.2	N/A
Russell Large Cap Defensive Equity (CF)	20,895,628	0.0	25.9
Russell 1000 Index		0.2	31.0
Russell Multi-Asset Core (CF)	46,517,652	-0.3	29.4
Multi-Asset Core Composite Index		-0.4	25.7
Russell Multi-Manager Bond (CF)	38,471,189	0.2 (23)	0.9 (28)
Fixed Income Benchmark		0.1	-0.9
Russell Real Estate Equity (CF)	7,874,733	5.3	12.7
Real Estate Benchmark		6.6	14.6
Russell ST Inv Cash Sweep (CF)	540,633	0.0	0.0
ICE BofAML 3 Month U.S. T-Bill		0.0	0.1

Mr. Wan spoke to the Board about the best performing investment in the portfolio, their Real Estate Equity Fund, which was 5.3% this last quarter (or 5.0% net of fees). Mr. Wan advised the Board that the Bond Fund may begin to underperform in the future. He followed up advising this may an opportunity to re-allocate some of the Bond Fund allocation to Private Equity Funds. Mr. Wan will get a proposal from Russell Investments to be presented at the next meeting. Russell Investments has a partnership with Hamilton Lane which is an alternative investment management firm providing innovative private market services to investors globally.

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)

ATTORNEY REPORT:

Attorney Bonni Jensen advised the Board that the Antico/Brown case is still in litigation in the Federal Courts with no date set for the conclusion of this issue.

Ms. Jensen reviewed over two memos with the Board:

- 1) Federal and State COVID Benefits for Public Safety Officers
- 2) Federal and Local Death Benefits

After reviewing the memos, we moved into the Plan Administrator's report

PLAN ADMINISTRATOR REPORT:

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

First was a review over the two special pays provided to members in December and June. A question arose in the last meeting; *should payments to surviving spouses be actuarially adjusted according to their benefit selection?* Currently they are not adjusted. There are currently three members who receive benefits as surviving spouses at the 75% form and to whom this would apply:

- 1) Madeline Hamilton
- 2) Linda Parker-Pool
- 3) Delores Lewis

Attorney Jensen reviewed the ordinance and discovered there should be no actuarial adjustment for the December payment, but there should be an actuarial adjustment for the June payment. This has not been followed since the inception of the plan.

A motion was made by Secretary Russell Faine to follow the ordinance from this date forward and not seek the diminutive repayment from the members who may have benefitted. The motion was seconded by Trustee Brian McDeavitt. The motion passed unanimously 5-0 with no Board members opposing the motion. Administrator Penque then presented the Board with the December Special pay, after review:

A motion was made by Secretary Russell Faine to approve the December Special Pay. The motion was seconded by Trustee Brian McDeavitt. The motion passed unanimously 5-0 with no Board members opposing the motion.

Administrator Penque advised the Board the annual Chapter 185 monies were received and deposited in August in the amount of \$895,165.07.

Administrator Penque also advised the City's annual contribution was received and deposited. This year's City Contribution was \$6,689,463.00.

The RMD was completed for the year.

The AAC was signed after the last meeting

Retirements for this quarter:

- a) NONE

Members entering the DROP this quarter:

- a) Ken Roper
- b) Joe DeGiulio

The two Trustee Pension Positions that expire on December 31st, 2021, were addressed.

- 1) Trustee Brian McDeavitt, elected Trustee, was reappointed as he ran unopposed
- 2) Secretary Russell Faine, Board Appointed Trustee, was unanimously reappointed by the Board for another four-year term.

NEW/UNFINISHED BUSINESS:

Administrator Penque advised the Board that Member Craig Hanning was planning on entering the DROP at the end of the month. Mr. Hanning left the agency in May 2006 when the pension multiplier was 3% and he re-joined the agency in March 2012. After reviewing the files, it was determined his first 8 years would be calculated with the 3% multiplier and his second tour of duty would be calculated with the 3.5% multiplier. Attorney Jensen agreed with the interpretation.

ADJOURN:

The meeting was adjourned at 12:29 PM.

Next Regular Scheduled Meeting: February 08, 2022, at 10:30 AM.



Jason Llopis, Chairman
FOR THE BOARD