

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

**November 08, 2022**

**10:30 AM**

The Workshop 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 November 08<sup>th</sup> 2022 at 10:34 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. Daniel Dugger- Trustee.

## **TRUSTEES ABSENT:**

Mr. Russel Faine-Secretary; - Trustee Mr. Michael Kelley-

It should be noted there was NOT a quorum for the Board to have an official meeting, and this meeting was conducted as a Workshop.

On the advice of Counsel, since the City Commission neglected to add Mr. Dugger's job responsibilities as City Manager, to serve as a pension Board Trustee, he abstained from voting during this meeting to avoid violating the rule of holding dual office.

## **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

## **PUBLIC DISCUSSION:**

None

### **CONSENT AGENDA:**

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

The Board was not able approve this item for lack of a quorum and will be presented at the February 2023 meeting.

#### **WARRANTS:**

The Board reviewed warrants 588 through 618.

The Board was not able approve this item for lack of a quorum and it will be presented at the February 2023 meeting.

### **INVESTMENT REPORT:**

Mr. Darrin Hogsed made the presentation to the Board on behalf of Russell Investments with a review of Q-4 for FY 21-22. He began the report by advising the Board that inflation was still a major issue attributing to the poor performance of the Fund.

It has been a difficult quarter with inflation and recession being the major contributing factors for the third consecutive quarter with a downward turn. Mr. Hogsed reviewed over the funds' performance which FYTD was (-14.77%). The fund did outperform the Consultant Benchmark, which was (-14.97%).

Mr. Hogsed hit some key points as it pertained to the Bond Market:

- > U.S. aggregate bond yields increased +3.2% over the past 12 months
- > Higher yields help to offset the price impact of further rate increases
- > If rates fall, price appreciation can help compensate
- > Bonds are offering more yield today per unit of interest rate risk

Mr. Hogsed then presented the Board with an outlook for recovery of the market:

### What's the likely rebound horizon?

- > To fully recover will require a 32.7% return
- > Stocks historically have produced that level or better within three years 66% of the time
- > Stocks have averaged 10.3% per year since 1970, this average would require **~2.8 years** to recover from this year's drawdown



Mr. Hogsed reviewed the Asset Allocation as of 9/30/2022 and a preliminary report as of 10/31/2022, which had approximately a 10-million-dollar gain:

Asset Allocation				
	Ending Market Value	Actual Holding	Policy Holding	Holding Variance
Multi-Asset Core Fund	\$37,926,242	33.4%	35.0%	-1.6%
Large Cap Defensive Equity Fund	15,664,405	13.8	14.5	-0.7
Russell Invest R1000 Idx Fd - I (DB)	17,322,514	15.2	15.5	-0.3
Multi-Manager Bond Fund	32,505,288	28.6	29.0	-0.4
Real Estate Equity Fund <sup>(1)</sup>	9,239,402	8.1	6.0	2.1
Private Credit Fund I LLC <sup>(2)</sup>	404,475	0.4	0.0	0.4
Cash, Payable/Receivable	617,614	0.5	0.0	0.5
Total Assets	113,679,940	100.0	100.0	0.0

As of October 31, 2022

	Market Value	Quarter to Date
Total Assets	\$124,349,346	
Multi-Asset Core Fund	42,763,933	4.59
Multi-Asset Plus Composite Benchmark		4.78
Large Cap Defensive Equity Fund	18,058,383	8.97
Russell 1000 Index (Linked)		8.02
Russell Investments Russell 1000 Index Fund - I	18,714,716	8.04
Russell 1000 Index (Linked)		8.02
Multi-Manager Bond Fund	28,863,343	-1.38
Bloomberg US Aggregate Bond Index		-1.30
Real Estate Equity Fund	9,239,402	0.00
NFI-ODCE-RITC (Linked)		0.00
Private Credit Fund I LLC	6,173,637	0.00
Cash, Payable/Receivable	535,932	0.00

Mr. Hogsed concluded his presentation and turned the presentation over to Frank Wan from BCA.

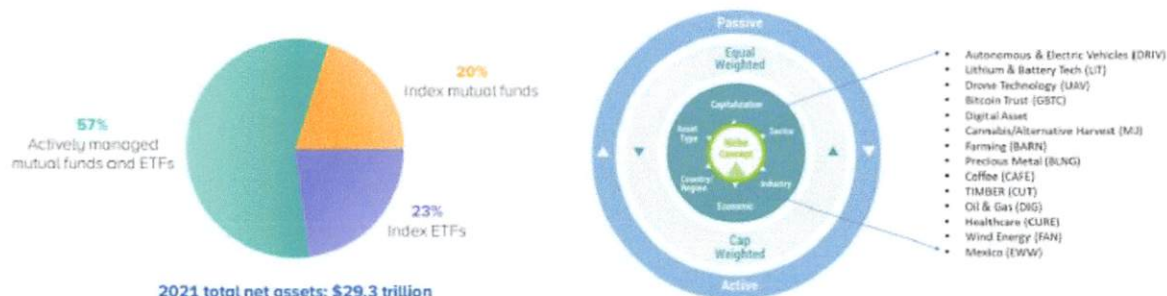
**INVESTMENT MONITOR REPORT:**

Mr. Frank Wan made the presentation to the Board on behalf of Burgess Chambers & Associates. He began the report with an update to the active vs passive debate:



