

BOYNTON BEACH POLICE OFFICERS' PENSION FUND

MINUTES

February 08, 2022

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 08th 2022 at 10:38 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 – Plan Administrator

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

Mr. Darrin Hogsed – Russell Investments

Thomas Ramiccio – Citizen

Ernest Migndi- Citizen

PRESENTORS ATTENDING BY AUDIO VIDEO:

Mr. Frank Wan – Burgess Chambers & Associates

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

PUBLIC DISCUSSION:

None

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

The Board reviewed the November 09th, 2021, City of Boynton Beach Police Officers' Pension Fund meeting minutes. Trustee Dugger made a motion to approve the minutes, which was seconded by Trustee McDeavitt. All Trustees voted yes, and the motion was passed 4-0.

WARRANTS:

The Board reviewed warrants 521 through 540. 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:

Mr. Landers and Ms. Bittinger reviewed the FY2020 and FY2021 financial statements for the Board. Mr. Landers 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. Landers advised the Board Jeanine Bittinger will be retiring this year, and this will be her last meeting with the Pension Board. Mr. Landers was questioned if their firm will continue to provide the annual report. Mr. Landers advised their firm will no longer be providing that service and the actuary is better suited for providing that service.

Mr. Landers reviewed over the Fiduciary Net Position as presented below:

	<u>2021</u>	<u>2020</u>
Additions to Net Position Attributed to:		
Contributions:		
Employer	\$ 5,999,430	\$ 5,815,515
Plan members	1,170,591	1,078,307
Plan members, buy-back	90,244	88,692
Rollover to DROP	148,639	59,006
Total contributions	<u>7,408,904</u>	<u>7,041,520</u>
Intergovernmental revenue:		
Chapter 185 state excise tax rebate	895,165	907,957
Total intergovernmental revenue	<u>895,165</u>	<u>907,957</u>
Investment income:		
Net appreciation in fair value of investments	21,513,314	5,476,179
Interest	3,514	1,190
Other	-	480
Total investment income	<u>21,516,828</u>	<u>5,477,849</u>
Less investment expenses	727,933	741,095
Net investment income	<u>20,788,895</u>	<u>4,736,754</u>
Total additions	<u>29,092,964</u>	<u>12,686,231</u>
Deductions from Net Position Attributed to:		
Benefits:		
Age and service	6,465,907	6,335,735
Disability	467,746	414,539
Beneficiary	278,037	235,278
DROP payments	599,309	770,090
Refunds	13,824	97,633
Administrative expenses	187,230	165,414
Total deductions	<u>8,012,053</u>	<u>8,018,689</u>
Net Increase in Net Position	21,080,911	4,667,542
Net Position Available for Benefits:		
Beginning of year	<u>111,813,658</u>	<u>107,146,116</u>
End of year	<u>\$ 132,894,569</u>	<u>\$ 111,813,658</u>

The Auditors noted the Plan Fiduciary Net Position as a percentage of total pension liability (76.77%) The previous FY was 70.07%. The City's net pension liability is listed below:

The components of net position liability of the City of Boynton Beach (City) as of September 30, 2021 were as follows:

Total Pension Liability	\$ 173,112,174
Plan Fiduciary Net Position	<u>(132,894,569)</u>
City's Net Pension Liability	<u>\$ 40,217,605</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	<u>76.77%</u>

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2020 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.25%
Salary Increase	4.5% to 11.75 depending on age, including inflation
Investment Rate of Return	7.00%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021 are summarized in the following table:

They reviewed the Administrative and Investment Expenses for the fiscal year. The investment fees as a percentage of plan net position did decrease from .66% to .55% and plan Administrative Expenses fell from .15% to .14%. The total, .55% is lower than the 1% considered excellent.

Trustee McDevitt 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.

