

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

**August 08, 2023**

**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 August 08<sup>th</sup>, 2023 at 10:32 AM. This meeting was held at Boynton Beach City Hall Commission Chambers 100 East Ocean Avenue, Boynton Beach, Florida.

## **TRUSTEES PRESENT:**

Mr. Jason Llopis -Chairman

Mr. Brian McDeavitt-Trustee

Mr. Russell Faine-Trustee

Ms. Rachel Moccia-Trustee (Arrived 1039)

Mr. Matthew Zeller – Trustee (Arrived 1036)

## **TRUSTEES ABSENT:**

None

## **OTHERS PRESENT:**

Mr. Louis Penque – Plan Administrator

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

Mr. Darrin Hogsed – Russell Investments

Mr. Frank Wan – Burgess Chambers & Associates

Mr. Mark Rhein – Salem Trust

Ms. Karen Russo – Salem Trust

Ms. Jeanne Kennedy – Jkennedy Bookkeeping LLC

**PUBLIC COMMENT:**

None

**CONSENT AGENDA:**

**APPROVAL OF THE MINUTES:**

The Board reviewed the Minutes from the Pension Meeting held on May 09<sup>th</sup>, 2023. Trustee McDeavitt made a motion to approve the minutes, which was seconded by Trustee Faine. All Trustees voted yes, and the motion was passed 3-0. (Trustees Zeller & Moccia were absent for the vote)

**WARRANTS:**

The Board reviewed Warrants 678 through 703. After review and consideration, Trustee McDeavitt made a motion to approve as presented, which was seconded by Trustee Faine. All Trustees voted yes, and the motion was passed 3-0. (Trustees Zeller & Moccia were absent for the vote)

**SALEM TRUST REPORT:**

Mr. Mark Rhein and Ms. Karen Russo jointly presented on Salem Trust.

Ms. Russo began the presentation with an introduction about Salem Trust and their experience. After her introduction Ms. Russo advised the Board they received the \$30,000,000.00 dollars from Russell Investments as of June 07<sup>th</sup> 2023. The money is currently invested in the 70/30 Fidelity index fund. The balance is currently at \$31,648,034.00.

Ms. Russo advised the Board she would attend one meeting a year, and more frequently if necessary or requested.

With no further questions from the Board the presentation was turned over to Mr. Mark Rhein who advised the Board of the Core Custody services offered by Salem Trust that are available to the Fund if they wish to pursue them.

With no further questions the Board thanked them for their presentation.

**BOOKKEEPER:**

Ms. Jeanne Kennedy introduced herself to the Board and gave a brief description of her experience working with Government Pensions and provided a list of pensions with which she is currently working.

Ms. Kennedy advised the Board she is up to date with the FY Financial Statements.

There were no questions posed from the Board members and the meeting moved to the Investment Report.

### **INVESTMENT REPORT:**

Mr. Darrin Hogsed made the presentation to the Board on behalf of Russell Investments with a review of Q-3 for FY 22-23. Mr. Hogsed began by making recommendations on changing the Asset Allocation to help improve the performance of the fund and to help with lowering investment fees. The recommendation is listed below:

- **Recommendation: Maintain a 70% equity/30% fixed income allocation.**
  - Reallocate Multi-Asset Core Fund to distinct asset class funds, primarily World Equity.
  - Increase addition of passive US large cap while eliminating the defensive US equity fund
  - Remove the private real estate fund, add 5% US small cap.
  
- **Recommendation: Lower fees**
  - Portfolio modifications result in a ~21% reduction in fees, including an estimated fee savings of ~12bps or ~\$120K annually.\*

Strategy	Current	Proposed
US Large Cap Equity (passive)	19.0%	30.0%
Large Cap Defensive Equity	11.0%	
US Small Cap Equity		5.0%
World Equity		35.0%
Real Estate Equity	6.0%	
Private Credit	5.0%	5.0%
Multi-Manager Bond Fund	24.0%	25.0%
MAC	35.0%	
Net of fee expected return	7.89%	8.05%
Annual fees	0.57%	0.45%
Portfolio standard deviation	10.86%	12.02%

- Revision to allocation includes:
  - Utilizing world equity in place of MAC
  - Removal of defensive equity with increased weight to passive
  - Real Estate Equity removal and adding an allocation to US small cap equities
  - Lower fees
  - No change to overall equity / fixed weights
  - International exposure: 19.4%

Mr. Hogsed gave the Board a projection on the rate of return to the fund had the recommendations presented been implemented at the beginning of the fiscal year:

	<u>2Q 2023</u>	<u>YTD 2023</u>
<b>Current:</b>	2.82%	7.44%
<b>Proposed:</b>	5.08%	11.57%
<b>70/30 Index:</b>	5.77%	11.94%

There was some discussion as to accepting the recommendation from Mr. Hogsed, and questions were posed to Mr. Frank Wan at which time he advised his response is included in his presentation. At this time, Mr. Hogsed concluded his presentation and Mr. Wan began his presentation.