John Bogle, the founder of Vanguard, created the first index mutual fund on August 31, 1976. The fund, which now is called the Vanguard 500 Index had approximately \$780 billion in assets at the end of September 2022. Given the tremendous inflows and increases in market share of index funds over the past decade, Wall Street and asset managers began opportunistically creating indexes for everything you can imagine, followed by investment banks quickly packaging them in the form of Exchange Traded Funds, Mutual Funds, CITs and Interval Funds.

In 2011, there were 123 exchange traded funds in the U.S. At the end of 2021, that number had grown to more than 2,600 funds. Alternative managers are also looking to capture a share of the rising investment flows into the passive space, hence creation of bitcoin futures ETFs, unitized private real estate funds, and private credit interval funds during the past five years.



The evolution of investment products is changing behaviors across the industry, as advisors are becoming portfolio managers by using niche index assets. Investments that were once reserved for large institutions are now available to individuals, and the line that divides active and passive is becoming more blurred with each passing week.

The debate today between active and passive may not be what John Bogle envisioned 50 years ago, but the rise in assets among index funds in all forms has had a net positive effect on fees. The average management fee for active equity and index mutual funds fell to 0.68% and 0.06%, respectively by the end of 2021, compared to 1.06% and 0.27% in 2001. However, investors should recognize that not all index funds were created equally. As Wall Street seeks to provide options for every risk appetite, niche offerings have become increasingly speculative and volatile, as is glaringly obvious with funds like the Direxion Daily S&P Bull and S&P Bear 3X Shares that utilize leverage to seek investment returns of 300%, or 300% of the inverse of the performance of the S&P 500 Index. These funds and others certainly fall outside the original scope of “passively capturing Market returns”.

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

- For the quarter, the Fund was down -5.0% gross (or -5.2% net; -\$6.0 million), similar to the Policy Benchmark (-5.2%) and ranking in the 77th percentile. It was a difficult quarter; bonds lost 4.6% in value.

- For the one-year period, the Fund experienced a market-based loss of \$19.2 million or -14.3% gross (-14.8% net), similar to the Policy Benchmark (-14.3%) and ranked in the 54th percentile. The best performing asset was Russell Real Estate Equity (+19.5%).

- For the three and five-year periods, the Fund earned +1.7% and +3.3% net, respectively.

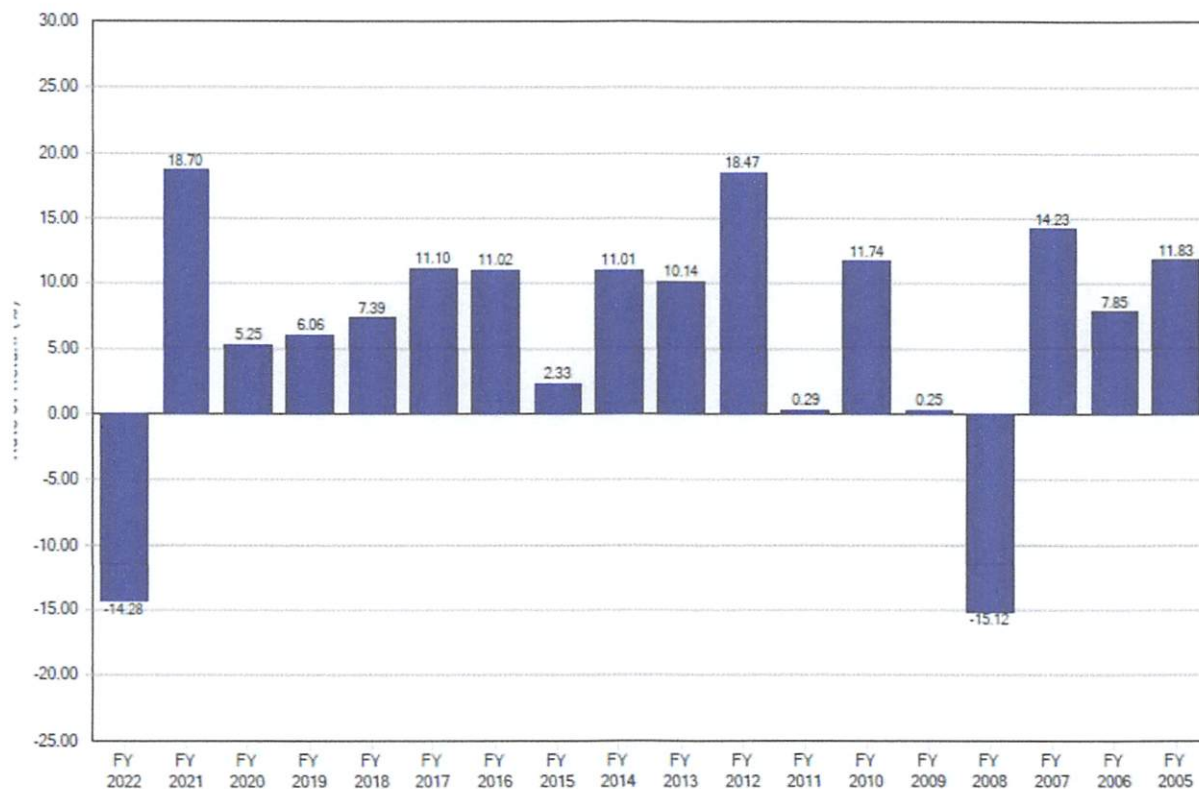
- On September 8th, the 2021 tax premium distribution in the amount of \$969,096.92 was received. \$440,791.97 was allocated to the multi manager bond fund and \$528,304.95 to the multi asset core fund.

