

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

**May 10, 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 May 10<sup>th</sup> 2022 at 10:38 AM. This meeting was held at the Boynton Beach Police Department 2100 High Ridge Road, Boynton Beach, Florida.

**TRUSTEES PRESENT:**

Mr. Jason Llopis -Chairman; Mr. Russel Faine-Secretary/Trustee; 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:**

Mr. Louis Penque – Plan Administrator

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

Ms. Richelle Levy, Special Attorney representing the Board – Lorium Law.

Mr. Darrin Hogsed – Russell Investments

Mr. Frank Wan – Burgess Chambers & Associates

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

Mr. Matt DeJoy – PBA

**PUBLIC DISCUSSION:**

None

**CONSENT AGENDA:**

**APPROVAL OF THE MINUTES:**

The Board reviewed the February 08<sup>th</sup>, 2022, 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 5-0.

**WARRANTS:**

The Board reviewed warrants 541 through 567. 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 5-0.

**ACTUARY REPORT:**

Mr. Strong presented the Actuarial Valuation Report as of October 1, 2021. He first covered the Comparison of Required Employer Contributions which reflected an increase of \$446,616.00. There was an increase as a percentage covered payroll of 03.21%. The significant gains of FY 2021 did not fully offset this increase due to a variety of factors.

Please see chart below:

	For FYE 9/30/23 Based on 10/1/2021 Valuation	For FYE 9/30/22 Based on 10/1/2020 Valuation	Increase (Decrease)
Required Employer/State Contribution As % of Covered Payroll	\$ 7,601,166 58.31 %	\$ 7,154,550 55.11 %	\$ 446,616 3.20 %
Estimated State Contribution As % of Covered Payroll	\$ 465,087 3.57 %	\$ 465,087 3.58 %	\$ 0 (0.01) %
Required Employer Contribution As % of Covered Payroll	\$ 7,136,079 54.74 %	\$ 6,689,463 51.53 %	\$ 446,616 3.21 %

Mr. Strong reviewed the contributing factors and the smoothing of gains and losses over rolling five-year periods in furthering his explanation of the increase.

## ACTUARIAL EXPERIENCE

There was a net actuarial experience loss of \$1,207,414 for the year, which means that actual experience was less favorable than expected. The largest source of experience loss was salary increases (8.7% average actual salary increases actual versus 5.3% expected overall; 8.4% actual versus 4.5% expected for members age 40 and higher, who have more impact on the liability of the Plan than younger members). Salary increase experience by itself caused more than a \$1.8 million experience loss. Mortality experience among retirees was also a significant source of experience loss, adding more than \$1 million to the experience loss (no deaths were reported among retirees versus an expected decrease in retiree payroll due to mortality experience of \$85,478). Additionally, there were more retirements than expected (8 actual versus 7 expected) and fewer terminations than expected (3 actual versus 4 expected). The liability-related experience losses were partially offset by higher-than-expected investment earnings on the actuarial value of assets. The return on the actuarial value of assets was 8.45% versus 7.00% expected. The return on the market value of assets was 18.07%.

## FUNDED RATIO

The funded ratio is 66.9% as of October 1, 2021 compared to 66.3% as of October 1, 2020. The funded ratio would have been 67.8% 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 drafted the following conclusions of this report as follows: It is important to note that the funded ratio was over 96.5% in the year 2000 but is currently 66.9%. 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.

Trustee Faine made a motion to approve the Actuary Report. Trustee McDeavitt seconded the motion. The motion passed unanimously.

The Board agreed to adopt the assumed rate of return at 6.9%. The motion was made by Trustee Brian McDeavitt and it was seconded by Trustee Duggar. The motion passed without opposition.

For purposes of transparency please visit the following link to view the FY 20/21 Actuarial Valuation Report FY 20-21.

[http://bbpdp.org/docs\\_state/ActuarialValuation/Actuarial%20Valuation%20as%20of%20October%201,%202020.pdf#zoom=100](http://bbpdp.org/docs_state/ActuarialValuation/Actuarial%20Valuation%20as%20of%20October%201,%202020.pdf#zoom=100)

Pete Strong discussed the report prepared by GRS for the City of Boynton Beach regarding the contemplated merger with PBSO and the fiscal impact of a plan closure or freeze. Matt DeJoy, representing the Police Benevolent Association, was also in attendance. After some discussion, the matter was tabled pending additional special meetings to support the Board and members through the process.

**SPECIAL ATTORNEY REPORT:**

Ms. Richelle Levy gave a brief update on the pension forfeiture issue for members Michael Brown and Phillip Antico. Ms. Levy attended the Federal re-sentencing hearing during the last week of March 2022. Ms. Levy recently received the transcripts from the hearing. Her preliminary research is leaning towards the convictions not rising to the level required to proceed with the forfeiture of the members’ pensions. Ms. Levy requested some additional time to review the transcripts, draft a memorandum with recommendations, and will request time at a future meeting to present to the Board. Members Antico and Brown will be extended invitations to attend this meeting and address the Board if desired.