## INVESTMENT MONITOR REPORT:

Mr. Frank Wan presented to the Board on behalf of Burgess Chambers & Associates. He began the report discussing the recommendations presented by Mr. Hogsed. Mr. Wan was positive about the recommendations made by Mr. Hogsed and recommended the Board accept the recommendations. After some discussion and consideration, Trustee McDevitt made a motion to implement the recommendations as presented by Russell Investments. The motion was seconded by Trustee Faine. All Trustees voted yes, and the motion was passed 5-0.

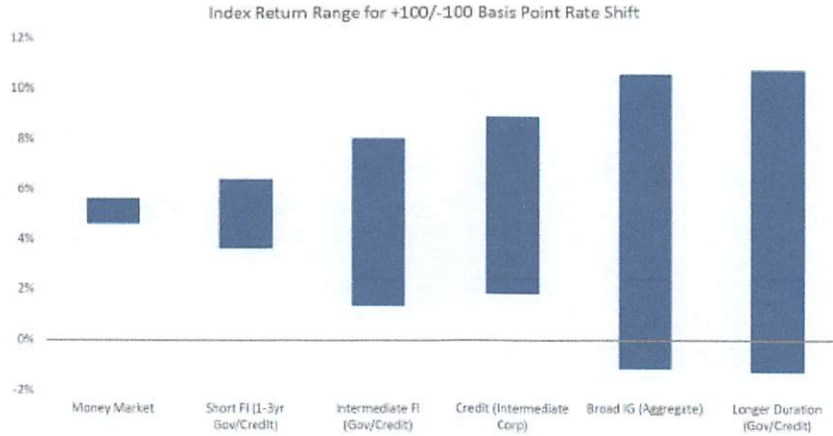
Mr. Wan was prepared to present a revised Investment Policy Statement to include some legislative law changes but considering the new recommendations and changes to the Asset Allocation of the plan's funds, the revised Investment Policy Statement will be presented at the next meeting. Mr. Wan advised he and Mr. Hogsed will collaborate on the revised Investment Policy Statement and adjust the Asset Allocation. The new Investment policy Statement will be presented at the meeting scheduled for November 14<sup>th</sup>, 2023.

Mr. Wan reviewed the Funds' performance, which showed a return of 3.5% for the quarter, slightly behind the benchmark of 3.6%. The new Salem Trust Passive Fund was not active for the entire quarter but contributed a return of 4.6% while the Russell Product was at 2.77% :

	Market Value	QTD ROR - Rank	FYTD ROR - Rank	1 Year ROR - Rank	3 Year ROR - Rank	5 Year ROR - Rank
<b>Total Fund</b>	<b>131,354,702</b>	<b>3.5 (35)</b>	<b>14.3 (41)</b>	<b>8.8 (65)</b>	<b>6.8 (70)</b>	<b>6.0 (69)</b>
Policy Benchmark		3.6	14.7	8.8	6.9	6.9
<b>Russell Trust Company Strategy</b>	<b>99,982,609</b>	<b>3.0</b>	<b>13.8</b>	<b>8.0</b>	<b>6.4</b>	<b>5.9</b>
Russell 1000 Index Fund - SR I	18,275,503	8.6	25.3	19.5	N/A	N/A
Russell Large Cap Defensive Equity (CF)	10,390,238	6.2	22.7	17.0	13.5	11.4
Russell 1000 Index		8.6	25.1	19.4	14.1	11.9
Russell Multi-Asset Core (CF)	33,089,931	3.1	18.8	10.4	9.6	5.4
Multi-Asset Core Composite Index		4.3	18.9	11.8	10.0	7.2
Russell Multi-Manager Bond (CF)	22,699,692	-1.7 (100)	4.0 (72)	-0.8 (66)	-3.8 (70)	1.1 (62)
Fixed Income Benchmark		-0.8	4.0	-0.9	-4.0	0.8
Russell Real Estate Equity (CF)	8,376,341	0.4	-6.8	-6.6	8.0	6.7
Real Estate Benchmark		-2.7	-10.4	-10.0	8.0	6.6
Private Credit Fund I, LLC	1,218,041	6.2	-1.2	N/A	N/A	N/A
Russell Private Credit Proxy Account	5,260,829	-1.7	4.2	-0.6	N/A	N/A
Bimbg. U.S. Aggregate Index		-0.8	4.0	-0.9	-4.0	0.8
Russell ST Inv Cash Sweep (CF)	672,034	0.0	0.0	0.0	0.1	1.5
ICE BofAML 3 Month U.S. T-Bill		1.2	3.1	3.6	1.3	1.6
<b>Salem Index Strategy</b>	<b>31,372,093</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Fidelity 500 Index Fd (MF)	22,384,749	N/A	N/A	N/A	N/A	N/A
Russell 1000 Index		8.6	25.1	19.4	14.1	11.9
Fidelity US Bond Index (MF)	8,983,441	N/A	N/A	N/A	N/A	N/A
Fixed Income Benchmark		-0.8	4.0	-0.9	-4.0	0.8
Salem Cash Sweep (MF)	3,902	N/A	N/A	N/A	N/A	N/A
ICE BofAML 3 Month U.S. T-Bill		1.2	3.1	3.6	1.3	1.6