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

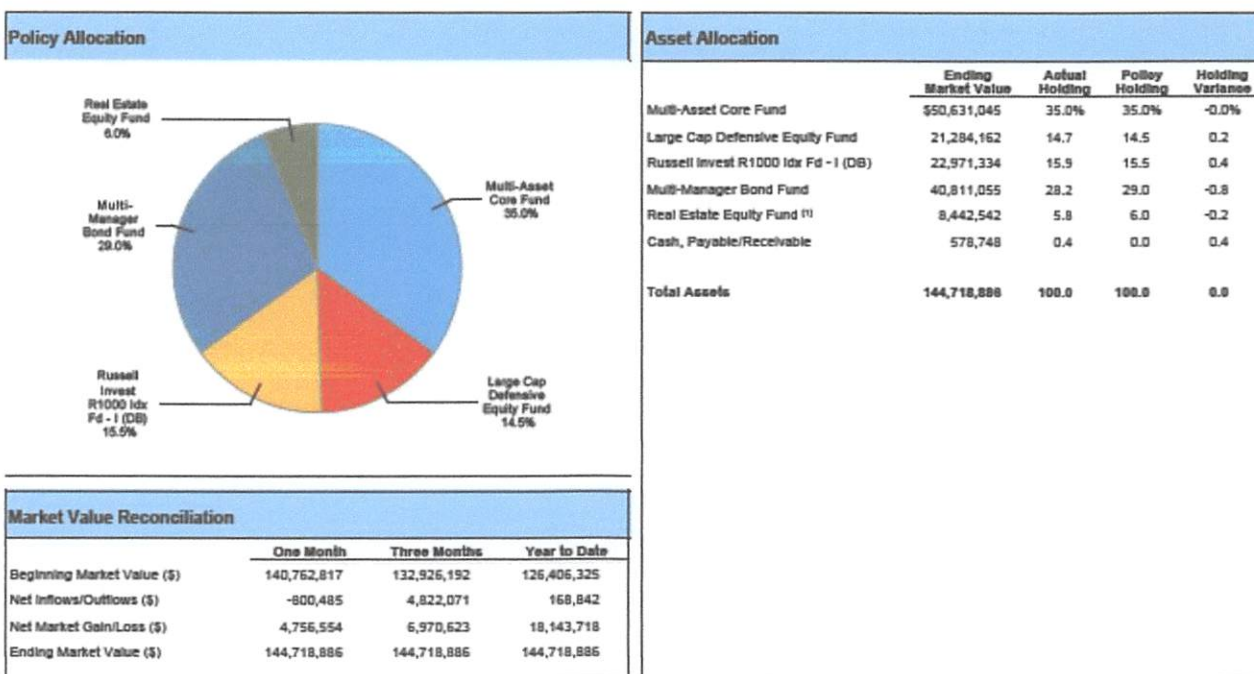
INVESTMENT REPORT:

Mr. Darrin Hogsed made the presentation to the Board on behalf of Russell Investments with a review of Q-1 for FY 21-22. The poor performance off the Bond market will continue through the FY. The performance of Technology Stocks was the top performing stocks over the past two years while Energy and Real Estate were the top performers for 2021.

This last year was difficult for bonds. The one-year performance for this funds Bond performance was (-1.15%) which was slightly better than the benchmarks performance of (-1.54) Some key points on the bond market:

- In 2021 U.S. bonds delivered their 3rd worst return since 1976
- Negative bond returns typically have been offset with strong returns from riskier asset classes, while bonds have helped cushion losses during drawdowns
- Owning a mix of asset classes can help a portfolio across a range of market environments

Mr. Hogsed highlighted that the best performing fund for the past three months was the Large Cap Defensive Equity Fund at 10.84% beating the index of 9.78%. Russell Investments recently added Growth Advisors to assist with its performance. Below is a snapshot of the Policy Allocation along with the actual asset allocation:



Mr Hogsed presented a recommendation based on the bond market performance and prediction of the future performance, that moving 5% of the fund into the Private Equity market. Mr. Hogsed presented a Private Credit product that Russell Investments will be launching by July 30th, 2022. The Fund will receive a 10% fee discount for investing prior to the launch date. After some discussion, Mr. Hogsed will be forwarding the documents to Attorney Jensen and this recommendation will be revisited at the next meeting on May 10, 2022.

As there were no further questions after Mr. Hogsed concluded his 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.

The Standard & Poor's 500 index is currently trading at a 29% premium compared to the long-term average P/E ratio. The top 10 stocks, representing 30.5% of the index, is trading at a 68% premium. The index is considered "top heavy", and the market will likely pay closer attention to this subset of stocks in 2022.



