

## City of Boynton Beach Municipal Firefighters Pension Trust Fund

### MINUTES

November 3, 2021

9:00 A.M.

Chairman Raybuck called to Order the meeting of the Board of Trustees of the City of Boynton Beach Municipal Firefighters' Pension Trust Fund, on November 3, 2021, at 9:07 AM.

#### **TRUSTEES PRESENT:**

Mr. Jon Raybuck – Chairman; Mr. Stan Cale – Board Secretary; Ms. Desirae Watler - Trustee; Mr. Conner Flechaus<sup>1</sup> – Trustee. Also, in attendance was Mr. Jim Stables – Fire Chief, Ex-Officio (left at 10:47 AM) & Mr. Robert Taylor<sup>2</sup> – Senior Advisor to the Board of Trustees.

#### **ABSENT:**

Mr. Chris Simmons – Trustee.

#### **OTHERS PRESENT:**

Mr. Shawn Weeks; Mr. Jonathan McMahon; Mr. Vance Carpenter; Mr. Phillip Mohorn; Mr. Hugh Bruder; Mr. Kurt Lewis; Mr. David West – AndCo Consulting; Mr. Dave Williams, Plan Administrator; Mr. Michael Williams, Administrative Plan Assistant.

Mr. Richard Cristini, CPA; Mr. Pete Strong, Board Actuary, GRS Consulting; Mr. Adam Levinson, Board Attorney – Klausner, Kaufman, Jensen and Levinson attended remotely.

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

#### **PUBLIC DISCUSSION:**

None.

#### **NEW BUSINESS**

- Affirmation of Engagement of Mr. Richard Cristini: Mr. Williams cited Board direction to engage the Auditor to conduct an Audit of the Chapter 175 Source Addresses that the city and the state use to formulate the funding received. Mr. Williams advised that this was not an ideal time for Saltmarsh to handle the assignment, so he engaged Mr. Cristini who recently left Saltmarsh. Mr. Cristini worked on this plan for many years and well qualified to conduct the Audit requested. Mr. Cristini reviewed the scope of his work; his hourly rate and the time he believes he would have to dedicate to complete this assignment. Mr. Raybuck knowing Mr. Cristini's ability and work ethic made a motion to approve Mr. Cristini for this engagement. Ms. Watler seconded the motion. All Trustees voted yes, and the motion was passed 4-0.
- Chapter 175 Review: Mr. Richard Cristini outlined his efforts to date for the Board and will present his findings and the city and state responses at the February 02, 2022 meeting. Mr. Levinson reminded all present the outstanding effort made by the Union to bring this matter to the forefront.
- Nomination/Election Results: Mr. Williams informed the Board about the public nomination process for the open seat of Mr. Cale<sup>3</sup>. At the close of the nomination, Mr. Cale was the only nominee.

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<sup>1</sup> Attended Remotely.

<sup>2</sup> Served as a Board Trustee From: 04/1999 - 02/2021.

<sup>3</sup> Public Notice: <http://bbffp.org/docs/announcements/Notice%20of%20Trustee%20Nomination%2010-01-2021%20updated.pdf#zoom=100>

## **City of Boynton Beach Municipal Firefighters Pension Trust Fund**

**Minutes – November 3, 2021**

**Page 2 of 6**

Motion to accept and approve the process and results of Mr. Cale to serve another 4-year term by Ms. Watler, seconded by Mr. Raybuck. All Trustees voted yes, and the motion was passed 4-0.

