

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

**August 13, 2024**

**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 13<sup>th</sup>, 2024, at 10:38 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

## **TRUSTEES ABSENT:**

Mr. Matthew Zeller Trustee

## **OTHERS PRESENT:**

Mr. Louis Penque – Plan Administrator  
Ms. Bonni Jensen, Board Attorney – Klausner, Kaufman, Jensen & Levinson  
Mr. Darrin Hogsed – Russell Investments  
Mr. Mitchel Brennan– Burgess Chambers & Associates

## **PUBLIC COMMENT:**

None

## **CONSENT AGENDA:**

### **APPROVAL OF THE MINUTES:**

The Board reviewed the Minutes from the Pension Meeting held on March 19<sup>th</sup>, 2024, Trustee McDeavitt made a motion to approve the minutes, which was seconded by Trustee Faine. All Trustees voted yes, and the motion was passed 4-0.

## WARRANTS:

The Board reviewed warrants 784 through 805. After review and consideration, Trustee McDeavitt made a motion to approve as presented, which was seconded by Trustee Moccia. All Trustees voted yes, and the motion was passed 4-0.

## INVESTMENT REPORT:

Mr. Darrin Hogsed made the presentation to the Board on behalf of Russell Investments with a review of Q-3 for FY 23-24. Mr. Hogsed began with the performance of this quarter being very good, coming in at 2.06%. He then moved into the Capital Market Returns:

**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 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

**Infrastructure:** (S&P Global Infrastructure Index) Provides exposure to companies around the world that represent the listed infrastructure

### CAPITAL MARKETS Q2 2024:

- U.S. equity finished the quarter positively with technology stocks leading, while rate sensitive smaller cap stocks trailed large cap growth stocks
- Non-U.S. developed equity down slightly on uncertainty over the European parliamentary, the U.K. and particularly the French elections
- Emerging markets finished the quarter up, Turkey & Taiwan were the top performing countries, and technology was a key driver of performance
- U.S. bonds flat in Q2 as yields rose rapidly early in the quarter, but have since retreated as economic growth slowed and inflation cooled
- Global REITs finished Q2 down as expectations of Fed rate cuts decreased
- Infrastructure delivered positive returns, however trailed traditional equities

Mr. Hogsed also advised that Russell Investments has lowered its prediction to 30% on the economy heading for a recession.

Mr. Hogsed then spoke about the Magnificent 7 and their continued performance:

### "MAGNIFICENT 7" RETURN AND RANK IN S&P 500 INDEX

■ Top 10 ■ 11-50 ■ 300-400 ■

	2019		2020		2021		2022		2023		YTD 2024		2019 - YTD 2024	
	Return %	Rank in S&P 500	Return %	Rank in S&P 500	Return %	Rank in S&P 500	Return %	Rank in S&P 500	Return %	Rank in S&P 500	Return %	Rank in S&P 500	Total Return %	Rank in S&P 500
Microsoft	57	48	42	53	52	87	-28	375	58	40	19	83	365	20
NVIDIA	77	17	122	1	125	6	-50	479	241	1	149	1	3,631	1
Apple	88	9	82	13	35	191	-26	367	49	56	10	193	458	15
Alphabet (Class A)	28	250	31	93	65	41	-39	436	58	39	31	34	249	47
Amazon	23	289	76	16	2	424	-49	477	81	15	27	43	157	97
Meta	57	50	33	84	23	277	-64	498	194	2	43	14	285	36
Tesla	26	-	743	-	50	96	-65	500	102	8	-20	471	792	-
<b>S&amp;P 500 Index</b>	<b>31</b>		<b>18</b>		<b>29</b>		<b>-18</b>		<b>26</b>		<b>15</b>		<b>139</b>	

- After strong returns in 2023 and YTD 2024 The "Magnificent 7" stocks now make up nearly one-third of the S&P 500.
- Despite being a relatively small component just a few years ago, NVIDIA has surged to the 2<sup>nd</sup> largest stock in the index.
- While returns for this group have been impressive, downturns like 2022 highlight the risk individual positions may carry.

Mr. Hogsed advised the Board that the Real Estate Fund is now below 5% of the total fund and the proceeds received from that fund will be reinvested into a Small Cap portfolio.