- On July 18th, the first capital call for the Private Credit Fund I, LLC in the amount of \$56,576 was funded. A second capital call of \$352,031 was funded on July 29th.

Mr. Wan reviewed over the current Asset Allocation and advised there may be a rebalancing to the Russell 1000 Index Fund depending on the inflation report that will come out later this week. He is anticipating rebalancing 5 million dollars from the Large Cap Defensive Equity to the Russell 1000 Index Fund.

Mr. Wan also spoke about the poor performance of the Private Real Estate which is currently overweighted at 8.1% \$9,239,402. Mr. Wan will monitor this, but advised the Board he may take the allocation down to its target of 5% (Approximately \$3,000,000) and reallocate that to the Bond market.

Mr. Wan concluded his report showing the FY ROR since 2005:



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 Jensen advised the Board that the revised pension Ordinance passed the second reading on November 1<sup>st</sup>, 2022, which contained the new language on the 8 year DROP, 7% Guarantee ROR for all members, and new RMD language.

Attorney Bonni Jensen reviewed over some memos that were presented to the Board.

- 1) Public Safety Officer Support Act to include PTSD
- 2) Delaware Law Change Permits Companies to Insulate Corporate Officers from Liability for Reckless Conduct.
- 3) New RMD

### **PLAN ADMINISTRATOR REPORT:**

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

The new DROP Application was presented to the Board for review, along with the Actuary impact study for the 8-year DROP. The new Ordinance and Impact Statement will be sent to the State Division of Retirement. The new application will be sent to all active DROP members for their option to participate in the 8-year DROP.

The December Special Pay was presented to the Board and was reviewed and approved by the Actuary. Distribution will commence on December 1<sup>st</sup>, 2022. Total amount \$591,475.52.

185 Monies were received and deposited: \$969,096.92

City annual contribution was received and deposited \$7,136,079.00

The FY of DROP, Retirement, Death and Pension Contribution refunds:

Deaths:

- 1) Alex Kucher 6/9/2022

Retirements:

- 1) Phillip Hawkins 02-1-2022
- 2) Sedrick Aiken 04-1-2022
- 3) Robert Kellman 05-1-2022 VD
- 4) Ron Ryan 07-1-2022 VD
- 5) Mark Sohn 08-19-2022
- 6) Mike Brown 09-1-2022 VD

- 7) Dan Dugger 09-24-2022

**DROP:**

- 1) Juan Montoya 01-31-2022
- 2) John Dunlop 02-28-2022
- 3) Mark Sohn 03-31-2022
- 4) Craig Hanning 07-31-2022
- 5) Jeff Williams 08-31-2022
- 6) Jeff Gleicher 08-31-2022
- 7) Peter Picciano 09-30-2022
- 8) Jason Llopis 09-30-2022
- 9) Mike Johnson 09-30-2022

**Pension Contribution Refunds:**

- 1) Cara Cardarelli \$1,702.29 -- Warrant 544
- 2) Michael Gregory \$53,224.77 – Warrant 570

Total in refunds        \$54,927.06

Chairman Jason Llopis was reelected to another 4-year term. He was unopposed. We are still waiting on the City's two appointed trustees, which expire in December 2022.

RMD review was completed and reviewed by the actuary. Both members that meet the qualifications are within compliance.

Annual report approval letter was received for the annual report.

Reconciliation report for the June double pay showed that the fund actually gained approximately \$11,000.00 and no further action is required.

**NEW/UNFINISHED BUSINESS:**

None

**ADJOURN:**

The meeting was adjourned at 11:51 AM.

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



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Jason Llopis, Chairman  
**FOR THE BOARD**