



CITY OF BOYNTON BEACH POLICE OFFICERS' PENSION FUND



Minutes

**February 7, 2017
1:30 P.M.**

The regular meeting of the Board of Trustees of the City of Boynton Beach Police Officers' Pension Fund was called to order at 1:30 P.M. on behalf of the Board of Trustees by the Plan Administrator, Mr. Robert Dorn on February 7, 2017, at 2100 North Florida Mango Road, West Palm Beach, Florida.

TRUSTEES PRESENT:

Mr. Toby Athol – Chairman; Mr. Jason Llopis – Secretary; Mr. Russell Faine – Trustee; Mr. Joseph DeGiulio – Trustee.

ABSENT:

Mr. Scott Caudell – Trustee.

OTHERS PRESENT:

Ms. Bonni Jensen, Board Attorney - Klausner, Kaufman, Jensen & Levinson; Mr. Bob Dorn, Plan Administrator- Precision Pension Administration, Inc.; Ms. Mary Jean Serene – Russell Investments; Mr. Frank Wan – Fund's Monitor- Burgess, Chambers & Associates;

It should be noted that there was a quorum for the Board to have an official meeting.

PUBLIC DISCUSSION:

No public comments were presented.

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

Note: The January 27, 2017 minutes were taken by the City of Boynton Beach Clerk's Office and were not ready for presentation for this meeting.

APPROVAL OF WARRANTS:

Mr. Dorn presented Warrants 67-73 to the Board and then read each Warrant for the record. Attached to all Warrants were invoices from the various vendors. The Board reviewed each of the Warrants. Trustee Llopis made a Motion to approval all Warrants as outlined. Trustee Faine seconded the Motion. The Motion passed 4-0.

WARRANT 67

This Warrant is to Mr. Ronald Davis for his re-occurring monthly service related pension disability payment. This payment will continue each month until stopped by direction of the Board of Trustees. Mr. Davis selected a life annuity benefit option. The amount of this Warrant is for \$4,744.67. The benefit payment will start on December/2016 which means that a retro payment for December/2016 & January/2017 must also be paid to Mr. Davis. The retro amount was \$9,489.34.

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WARRANT 68

This Warrant is to Mr. Vincent Brooks for his re-occurring monthly pension benefit payment. Mr. Brooks selected 100% Joint & Survivor benefit option. Mr. Brooks' monthly benefit payment will be \$1,897.11 each month. A retro payment for January/2017 & February/2017 will also be paid to Mr. Brooks. The retro amount was \$3,794.22.

WARRANT 69

This Warrant is to Mr. Kenneth Jones for a monthly re-occurring benefit payment for 120 months. Mr. Jones is the beneficiary of Officer Joseph Crowder's death benefit. The payment start January 1, 2017 and ends January 1, 2026. The actuary completed the calculations for the benefit amount. The monthly benefit payment is \$4,478.22. A retro payment for January/2017 & February/2017. The retro payment was for \$8,956.44.

WARRANT 70

This Warrant is to Mr. Paul Valerio for a one-time DROP disbursement from his DROP account. The amount of this Warrant is for \$6,000.00

WARRANT 71

This Warrant is to Russell Investments for check and postage fees for vendor and retiree payments. The invoice number is 1612074706-9996. The amount of this Warrant is for \$1,109.80.

WARRANT 72

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered through 01/31/2017. The invoice number is 19450. The amount of this Warrant is for \$4,676.25.

WARRANT 73

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered through 12/31/2016. The invoice number is 19315. The amount of this Warrant is for \$3,127.50.

NEW/UNFINISHED BUSINESS:

Ms. Bonni Jensen presented to the Board the Order Denying Non-Service Disability for Mr. Robert Kellman. The Board held a disability hearing for Mr. Kellman on 01/27/2017 which the Board voted via Motion to deny Mr. Kellman his request for a non-service incurred disability. Ms. Bonni Jensen read the Order to the Board. The Board of Trustees determined the following:

- 1) Mr. Robert Kellman did not prove that he suffered from a diagnosable psychiatric condition which renders him unable to perform the functions of a police officer. This is based on the medical records as a whole. Cf to *Hampton v. Miami City Employees Retirement System*, 528 So2d 103 (Fla. 3rd DCA 1988);

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- 2) Mr. Kellman was terminated for displaying characteristics that made him unfit for duty as a Boynton Beach Police Officer and not as the result of any physical or mental injury.