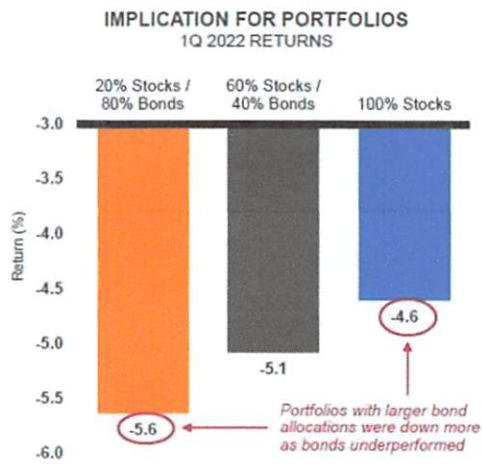
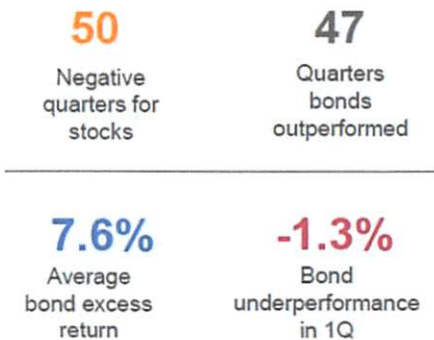
**INVESTMENT REPORT:**

Mr. Darrin Hogsed made the presentation to the Board on behalf of Russell Investments with a review of Q-2 for FY 21-22. He discussed the impact of various events on investments including the Russian invasion of Ukraine, Interest Rate increases, Labor Market conditions, and inflation. The yield curve is starting to show signs of inversion or flattening which is a leading indicator of recession and an important reason for a clear Investment Policy Statement.

**Rare for bonds to be down more than stocks**

Diversification was not rewarded in 1Q 2022

QUARTERS WITH NEGATIVE STOCK RETURNS SINCE 1976



- Stocks and bonds historically have had complementary performance patterns
- For just the 3rd time since 1976 bonds declined more than stocks, uncharacteristically lowering portfolio returns
- Investors should not lose focus on the role of bonds in a portfolio to help protect from extreme market events

Prior to his presentation on alternative investments (Private Equity/Credit), Mr. Hogsed summarized the current assets and recommended no changes to the asset allocation.

Boynton Beach Police Officers Retirement Trust Investment Account - QU7W

Policy Allocation		Asset Allocation			
		<u>Ending Market Value</u>	<u>Actual Holding</u>	<u>Policy Holding</u>	<u>Holding Variance</u>
		\$47,817,246	34.9%	35.0%	-0.1%
		20,088,636	14.7	14.5	0.2
		21,791,163	15.9	15.5	0.4
		37,905,155	27.7	20.0	-1.3
		8,920,726	6.5	6.0	0.5
		541,432	0.4	0.0	0.4
		<b>Total Assets</b>	<b>137,064,358</b>	<b>100.0</b>	<b>100.0</b>
					<b>0.0</b>
Market Value Reconciliation					
	<u>One Month</u>	<u>Three Months</u>	<u>Year to Date</u>		
Beginning Market Value (\$)	136,678,696	144,718,886	144,718,886		
Net Inflows/Outflows (\$)	-540,369	-1,729,092	-1,729,092		
Net Market Gain/Loss (\$)	925,631	-5,925,436	-5,925,436		
Ending Market Value (\$)	137,064,358	137,064,358	137,064,358		

Mr. Hogsd then presented to the Board on the Private Equity/Credit solution offered by Russell. He proposed two options to the Board, investing either 2.5 or 5% of the assets in this alternative investment offering.

## City of Boynton Beach Police Retirement Fund

### 10 Year Assumptions - As of December 31, 2021

Asset Class/Fund	Alpha Return Assumptions*	Beta Return Assumptions**	Beta Standard Deviation Assumptions**	Current	Portfolio 1	Portfolio 2
<b>US Large Cap Equity</b>						
RITC Russell 1000® Index Fund	0.00%	7.77%	16.28%	15.50%	15.50%	15.50%
<b>US Large Cap Defensive Equity</b>						
RITC Large Cap Defensive Equity Fund	1.00%	7.51%	14.87%	14.50%	14.50%	14.50%
<b>US Private Real Estate - smoothed</b>						
RITC Real Estate Equity Fund	0.50%	7.94%	18.68%	6.00%	6.00%	6.00%
<b>US Private Debt</b>						
Private Credit Fund	1.00%	6.15%	3.34%	0.00%	2.50%	5.00%
<b>Multi Asset Core</b>						
RITC Multi-Asset Core Fund	1.50%	7.30%	14.39%	35.00%	35.00%	35.00%
<b>US Agg</b>						
RITC Multi-Manager Bond Fund	0.55%	2.20%	2.83%	29.00%	26.50%	24.00%
<b>NOMINAL RETURN EXPECTATIONS</b>						
<b>Total Annualized Return Assumption - Gross of Fees</b>				6.78%	6.89%	7.00%
<b>Total Standard Deviation Assumption</b>				10.33%	10.34%	10.34%

There was some discussion over fees and timing of investments. Mr. Frank Wan from Burgess was able to provide guidance to the Board on industry standards and benchmarking.