- After strong returns from U.S. large cap stocks, relative performance and allocations for small cap has fallen to levels last seen in the 1990s.
- In previous similar experiences, this trend reversed as small cap stocks outperformed in future periods.
- Markets tend to move in cycles. Maintaining exposure to small cap stocks can benefit portfolios as leadership reverses.

Mr. Hogsed spoke of the possibility of the Fed cutting interest rates in 2024 by 1 %. There was a review done over the funds' performance for the quarter and Mr. Hogsed acknowledged they are performing slightly under the benchmark, but have made significant improvements since they implemented a change in their strategy, moving out of defensive funds where YTD the fund is up 8.21%; they would have been up 5.5% had they continued under the old strategy:

Boynton Beach Police Officers Retirement Trust - Composite Account - QU7W, QU7X

	Market Value	One Month	Three Months	Year to Date	FYTD 09/30	Annualized					Inception Date
						One Year	Three Years	Five Years	Ten Years	Since Inception	
Total Assets - Gross <sup>(RM)</sup>	\$95,240,596	1.96%	2.06%	8.21%	17.90%	14.27%	3.76%	7.13%	7.19%	7.05%	07/01/2002
Total Assets - Net <sup>(RM)</sup>	95,240,596	1.91	1.95	7.99	17.52	13.76	3.22	6.50	6.47	6.30	07/01/2002
Russell Custom Benchmark <sup>(R)</sup>	--	1.96	1.93	7.98	17.42	13.74	3.87	7.42	7.13	6.89	--
Consultant Benchmark <sup>(R)</sup>	--	2.80	3.02	10.32	21.80	17.10	4.40	7.89	6.66	6.75	--
Total Assets ex Private Credit - Net <sup>(R)</sup>	91,814,423	1.88	1.92	8.15	17.81	13.92	3.29	6.54	6.49	6.31	07/01/2002
Total Liquid Return Seeking	59,333,717	2.46	2.94	13.12	26.12	21.78	7.22	10.45	9.48	10.77	08/31/2012
Russell Invest R1000 Idx Fd - I (DB)	27,572,038	3.32	3.58	14.23	27.93	23.90	8.79	--	--	13.38	11/19/2020
Russell 1000 Index	--	3.31	3.57	14.24	27.90	23.88	8.74	--	--	13.34	--
World Equity Fund	31,761,679	1.60	2.26	12.02	24.36	--	--	--	--	19.30	09/05/2023
MSCI World Net Dividend Index	--	2.03	2.63	11.75	24.50	--	--	--	--	18.99	--
Total Fixed Income	26,071,823	1.12	0.23	-0.51	6.28	2.90	-3.49	0.06	1.79	3.90	09/01/2002
Bloomberg US Aggregate Bond Idx	--	0.95	0.07	-0.71	6.06	2.63	-3.02	-0.23	1.35	3.21	--
Multi-Manager Bond Fund	26,071,823	1.12	0.23	-0.51	6.28	2.90	-3.49	0.06	1.79	3.80	09/30/2008
Bloomberg US Aggregate Bond Idx	--	0.95	0.07	-0.71	6.06	2.63	-3.02	-0.23	1.35	2.71	--
Total Alternative Investments <sup>(R)</sup>	7,888,823	0.95	0.95	0.16	-1.47	-1.96	4.29	4.64	7.33	5.65	07/01/2006
Real Estate Equity Fund <sup>(R)</sup>	4,462,650	-0.08	-0.08	-1.03	-4.94	-5.85	2.61	3.62	6.81	5.57	07/01/2006
NFI-ODCE - RITC (Linked) <sup>(R)</sup>	--	-0.45	-0.45	-2.81	-7.50	-9.26	1.90	3.16	6.55	5.46	--

Mr. Mitchel Brennan questioned the performance of one of the fixed income advisors, Western Asset Management Company and Russell's position on their performance. Mr. Hogsed advised Russell Investments does have them under review. Mr. Hogsed concluded the presentation by reviewing the Private Credit Fund and the positive performance from the fund. We currently have 51% of 6.5 million invested in the fund.