The Board reviewed the Order. Trustee Llopis made a Motion to approve the Order Denying Non-Service Disability to Mr. Robert Kellman. The Motion was seconded by Trustee Faine. The Motion passed 4-0. Chairman Athol and Secretary Llopis signed the Order during this meeting. Bonni Jensen advised that she will send the Order to Mr. Kellman's attorney.

AUDIT PRESENTATION:

Ms. Jeanine Bitteringer and Mr. Richard Cristini made the presentation of the Financial Statements to the Board.

The Auditors have audited the financial statements of the Boynton Beach Police Officers' pension Fund (Plan) which comprised the statements of the fiduciary net position as of September 30, 2016 and 2015, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements. The Plan's Board of Trustees is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States. The Auditor's responsibility is to express an opinion on these financial statements based upon the audits. The Auditors believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion. In the opinion of the Auditors, the financial statements referred to are presented fairly and in all material respects, the fiduciary net position of the Plan and the changes in fiduciary net position are in accordance with accounting principles generally accepted in the United States.

The net position restricted for pension for 2016 is \$86,202,090. This is an increase from 2015 (\$78,209,708). The following are the statements of changes in fiduciary net position for the year:

<u>Additions:</u>	<u>2016</u>	<u>2015</u>
Employer Contributions	\$4,391,305	\$4,365,259
Plan Member Contributions	\$ 902,350	\$ 924,289
Plan Member Buy-Backs	\$ 25,803	\$ 116,586
Rollover to DROP	\$ 109,362	\$ 78,814
 Total Contributions	 \$5,428,820	 \$5,484,948
Chapter 185 State Excise Tax Rebate	\$ 735,945	\$ 675,227
Total Net Investment Income	\$8,254,453	\$1,428,464
 Total Additions to the Plan	 \$14,419,219	 \$7,588,639
 <u>Deductions:</u>		
Age ad Service	\$4,494,629	\$4,547,456
Disability Payments	\$ 304,944	\$ 324,876
Beneficiaries	\$ 33,240	\$ 40,009
DROP Payments	\$1,336,286	\$ 526,372

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	<u>2016</u>	<u>2015</u>
Refunds	\$ 93,339	\$ 69,179
Administrative Expenses	\$ 164,398	\$ 153,104
Total Deductions	\$6,426,836	\$5,660,996
Net increase in Net Position	\$7,992,382	\$1,927,643
<u>Net Position Restricted for Pensions:</u>		
<u>Beginning of the Year</u>	<u>\$78,209,708</u>	<u>\$76,282,065</u>
<u>End of the Year</u>	<u>\$86,202,090</u>	<u>\$78,209,708</u>

During the fiscal year ending there were 152 retirees and beneficiaries receiving benefits and 7 terminated employees entitled to benefits but not yet receiving them. There is a total of 139 current employees.

The auditors went into great detail of the description of the Plan and the summary of the significant accounting policies. The Auditors explained the new accounting requirements for the Governmental Accounting Standards Board (GASB) 67 which is financial reporting for pension plans and GASB 68 which is the accounting & financial reporting for pensions (employer), address accounting and financial reporting requirements for pension plan activities. The City of Boynton Beach Police Officers' Pension Fund is a single employer pension plan as defined by GASB 67. GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The statement provides guidance for determining a fair value measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Fair value is described as an exit price. Fair value should not be adjusted for transaction costs. Fair value measurements assume a transaction takes place in a government's principal market or a government's most advantageous market in the absence of a principal market.

The Plan had no investments that individually represented 5% or more of the Plan's net assets available for benefits as of September 30, 2016. The rate of return for the annual money-weighted rate of return on pension plan investments, net of pension plan investments expense was 10.72 percent. There is a total of \$10,494,311 designated for DROP accounts which are fully funded.

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The components of net position liability of the City of Boynton Beach as of September 30, 2016 were as follows:

Total Pension Liability	\$124,555,848
Plan Fiduciary Net Position	\$ 86,202,090
City Net Pension Liability	\$ 38,353,758

The Plan's Fiduciary Net Position as a percentage of total pension liability is 69.21%.

The Auditors advised that the administrative expenses are well within reason and have decreased from the previous year. The Auditors advised that the all vendors and the new plan administrator were very attentive towards their requests for information during this audit.