Mr. Wan presented the Board with a revised Investment Policy Statement to align with recommendation to move 5% of assets from Bond investments to the Private Equity/Credit product discussed, identify how the investment will be evaluated, and adjust the policy range allocation. Trustee Faine made a motion to approve the revised IPS, and the motion was seconded by Trustee Duggar. The motion passed 4-0 with Trustee Kelley having left the meeting prior to the vote.

Trustee Duggar made a motion to move 5% of assets from Bond investments to the Private Equity/Credit offering of Russell. The motion was seconded by Trustee McDeavitt and passed 4-0 with Trustee Kelley absent.

#### **INVESTMENT MONITOR REPORT:**

Mr. Frank Wan made the presentation to the Board on behalf of Burgess Chambers & Associates. He began the report with a market overview which focused on Active vs Passive management of funds and the benefits of each. At this time there are no recommendations to move additional funds to the Passive Index Fund, but he will continue to monitor and will advise the Board of any

changes. There was also a review over Historical Geopolitical Events causing market downturns and the average recovery due to such events. The recovery average is approximately 43.2 days.

The following performance of the fund was presented for the quarter:

- ☐ For the quarter, the Fund was down -4.0% gross (or -4.1% net; -\$5.8 million), similar to the Policy Benchmark (-3.8%) and ranking in the top 27th percentile. It was a difficult quarter; bonds lost more than 7% in value.
- ☐ For the one-year period, the Fund experienced a market-based gain of \$8.4 million or +6.6% gross (+6.0% net), behind the Policy Benchmark (+7.2%) and ranked in the top 17th percentile. The best performing asset was Russell Real Estate Equity (+26.0%).
- ☐ For the three and five-year periods, the Fund earned +8.8% and +8.0% net, respectively.

Mr. Wan advised the Board that the fund did perform in the top 17<sup>th</sup> percentile in the FYTD as shown below:

	<u>Quarter</u>	<u>FYTD</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>
■ Total Fund	-4.0 (27)	0.9 (17)	6.6 (17)	9.5 (76)	8.7 (65)
▼ Policy Benchmark	-3.8 (22)	1.1 (13)	7.2 (11)	11.2 (26)	9.7 (27)
5th Percentile	-2.4	1.7	8.5	12.2	10.4
1st Quartile	-3.9	0.6	6.0	11.2	9.8
Median	-4.6	-0.4	4.8	10.4	9.1
3rd Quartile	-5.3	-1.6	3.1	9.6	8.3
95th Percentile	-6.1	-4.0	-1.3	5.1	5.6

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 reviewed over some memos that were presented to the Board.

- 1) Annual Form 1 filing is due
- 2) Updated signature form for providers
- 3) IRS Mileage rate for 2022
- 4) Required Minimum Distribution (Bill) and Cryptocurrency Guidance (Department of Labor)

**PLAN ADMINISTRATOR REPORT:**

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

Member Rita Swan received her retroactive pay due to the City Ordinance Change. Letter of Ordinance Change along with impact letter to be sent to State of Florida DMS Division of Retirement.

Board Adoption of the 6.9% Assumption Rate effective 10/1/2021 Letter to be sent to State of Florida DMS Division of Retirement.

Fiduciary Liability Insurance renewed.

Retirement this quarter: Robert Kellman, Vested Deferred member 5/1/2022, did not receive initial payment due to data entry error. Member did receive a Special pay and a paper check from State Street which was automatically sent. Member will now receive his next recurring pension payment on 7/1/2022. It was confirmed with the member that he did receive two pension payments for the month of May resulting in his next Pension payment on 7/1/2022.

DROP Member this quarter: Mark Sohn 4/1/2022

RMLO form completed

The June 1<sup>st</sup>, 2022, Special Pay was presented to the Board. Total for Special Pay was \$276,156.28. After review, Trustee Duggar made a motion to approve the June 1<sup>st</sup>, 2022 Special Pay, and the motion was seconded by Trustee Faine. The motion passed 4-0 with Trustee Kelley having left the meeting prior to the vote.

**NEW/UNFINISHED BUSINESS:**

None

**ADJOURN:**

The meeting was adjourned at 1:45 AM.

Next Regular Scheduled Meeting: August 09, 2022, at 10:30 AM.



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Jason Llopis, Chairman  
**FOR THE BOARD**