- Nomination of 5<sup>th</sup> Member: Mr. Williams reported that Mr. Raybuck's seat was up for nomination. Mr. Cale made the motion to reappoint Mr. Raybuck as the 5<sup>th</sup> Member to the Board of Trustees, which was seconded by Ms. Watler. All Trustees voted yes, and the motion was passed 4-0.<sup>4</sup>
- Engagement GRS – Annual State Report: Mr. Williams informed the Board that Ms. Bittinger of Saltmarsh notified him that her firm lost an employee who was responsible for completing and filing the state reports. As this is a highly technical position, she is unable to replace and train a new employee in time to meet the state's filing deadline. Ms. Bittinger took the initiative to contact GRS Consulting to see if they would agree to handle the assignment. GRS Consulting agreed and submitted an engagement letter date October 26, 2021 that was provided to the Board of Trustees. The cost to complete the assignment by GRS was in-line with Saltmarsh. Mr. Williams said Ms. Bittinger will provide a looking forward report on this assignment at the February 02, 2022 meeting. Mr. Raybuck made the motion to engage GRS Consulting to complete the annual report, which was seconded by Mr. Cale. All Trustees voted yes, and the motion was passed 4-0.

### **ACTUARIAL PRESENTATION- Mr. Pete Strong – GRS Consulting:**

Mr. Pete Strong cited that one of their responsibilities is to assess the reasonability of the actuarial assumptions used to calculate the actuarial liabilities and annual contribution requirements for the Plan. One of the most important actuarial assumptions – if not the most important – is the forward-looking actuarial assumed rate of investment return.

Mr. Strong reflected that the selection of the actuarial assumed rate of investment return is a major decision. All liability, present value and interest calculations are based on this assumption, and, as such, the assumption should be as realistic as possible. It has been a controversial topic at times for many pension boards, plan sponsors, and outside observers.

Mr. Strong explained how to determine the actuarial assumed rate of return. The assumed net long-term expected rate of return should be the Plan fiduciaries' best estimate of the future compound average annual investment return of the Plan. A building block approach should be used, in which the expected real returns (net of inflation) for each asset class in which the Plan is invested are estimated and multiplied by the asset allocation percentage of that asset class.

Mr. Strong reviewed the Plan's target asset allocation, as provided by the Plan's investment consultant, AndCo Consulting. Best practice for selecting the net investment return assumption considers a pension plan's specific asset allocation and reliable forecasts of capital market assumptions for each relevant asset class. As GRS is not an investment consulting firm and does not provide investment consulting or forecasting services, it does maintain a survey of the forecasts of capital market assumptions from twelve (12) major national investment consulting and forecasting firms to obtain a consensus. Based on the foregoing, short and long term capital market assumptions were detailed by Mr. Strong. Since each investment consultant uses slightly different inflation assumptions, the returns are normalized for inflation so that each investment consultant's gross 1-year return includes the same inflation assumption. Investment consultants and forecasters generally provide their expected returns gross of active management investment-related expenses. However, for funding and financial reporting purposes, the

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<sup>4</sup> Public Notice provided to the City of Boynton Beach –

<http://bbffp.org/docs/announcements/5th%20Member%20Trustee%20Confirmation%2011-05-2021.pdf#zoom=100>

**City of Boynton Beach Municipal Firefighters Pension Trust Fund  
Minutes – November 3, 2021  
Page 3 of 6**

actuarial return assumption is net of investment-related expenses, so that the investment earnings assumed to accumulate over time are net of the fees and costs needed to generate the amounts available to pay benefits. The annual investment-related expenses for the Plan are approximately 0.3% of the total assets in the trust. Using the projected benefit payments for the Plan, a single equivalent rate can be calculated for the next 27 years which is neutral to the Plan earning 5.36% during the first 10 years and 6.86% in years 11 through 27. This single equivalent rate is 6.12%. We believe this assumed rate of return represents the “best estimate” for the average future compound average return for the Plan over the next 27 years, based on the current target asset allocation, the current capital market forecast assumptions, and the projected benefit payments that are specific to the Plan.

**Recommendation:**

Based on the information provided above, including the short-term and long-term capital market assumptions and the single-equivalent “best estimate” rate of return of 6.12% based on the Plan’s projected cash flows, our long-term recommendation is to lower the rate of return assumption from the current level of 7.35% towards a target range of 6.0% to 6.5%. We recognize that the forecasted geometric average returns resulting from the capital market assumptions of each investment consultant vary by up to 75 basis points from the averages and that this analysis is not an exact science. As result, there exists a range of reasonability +/- 75 basis points around what we believe to be the “best estimate” target rate. Therefore, we believe a reasonable range for the long-term net compound average investment return is 5.5% to 7.0%.