The auditors requested an additional one-time expense payment of \$2,000 for the new GASB 72 requirement. This requested was being made because of the extra time used for each vendor in the preparation of the report. The Attorney advised that the cost is justified and is allowed under the current contract with the auditors. The Board agreed to this extra payment. Trustee Llopis made a Motion to pay the auditors a one-time payment of \$2,000 for the new GASB 72 additional requirement to the audit. The Motion was seconded by Trustee Faine. The Motion passed 4-0.

Trustee Faine made a Motion to accept the Financial Statement (Audit Report) presented by the Auditors. The Motion was seconded by Trustee Llopis. The Motion passed 4-0.

Mr. Dorn advised that he would send the Financial Statement Report to the City.

INVESTMENT REPORT:

Ms. Serene made the presentation for Russell Investments to the Board. The period covered for this presentation ended on December 31, 2016.

The Capital Markets showed renewed enthusiasm for the U.S. economic growth boosted U.S. stock during the quarter. Non-U.S. stocks markets were slightly negative for the quarter due to the strong dollar. The emerging markets were down -4.2% for the quarter and up 10.2% for 1 year on improved fundamentals and attractive valuations. This was the worst quarter for U.S. bonds since the 3Q of 1981. The real estate results were hurt by rising interest rates. Commodities were up for the quarter and year based on strong returns from the energy sector and economic optimism. The opinion is to beware of betting on U.S. stocks because of the high valuations. The U.S. stocks are very expensive because of these high valuations and the portfolio is underweighted in U.S. stocks due to the expensive valuations. The Eurozone has shown strong fundamentals and there is a slight overweight position due to attractive value and supportive monetary policy. The Asia-Pacific has shown steady growth and the portfolio has an overweight stance due to reasonable valuations.

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The one-month return was 1.47% and the three-month return was 0.73% which both beat the benchmark for the total fund. Ms. Serene reviewed the portfolio's (1) RITC Multi-Asset Core Fund (2) RTC Russell LC Defensive Equity Fund, (3) RTC Multi – Manager Bond Fund and (4) RTC Real Estate Equity Fund with the Board. The portfolio's asset allocation as of 12/31/2016 were as follows: 72.1 % in Global Equity, 13.9% in Real Estate, 6.4% in Diversifying Fixed Income and 7.7% in Cash.

The investment strategy has not changed and there have been no personnel changes at Russell Investments during the last quarter.

MONITOR REPORT:

Mr. Wan gave the presentation for Burgess, Chambers & Associates. The beginning market value of the portfolio was at \$86,039,124. There were \$3,188,662 in contributions and \$832,515 in investment gains during the quarter. The ending market value of the portfolio as of 12/31/2016 was \$90,060,300.

The portfolio is slightly underweighted in fixed income and slightly over weighted in real estate. The new contributions will balance the target asset allocation for the investment classes moving forward.

For the quarter, the Fund experienced an investment gain of 0.9% gross which beat the Policy benchmark (0.4%). The following are the investment returns compared to the benchmarks:

	Quarter	1-Year	3-Year
Russell Large Cap Defensive Equity	3.0%	10.6%	9.0%
Russell 1000 Index Bench Mark	3.8%	12.1%	8.6%
Russell Multi-Asset Core	2.3%	10.3%	5.7%
Benchmark-Multi-Asset Core Composite Index	2.3%	9.3%	4.1%
Russell Multi-Manger Bond	-3.3%	4.2%	3.8%
Fixed Income Benchmark	-3.0	2.6%	3.0%
Russell Real Estate Equity	2.3%	8.9%	12.2%
Real Estate Benchmark	2.2%	9.3%	12.2%

Mr. Wan advised that the portfolio quarter returns ranked them 41st percentile in the peer universe quartile ranking. The one-year ranking was in the 15th percentile and the three-year ranking was 2nd percentile. Overall the returns have been doing well compared to other investment funds during the last three years. The Board discussed with Mr. Wan the portfolio's upside market capture and downside market capture. The portfolio positioned to have a 74.00 on a down market capture and a 107.38 on an up-market capture. Mr. Wan advised that the investments classes and returns are within the Board's investment policy for the Fund.

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ATTORNEY'S REPORT:

Ms. Jensen gave the presentation to the Board for Klausner, Kaufman, Jensen and Levinson.