Mr. Wan advised the Board that with the rate hikes by the Federal Government, the performance of the private credit alternative Investment product should perform favorably in the future:

Below are return expectations for fixed income based on 4 hikes OR cuts (+100/-100 bps). Given the higher interest rate environment, returns will most likely be positive for bonds.



- For the quarter, the Fund was up +3.5% gross (or +3.3% net; +4.4 million), slightly behind the Policy Benchmark (+3.6%) and ranked in the top 35th percentile. The best performing assets were: Russell 1000 Index (+8.6%), Russell Large Cap Defensive Equity (+6.2%), and Private Credit Fund I (+6.2%).
- For the one-year period, the Fund earned \$10.8 million or +8.6% gross (+8.0% net), similar to the Policy Benchmark (+8.8%). The best performing asset was Russell 1000 Index (+19.5%).
- For the three and five-year periods, the Fund earned +6.0% and +5.3% net, respectively.
- In February 2023, the Fund requested a rebalance of \$1,446,820 from the Real Estate Equity Fund to the Multi Manager Bond Fund. To date, \$140,607 of the rebalance has occurred.
- On May 11th, \$10 million was transferred from Russell to Salem. \$7 million was allocated to the Fidelity 500 Index and \$3 million to the Fidelity US Bond Index.
- On May 25th, the second \$10 million tranche was transferred from Russell to Salem. \$7 million was allocated to the Fidelity 500 Index and \$3 million to the Fidelity US Bond Index.
- On June 7th, the final \$10 million tranche was transferred from Russell to Salem. \$7 million was allocated to the Fidelity 500 Index and \$3 million to the Fidelity US Bond Index.

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:**

Ms. Jensen reported that H.B. 3 passed recent legislation, which will require the Board to file a detailed report on their investments. The details are not worked out as of this meeting and Ms. Jensen will be in contact with the DOR for the requirements of the report.

Ms. Jensen reminded the Board to stay on top of their internal controls, an example was a person in California who collected over \$800,000.00 in benefits from his deceased mother. The benefit was collected over 20 years. Administrator Penque advised that State Street runs all the beneficiaries Social Security numbers and names every 6 months and there is a notarized form all retirees and beneficiaries must complete annually.

Ms. Jensen also advised the Board they sent out the new Special tax notice, where public safety officers are not subject to the 10% early distribution penalty if they are 50 years of age when they separate service or had completed 25 years of service regardless of their age. This notice is posted on the BBPDP website.

**PLAN ADMINISTRATOR REPORT:**

Administrator Penque reported the following updates since the last Board meeting:

There was an error on the accrual leave payout for Mr. Charles Ramos which was placed into his DROP account. The correction was completed by H.R. through their pension contributions payroll.

There was a \$319.69 reward received from TRUIST account. This was applied to the credit card account as payment.

The FY 23-24 Budget was presented to the Board. After brief discussion Trustee McDeavitt made a motion to approve the Budget, which was seconded by Trustee Moccia. All Trustees voted yes, and the motion was passed 5-0.

Administrator Penque advised the Board that the Actuary Chapter 112.664 report was received and posted on the pension web site.

The annual ROR letter was sent to the State.

Pension contribution refund was completed for terminated member Zachary Halpren - \$19,667.66 see warrant 697.

The annual F-1 reports were filed with the state.

The Board received the annual report approval letter.

The Cyber Insurance application is complete. Administrator Penque is waiting for the invoice to renew the policy.

The new tax-exempt form expiration date 09/30/2028 was received.

Meeting dates for FY- 23-24 were presented to the Board.

The notice of Chapter 185 money was received. This year will be \$1,143,968.71 compared to the amount received last year \$969,096.00.


**NEW/UNFINISHED BUSINESS:**

None

**ADJOURN:**

The meeting was adjourned at 11:57 PM.

Next Regular Scheduled Meeting: November 14, 2023, at 10:30 AM.



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Jason Llopis, Chairman  
**FOR THE BOARD**