Source: JPMorgan Asset Management. Top 10 companies: AAPL (6.8%), MSFT (6.5%), AMZN (3.9%), TSLA (2.3%), GOOGL (4.3%), NVDA (2.1%), FB (1.9%), BRK (1.3) JPM (1.2%) & JNJ (1.2%).

- For the quarter, the Fund was up +5.1% gross (or +5.0% net; \$7.0 million), similar to the Policy Benchmark (+5.1%) and ranking in the top 14th percentile. The best performing asset category was the Russell Large Cap Defensive Equity (+10.9%).
- For the one-year period, the Fund experienced a market-based gain of \$18.2 million or +14.7% gross (+14.0% net), outperforming the Policy Benchmark (+13.9%) and ranked in the top 21st percentile. The best performing asset category was Russell 1000 Index (+26.5%).
- For the three and five-year periods, the Fund earned +13.1% and +9.7% net, respectively.

Mr. Wan reviewed over the Funds' performance and poor Bond performance and the declining Tech Sector:

	Market Value	QTD ROR - Rank	1 Year ROR - Rank	3 Year ROR - Rank	5 Year ROR - Rank
Total Fund	144,752,641	5.0	14.0	13.1	9.7
Policy Benchmark		5.1	13.9	15.9	11.5
Russell 1000 Index Fund - SR I	22,971,334	9.8 (56)	26.4 (53)	N/A	N/A
Russell Large Cap Defensive Equity (CF)	21,284,162	10.8	25.5	21.4	15.8
Russell 1000 Index		9.8	26.5	26.2	18.4
Russell Multi-Asset Core (CF)	50,631,045	4.7	17.8	13.8	10.0
Multi-Asset Core Composite Index		5.2	17.0	17.3	12.0
Russell Multi-Manager Bond (CF)	40,811,055	-0.3	-1.5	5.6	3.9
Fixed Income Benchmark		0.0	-1.5	4.8	3.6
Russell Real Estate Equity (CF)	8,476,297	7.6	18.3	7.4	7.2
Real Estate Benchmark		8.0	22.2	9.4	8.9
Russell ST Inv Cash Sweep (CF)	578,748	0.1	0.1	0.8	1.8
ICE BofAML 3 Month U.S. T-Bill		0.0	0.0	1.0	1.1

Mr. Wan spoke about the Private Equity/Credit proposal made by Mr Hogsed. Mr Wan recommendation was to take 2.5% - 5% from Fixed income and not from Equities. Mr. Wan also recommended not to make any changes to the Defensive fund as it is positioned to protect the Fund from the projected decline of the market.

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

ATTORNEY REPORT:

Attorney Bonni Jensen advised the dates for the resentencing hearing for Brown and Antico is for March 25th, 2022. The Board will revisit the pension forfeiture depending on the results of the hearing.

Attorney Jensen advised the updated Special Tax Notice was sent out. Administrator Penque acknowledged he received it and advised the new form has been placed on the website.

Attorney Jensen updated the Board on the States COVID bill for presumption. There has been no movement on the Bill, and it will likely not be heard in the house this year. The Federal COVID Bill has been extended for two years for death benefits for the presumption of contracting COVID for LEO.

After speaking with HR Director Julie Oldbury about the Ordinance that was drafted clarifying member eligibility, it was learned the update will be going before City Commission this month.

PLAN ADMINISTRATOR REPORT:

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

Member Gary Lee changed his DROP Interest to 100% guarantee rate of return.

Mr. Penque reported Russell Investments discovered State Street was overcharging for postage to the Fund dating back to November 2017. This issue was corrected and will be monitored by Russell to ensure compliance. State Street did reimburse the Trust \$2,257.23 postage and \$2,389.97 in interest for a total of \$4,647.20.

The application for Fiduciary Liability Application renewal was completed.

GASB 67 & 68 reports were received from the Actuary.

SB 534 report was received and posted to the disclosure page on the website.

Retirements:

- 1) Phillip Hawkins 02/01/2022

DROP Entries:

- 1) Juan Montoya 02/01/2022
- 2) John Dunlop 03/01/2022

NEW/UNFINISHED BUSINESS:

None

ADJOURN:

The meeting was adjourned at 11:59 AM.

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



Jason Lopis, Chairman
FOR THE BOARD