## INVESTMENT MONITOR REPORT:

Mr. Mitchel Brennan made a presentation to the Board on behalf of Burgess Chambers & Associates. He began the report by reviewing a market overview showing the pullback on the Magnificent 7:

**Performance of "Magnificent 7" stocks in S&P 500\***  
Indexed to 100 on 1/1/2021, price return



He presented the Investment Summary for the last quarter:

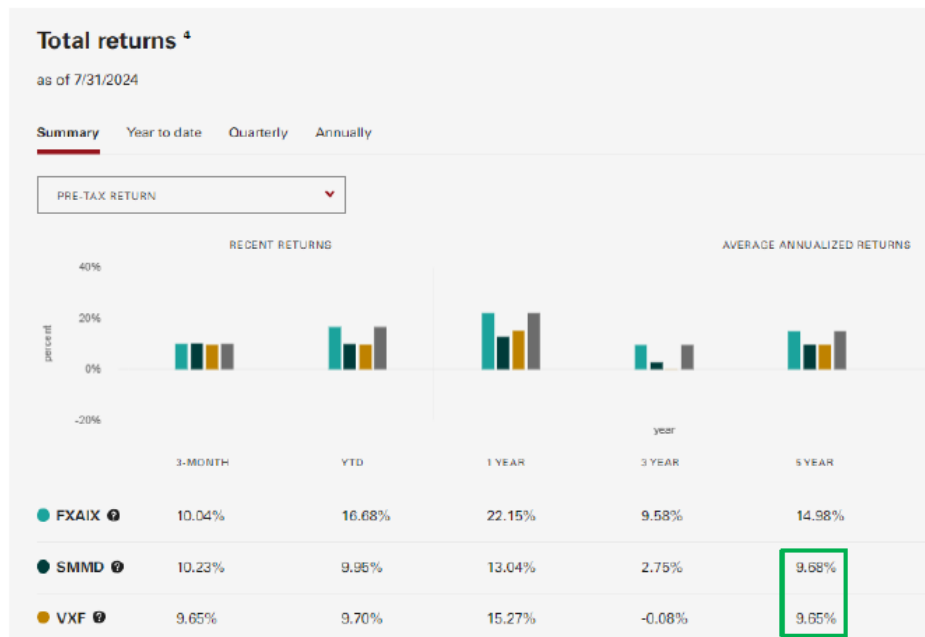
- For the quarter, the Fund was up +2.5% gross (or +2.4% net; \$3.6 million), ahead of the Policy Benchmark (+1.9%) and ranked in the top 2nd percentile. The best performing assets were: Fidelity 500 Index (+4.3%), Russell 1000 Index (+3.8%), and Russell Private Credit (+2.7%).
- Fiscal year-to-date, the Fund earned \$24.9 million or +19.1% gross (+18.8% net), ahead of the Policy Benchmark (+16.1%) and ranked in the top 2nd percentile. The best performing asset was the Fidelity 500 Index (+28.8%).
- For the one-year period, the Fund earned \$20.8 million or +15.4% gross (+15.0% net), ahead of the Policy Benchmark (+12.6%) and ranked in the top 2nd percentile. The best performing asset was the Fidelity 500 Index (+24.6%).
- For the three and five-year periods, the Fund earned +3.7% and +6.8% net, respectively.
- Salem cash return is high due to accrued income on the \$10 million May and \$10 million June wires received from Russell.

Mr. Brennan then reviewed over the funds' performance which was positive for the Quarter:

	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>152,785,391</b>	<b>2.5 (2)</b>	<b>19.1 (2)</b>	<b>15.4 (2)</b>	<b>4.2 (18)</b>	<b>7.4 (53)</b>
Policy Benchmark		1.9	16.1	12.6	3.5	7.8
<b>Russell Trust Company Strategy</b>	<b>95,240,596</b>	<b>2.3</b>	<b>18.2</b>	<b>14.6</b>	<b>3.8</b>	<b>7.1</b>
Russell 1000 Index Fund - SR I	27,572,038	3.8	28.3	24.2	8.9	N/A
Russell 1000 Index		3.6	27.9	23.9	8.7	14.6
Russell World Equity Fund (CF)	31,761,679	2.1 (35)	24.3 (31)	N/A	N/A	N/A
MSCI World All Cap Index (Net)		2.0	23.3	18.9	5.8	11.2
Russell Multi-Manager Bond (CF)	22,718,045	0.3 (49)	6.4 (67)	3.0 (67)	-3.5 (99)	0.0 (77)
Fixed Income Benchmark		0.1	6.1	2.6	-3.0	-0.2
Russell Real Estate Equity (CF)	4,462,650	-0.1	-5.0	-6.0	2.5	3.6
Real Estate Benchmark		-0.5	-7.5	-9.3	1.9	3.2
Private Credit Fund I, LLC	3,426,173	2.7	6.3	7.4	N/A	N/A
Russell Private Credit Proxy Account	3,353,778	0.2	6.3	2.8	N/A	N/A
Blmbg. U.S. Aggregate Index		0.1	6.1	2.6	-3.0	-0.2
Russell ST Inv Cash Sweep (CF)	1,946,233	0.0	0.0	0.0	0.1	0.4
ICE BofA 3 Month U.S. T-Bill		1.3	4.0	5.4	3.0	2.2
<b>Salem Index Strategy</b>	<b>57,544,795</b>	<b>2.6</b>	<b>21.5</b>	<b>17.6</b>	<b>N/A</b>	<b>N/A</b>
Fidelity 500 Index Fd (MF)	40,675,986	4.3	28.8	24.6	N/A	N/A
Russell 1000 Index		3.6	27.9	23.9	8.7	14.6
Fidelity US Bond Index (MF)	16,865,635	0.2	6.0	2.7	N/A	N/A
Fixed Income Benchmark		0.1	6.1	2.6	-3.0	-0.2
Salem Cash Sweep (MF)	3,174	610.1	628.4	637.3	N/A	N/A
ICE BofA 3 Month U.S. T-Bill		1.3	4.0	5.4	3.0	2.2

Mr. Brennan spoke about investing a portion of the passive fund into small/mid cap index fund, which he feels will by a positive move for the future:

## LARGE CAP VS. SMALL/MID CAP



At the conclusion of his presentation Mr. Brennan made a recommendation to the Board. He recommended rebalancing a portion of the Salem Trust Passive Fund by moving

\$2,000,000.00 out of the Fidelity 500 fund (FXAIX) and into the Vanguard Extended Market EFT (VXF).

After some brief discussion a motion was made by Trustee Faine to transfer \$2,000,000.00 from FXAIX Fund to the VXF Fund. The motion was seconded by Trustee Moccia. The motion passed without opposition 4-0.

Mr. Brennan advised he will facilitate the transfer of monies with the Pension Administrator.

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:**

There was discussion with the Board over disability procedures.

### **PLAN ADMINISTRATOR REPORT:**

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

The Board was advised of the death of two retirees 1) Everett Traylor 3-28-2024 and Gregory Bean 7-24-2024

The Board was presented with the 2024-2025 Administrative Budget. After brief discussion, Trustee McDeavitt made a motion to approve as presented, which was seconded by Trustee Moccia. All Trustees voted yes, and the motion was passed 4-0.

Administrator Penque advised the Board that the Chapter 112.664 report was completed by GRS and has been posted to the website.

Administrator Penque advised the Board the revised Police Pension City Ordinance reducing the eligibility for retirement from 25 years of service to 20 years of service passed through City Commission with a 5-0 vote. Administrator Penque advised that he prepared the state letter advising of the change in the Ordinance.

Board advised on one retirement this quarter – Juan Montoya 8-1-2024

Board advised of the following members entering the DROP this past quarter: Tom Hass, Darin Hederian, Jason Viscome 9-1-2024 & Russell Faine 8-1-2024

Pension contribution refund was completed for member Desiree Rosas captured under Warrant 787 and Amanda Corum captured under Warrant 797

Board advised that all Board members completed their filings of the F-1 Disclosure Form

Board advised that their Cyber Insurance policy was renewed

Board was presented the meeting dates for 2025- noting the change of the November 2025 date to November 17<sup>th</sup>, 2025

**NEW/UNFINISHED BUSINESS:**

**ADJOURN:**

The meeting was adjourned at 11:47 AM.

Next Regular Scheduled Meeting: November 12, 2024, at 10:30 AM.

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Jason Llopis, Chairman  
**FOR THE BOARD**