The Plan’s current net investment return assumption of 7.35% is outside of this range, so our recommendation is to reduce it. We recommend lowering the rate of return assumption by at least 20 to 25 basis points (to at least 7.10% to 7.15%) as of October 1, 2021, with the intent to make further reductions in future years.

Mr. West, Investment Consultant – AndCo provided his perspective on the modeling employed. He felt a blended model (forward, backwards and actual) was a reasonable approach for the Board to consider. Mr. West went on the record to say that he was adverse to change the assumption solely on the capital market assumptions. But reducing the assumption would reduce the liability if the investment returns were lower.

Mr. Strong countered Mr. West’s assertion that the reduction would increase the probability of meeting the investment assumption. Mr. Strong also cited that the Boynton Police and General Employee pension Plans assumptions were at 7.0% and 6.8% respectively.

Mr. Levinson interjected that this was a great exchange of information between all parties and cited that interaction is exactly what the State of Florida wants to see. Mr. Levinson spoke to the gains in the plan and how they would benefit the city by offsetting the cost impact.

The Board members exchanged their thoughts on the topic. Mr. Raybuck reminded all present that former Fire Chief, Ex-Officio Ray Carter discussed the assumption reduction(s) in 2020 with the city manager.

At the conclusion of the presentation, Mr. Cale made the motion to accept Mr. Strong’s recommendation and to adjust the investment assumption from 7.35% to 7.15%. The motion was seconded by Ms. Watler. All Trustees voted yes, and the motion was passed 4-0. Mr. Strong concurred with the foregoing action.

**City of Boynton Beach Municipal Firefighters Pension Trust Fund  
Minutes – November 3, 2021  
Page 4 of 6**

**ATTORNEY’S REPORT:**

Mr. Levinson explained that two COVID presumption Bills were filed for the upcoming legislative session. Further will follow as warranted.

**INVESTMENT MONITOR’S REPORT:**

Mr. West advised that on September 30, 2021 the Fund’s value was \$164,925,693.00.

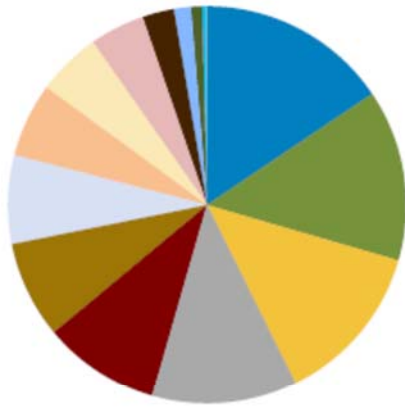
Mr. West advised that recent reallocations the Board approved had a positive impact on the investment return for the quarter and fiscal year return.

Domestic Equity Market review provided by Mr. West:

Volatility increased during the 3<sup>rd</sup> quarter as US markets climbed to new all-time highs in early September only to pull back towards the end of the period. A variety of factors contributed to the increase in volatility including concerns related to the Delta variant, supply chain shortages, higher US interest rates, rising inflation, and fiscal policies in Washington. Despite these concerns, growth led value in both large and mid-cap companies and large companies outperformed relative to smaller peers.

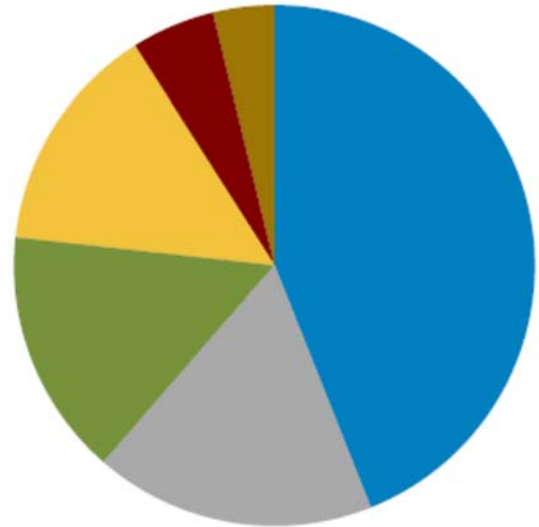
Asset Allocation by Segment and Manager:

Asset Allocation By Manager as of September 30, 2021 : \$164,925,693



Allocation	Market Value	Allocation
Schroders Core Fixed Income	25,861,852	15.6
DSM Large Cap Growth	22,976,188	13.9
Anchor All Cap Value Equity	21,759,299	13.2
Vanguard 500 Index Admiral (VFIAX)	19,387,128	11.8
American Funds EuroPacific Gr R6 (RERGX)	15,700,811	9.5
WCM International Growth Fund (WCMIX)	12,991,835	7.9
Schroders TIPS	11,899,221	7.2
Vanguard Mid-Cap Index Fund (VMCIX)	9,907,451	6.0
Intercontinental	8,585,982	5.2
PIMCO Diversified Income Fund (PDIIX)	7,355,862	4.5
Receipt & Disbursement	4,254,041	2.6
Crescent Direct Lending Levered Fund II	2,282,327	1.4
Crescent Direct Lending Levered Fund	1,474,806	0.9
LBC Credit Partners III	569,764	0.3
Mutual Fund Cash	119,326	0.1

Asset Allocation By Segment as of September 30, 2021 : \$164,925,693



Allocation	Market Value	Allocation
Domestic Equity	72,531,187	44.0
Foreign Equity Securities	28,892,647	17.4
Broad Market Fixed Income	25,322,175	15.4
Non-Core Fixed Income	23,509,486	14.3
Direct Real Estate	8,585,982	5.2
Cash	6,284,217	3.8

**City of Boynton Beach Municipal Firefighters Pension Trust Fund  
Minutes – November 3, 2021  
Page 5 of 6**

Mr. West reported to the Board the following investment report for the portfolio:

Comparative Performance Trailing Returns																	
	QTR		FYTD		1 YR		3 YR		5 YR		7 YR		10 YR		Inception	Inception Date	
Total Fund (Net)	0.10	(21)	19.36	(58)	19.36	(58)	12.00	(12)	11.64	(12)	10.03	(4)	11.03	(8)	6.74	(52)	01/01/2002
Total Fund Policy	0.40	(8)	19.94	(46)	19.94	(46)	11.35	(28)	10.94	(31)	9.29	(18)	10.66	(18)	8.91	(41)	
Difference	-0.30		-0.58		-0.58		0.65		0.70		0.74		0.37		-0.17		
All Public Plans-Total Fund Median	-0.23		19.74		19.74		10.52		10.25		8.35		9.79		6.78		

Mr. West reflected the portfolio return for the fiscal year was a stellar 19.36%. Mr. West noted the median return for public funds were at 19.74% for the same period. On a three-year, five-year and ten-year basis, the portfolio was respectively in the Top 12 percentile, 12 percentile and 8 percentile.

Mr. West Schrodgers recommended the following rebalancing at this juncture: Schrodgers is directed to raise \$2M in BBFD SCH CORE FI. BUY \$2M Vanguard 500 Index Fund, initiate DRIP. After review and discussion, the foregoing was placed in the form of a motion by Mr. Raybuck and seconded by Mr. Cale. All Trustees voted yes, and the motion was passed 4-0.

Mr. West reminded all that a capital call is pending from Harrison Real Estate and sought funding authority. Mr. West felt the R&D and Schrodgers Fixed Income should be the source of funding. After review and discussion, the foregoing was placed in the form of a motion by Mr. Raybuck and seconded by Mr. Cale. All Trustees voted yes, and the motion was passed 4-0.

This concluded Mr. West's report.