The Internal Revenue Service (IRS) released its updated standard mileage rate of 2017. The new rate is 53.5 cents per mile for business miles driven on or after January 1, 2017. This is a reduced rate from 54 cents for 2016.

The Florida Retirement System (FRS) Actuarial Assumption Conference recently voted to revise its mortality assumptions for active employees. The Board may have the option of immediately adopting the pending FRS table in the next valuation or continuing to use the FRS mortality table for another year. Interestingly, rather than assuming that employees would live longer, the new FRS mortality table for active employees seemingly contemplates less improvement in mortality.

FRS will be lowering its investment return assumption by 5 basis points from 7.65% to 7.6%. The FRS actuary recommended lowering the investment return assumption to 7%, however, FRS is taking an incremental approach, targeting 7.5% as the longer-term objective. This process is with the trend of many municipal plans have been doing for the past several years in taking an incremental approach to lowering the investment return assumption.

The new on-line reporting of the Annual Report to the Division of Retirement will be required to be submitted electronically using the new online submission process. Mr. Dorn advised that the Auditors will be doing the new online process for the Annual Report submission.

Senator Latvala has introduced a bill to create a cancer presumption for firefighters. Senate Bill (SB) 158 creates an in-line-of-duty presumption for impairments of health caused by multiple myeloma, non-Hodgkin's lymphoma, prostate cancer, or testicular cancer, unless the contrary is shown by competent evidence. The Legislature is intending to review the status of research programs studying the incidence of cancer in firefighters. The law firm will keep the Board informed of the bills progress through the legislature.

The Board discussed the language of City Ordinance 18-169. The specific issue is the language for death benefits to beneficiaries. Ms. Jensen drafted a proposed language for changing the death benefit to a deceased member's accrued benefit shall be payable to the designated beneficiary on file with the Board of Trustees, payable as the Contingent Annuitant 100% survivor benefit. Trustee Llopis made a Motion to accept the proposed change to the Death benefits to beneficiaries payable as contingent annuitant 100% survivor benefit. The Motion was seconded by Trustee Faine. The Motion passed 4-0. Ms. Jensen advised that she would forward the proposed language change to the City and Union.

Ms. Jensen reminded the Trustees of her firm's 19th Annual Client Pension Conference from March 19-22, 2017. The conference is free to the firm's clients.

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PLAN ADMINISTRATOR'S REPORT:

Mr. Dorn advised that the Actuary is still working on the Actuarial Valuation Report and the report will be ready at the next meeting.

Mr. Dorn advised that death checks were completed and no new reported deaths were found on the data base.

Mr. Dorn advised that the Mr. Phillip Hawkins has completed his DROP Application documents and entered the DROP on 2/1/2017. The Board acknowledged this.

Mr. Dorn advised the Board that there have been some issues with the security of certain other pension plan's internal controls of various pension accounts. There was one case in Miami in which poor internal controls led to the theft of approximately 3.6 million dollars. Mr. Dorn advised that some Cities have been asking their pension administrators to describe to them their internal controls over the various pension accounts. Mr. Dorn advised the Board that he sent a letter to the City Manager that gave an overview of the security measures we take. Mr. Dorn advised that he has input from the custodian bank, and attorney regarding this issue.

Mr. Dorn advised that he worked with the previous administrator (Ms. Barbara LaDue) and the Actuary in determining the Supplemental 185 Payment and the 1% Supplemental Payment. Supplemental 185 Payment total amount is \$158,128.98 and the 1% Supplemental Payment amount is \$388,869.98. The Actuary approved these gross amounts. Trustee Llopis made a Motion to approve the Supplemental 185 payment amount. The Motion was seconded by Trustee Faine. The Motion passed 4-0. Trustee Llopis made a Motion to approve the 1% Supplemental Payment amount. The Motion was seconded by Trustee Faine. The Motion passed 4-0.

OPEN DISCUSSION:

No topics were discussed for Open Discussion.

ADJOURN:

Trustee Llopis made a Motion to adjourn the meeting. Trustee Faine seconded the Motion. The Motion passed 4-0. The meeting was adjourned at 3.52 P.M.

The Board of Trustee's reviewed and approved these minutes at the May 9, 2017 meeting.



Mr. Toby Athol, Chairman

FOR THE BOARD