In a continued spirit of transparency, the Board of Trustees have posted the entire investment review on-line at:

<http://bbfp.org/docs/investments/2021-09-30%20Boynton%20Beach%20Firefighters%20Quarterly%20Report.pdf#zoom=100>

**CONSENT AGENDA:**

**APPROVAL OF THE MINUTES:**

The Board of Trustees reviewed the minutes for the August 4, 2021 meeting. A Motion was made by Mr. Raybuck to approve the minutes and seconded by Mr. Cale. All Trustees voted yes, and the motion was passed 4-0.

**APPROVAL OF THE WARRANTS:**

Warrants 396 through 417<sup>5</sup> were presented to the Board for approval. After review & consideration a motion was made by Ms. Watler to approve Warrants as presented, which was seconded by M. Raybuck. All Trustees voted yes, and the motion was passed 4-0.

**PLAN ADMINISTRATOR:**

DROP Entry: Mr. Williams presented the final drop benefit calculation and final election of Mr. Adam Turey<sup>6</sup> who entered the drop on July 31, 2021. Supporting actuarial confirmation was also included. Mr. Raybuck made a motion to approve the drop entry and benefit election of Mr. Turey. This motion was seconded by Ms. Watler. All Trustees voted yes, and the motion was passed 4-0.

<sup>5</sup> Mr. Williams specifically reviewed Warrant 402 for the 2021 COLA.

<sup>6</sup> Mr. Williams noted the 3 years of airtime credited to Mr. Turey based on the Board policy.

**City of Boynton Beach Municipal Firefighters Pension Trust Fund  
Minutes – November 3, 2021  
Page 6 of 6**

Request to Change Beneficiary: Mr. Williams explained that active drop member Ms. Tamihi Sortore requested to change her beneficiary. Mr. Williams cited that this was the first known change sought by this member. An actuarial review was undertaken to determine the adjustment required to be cost neutral to the plan. That study was presented to the member, and she agreed to the adjustment. Motion made by Mr. Raybuck to accept the beneficiary change and adjustment as determined by the actuary and agreed upon by the member. Mr. Cale seconded the motion. All Trustees voted yes, and the motion was passed 4-0.

Security Monitoring: Mr. Williams cited the security monitoring agreements were secured and executed for the firms approved at the August 4, 2021 Meeting: Levi & Korsinsky, Robbins Geller and Saxena White. Mr. Williams thanked Mr. Levinson for his assistance.

Mr. Williams proudly presented the 2021 PPCC Public Pension Standards Award to the Board of Trustees. Mr. Williams also made the point to acknowledge the support of the City of Boynton Beach as this is a team effort. Mr. Williams will also provide the city with a copy. The Award and details may be viewed at: <http://bbffp.org/docs/announcements/BBFF%20Pension%20PPCC%20Award%202021.pdf#zoom=100>

2022 MEETING DATES: Mr. Williams provided the 2022 meeting dates, which may be viewed on-line at: <http://bbffp.org/docs/boardMeetings/2022%20Boynton%20Fire%20Meeting%20Dates.pdf#zoom=100>

**OPEN DISCUSSION**

Mr. Cale asked that the AdHoc Supplement Benefit be reviewed by Mr. Strong. Mr. Williams contacted Mr. Strong post meeting<sup>7</sup>.

**ADJOURN**

Meeting adjourned at 11:13 A.M.

Next scheduled meeting February 02, 2020 at 9:00 A.M.

DocuSigned by:  
*Jon Raybuck*  
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**FOR THE BOARD**

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<sup>7</sup> There has to be excess Chapter 175 money to pay an ad hoc payment. The ad hoc payments were put on hold when the union agreed to use \$1 million of the State contribution reserve to reduce the unfunded liability of the Plan. The annual cost of the COLA (in excess of the 5% additional member contributions) currently exceeds the additional premium tax revenues (excess Chapter 175 monies), so the state contribution reserve balance has been declining every year for the past few years to help pay for the cost of the COLA, so there has not been any excess Chapter 175 money available to allocate towards ad hoc benefits.