

City of Boynton Beach Municipal Firefighters Pension Trust Fund

MINUTES

May 4, 2022

9:00 A.M.

Chairman Raybuck called to Order the meeting¹ of the Board of Trustees of the City of Boynton Beach Municipal Firefighters' Pension Trust Fund, on May 4, 2022, at 9:01 A.M.

TRUSTEES PRESENT:

Mr. Jon Raybuck – Chairman; Mr. Stan Cale – Board Secretary; Mr. Christopher Simmons – Trustee; Mr. Conner Flechaus – Trustee and Mrs. Desirae Patterson – Trustee. Also, in attendance was Mr. Robert Taylor – Senior Advisor to the Board of Trustees.

OTHERS PRESENT:

Mr. John Boles & Mr. William Hickey, Investment Manager – Anchor Capital; Mr. Pete Strong, Board Actuary – GRS Consulting; Mr. David West, Investment Consultant – AndCo Consulting; Mr. Adam Levinson, Board Attorney – Klausner, Kaufman, Jensen and Levinson; Mr. Dave Williams, Plan Administrator. K. Lewis, P. Phillips, H. Bruder, L. Lederhandler, J. Canela, J. McMahon, G. Salame, V. Carpenter, J. Mohorn - Plan Members & Mr. Ernest Mignoli.

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

PUBLIC DISCUSSION:

None

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

Mr. Raybuck asked if everyone had an opportunity to review the minutes of November 03, 2021² & February 02, 2022. A Motion was made by Mr. Flechaus to approve the minutes. The Motion was seconded by Mrs. Patterson. The Motion passed 5-0.

APPROVAL OF THE WARRANTS:

Warrants 438 through 464 were presented to the Board for approval. After review & consideration a motion was made by Mr. Flechaus to approve Warrants as presented. The Motion was seconded by Mrs. Patterson. The Motion passed 5-0.

ACTUARY REPORT

- a. Presentation of the Actuarial Valuation October 1, 2022

Mr. Pete Strong presented the results of the October 1, 2021 Annual Actuarial Valuation of the City of Boynton Beach Municipal Firefighters' Pension Trust Fund report.

It was reported that the purposes of the valuation are to measure the System's funding progress, to determine the employer contribution rate for the fiscal year ending September 30, 2023, and to

¹ 2080 High Ridge Road, Boynton Beach, Florida 33426

² Tabled at the February 02, 2022, meeting.

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determine the actuarial information for Governmental Accounting Standards Board (GASB) Statement No. 67. The report also includes estimated GASB Statement No. 67 information for the fiscal year ending September 30, 2022.

A comparison of the required employer contribution developed in this and the last actuarial valuation is shown below. The required contribution dollar amounts shown below are estimates only. The contribution policy of the City is to contribute the dollar amount determined by multiplying the required percentage of payroll determined as of the valuation date by the projected pensionable payroll for the year.

	For FYE 9/30/23 Based on 10/1/2021 Valuation if contributed on 10/1/2022	For FYE 9/30/22 Based on 10/1/2020 Valuation if contributed on 10/1/2021	Increase (Decrease)
Required Employer/State Contribution	\$ 6,772,144	\$ 6,607,751	\$ 164,393
As % of Covered Payroll	56.42 %	55.58 %	0.84 %
State Contribution Allocated (Including Amounts from State contribution reserve)	\$ 1,068,298	\$ 1,068,298	\$ 0
As % of Covered Payroll	8.90 %	8.99 %	(0.09) %
Net Required Employer (City) Contribution	\$ 5,703,846	\$ 5,539,453	\$ 164,393
As % of Covered Payroll	47.52 %	46.59 %	0.93 %

Actuarial Experience

There was a net actuarial experience gain of \$4,446,752 for the year, which means that overall actual experience was more favorable than expected. The actuarial gain is primarily due to higher than expected investment returns on the actuarial value of assets. The net investment return on the actuarial value of assets was 11.48% versus an assumed return of 7.35%. The net investment return on the market value of assets was 18.60%. These gains were offset somewhat by net experience losses from higher than expected average salary increases (9.2% actual versus 6.9% expected), more retirements than expected (6 actual versus 5 expected), and better longevity among retirees than anticipated by the mortality assumption (1 actual retiree death versus 2 expected).

The net actuarial gain for the year caused a decrease in the annual required employer contribution of 2.50% of covered payroll, or about \$300,000.

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Funded Ratio

The funded ratio was 74.4% this year compared to 71.5% last year. The funded ratio would have been 76.1% this year prior to recognizing the assumption changes. The funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liability.

ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION (ADEC)			
A. Valuation Date	October 1, 2021 <i>After Assumption Changes</i>	October 1, 2021 <i>Before Assumption Changes</i>	October 1, 2020
B. ADEC to Be Paid During Fiscal Year Ending	9/30/2023	9/30/2023	9/30/2022
C. Assumed Date of Employer Contrib.	10/1/2022	10/1/2022	10/1/2021
D. Annual Payment to Amortize Unfunded Actuarial Liability	\$ 3,686,801	\$ 3,481,591	\$ 3,672,306
E. Employer Normal Cost	2,920,288	2,745,032	2,774,279
F. ADEC if Paid on the Valuation Date: D+E	6,607,089	6,226,623	6,446,585
G. ADEC Adjusted for Frequency of Payments	6,607,089	6,226,623	6,446,585
H. ADEC as % of Covered Payroll	56.42 %	53.17 %	55.58 %
I. Covered Payroll per Valuation	11,710,333	11,710,333	11,598,751
J. Assumed Rate of Increase in Covered Payroll to Contribution Year	2.50 %	2.50 %	2.50 %
K. Covered Payroll for Contribution Year	12,003,091	12,003,091	11,888,720
L. ADEC for Contribution Year: H x K	6,772,144	6,382,043	6,607,751
M. Estimate of State Allocated Revenue in Contribution Year (including amounts from Accumulated Excess Reserve)	1,068,298	1,068,298	1,068,298
N. Actuarially Determined Employer Contribution (ADEC) in Contribution Year	5,703,846	5,313,745	5,539,453
O. ADEC as % of Covered Payroll in Contribution Year: N ÷ K	47.52 %	44.27 %	46.59 %
P. Estimated Amount of Accumulated Excess Premium Tax Revenue Used to Offset ADEC (If Actual State Revenue = \$995,143)	73,155	73,155	73,155

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ACTUARIAL VALUE OF BENEFITS AND ASSETS			
A. Valuation Date	October 1, 2021 <i>After Assumption Changes</i>	October 1, 2021 <i>Before Assumption Changes</i>	October 1, 2020
B. Actuarial Present Value of All Projected Benefits for			
1. Active Members			
a. Service Retirement Benefits	\$ 83,032,516	\$ 80,056,223	\$ 80,270,330
b. Vesting Benefits	3,748,287	3,592,971	3,694,260
c. Disability Benefits	2,075,764	2,009,977	2,066,099
d. Preretirement Death Benefits	670,667	645,582	660,697
e. Return of Member Contributions	195,851	194,967	206,462
f. Total	<u>89,723,085</u>	<u>86,499,720</u>	<u>86,897,848</u>
2. Inactive Members			
a. Service Retirees & Beneficiaries	104,348,122	102,256,961	94,628,526
b. Disability Retirees	2,968,202	2,898,596	2,874,936
c. Terminated Vested Members	830,675	803,185	747,635
d. Total	<u>108,146,999</u>	<u>105,958,742</u>	<u>98,251,097</u>
3. Total for All Members	197,870,084	192,458,462	185,148,945
C. Actuarial Accrued (Past Service) Liability	166,996,539	163,197,960	154,416,171
D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35	155,181,879	151,579,806	142,806,095
E. Plan Assets			
1. Market Value	140,845,497	140,845,497	116,309,935
2. Actuarial Value	124,219,104	124,219,104	110,401,014
F. Unfunded Actuarial Accrued Liability: C-E2	42,777,435	38,978,856	44,015,157
G. Actuarial Present Value of Projected Covered Payroll	92,064,552	91,116,943	94,253,381
H. Actuarial Present Value of Projected Member Contributions	11,047,747	10,934,033	11,310,406
I. Accumulated Value of Member Contributions	11,176,646	11,176,646	10,973,238
J. Funded Ratio: E2/C	74.4%	76.1%	71.5%

Mr. Strong also cited the reduction in the assumption rate from 7.35% to 7.15%.

After review and discussion, Mrs. Patterson made the motion to accept and approve the October 1, 2021 Actuarial Valuation report presented. Mr. Cale seconded the motion. The Motion passed 5-0.

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In a spirit of transparency, the Board of Trustees has posted the entire report on-line at:
<http://bbffp.org/modules/stateDocs/reports.asp>

b: Summary Plan Description

Due to pending collective bargaining negotiations, the Board elected to table this item.

c: COLA Study

Mr. Strong presented a Supplemental Actuarial Valuation Report illustrating the impact of a reevaluation of the cost of the 2% COLA, which was first implemented by Ordinance 06-092. The results are based on census and asset data as of October 1, 2021.

It was reported that Ordinance 06-692 (adopted in 2006), which added the 2% deferred COLA and increased member contributions by 5.0% of covered payroll, originally resulted in a total annual cost of 5.24% of covered payroll per year (5.0% of covered payroll to be covered by firefighters and 0.24% of covered payroll to be paid by the City). Under the terms of this Ordinance, the actuarial cost of the COLA must be reevaluated every three years to ensure that the City's cost has not increased beyond the initially determined cost to the City of 0.24% of covered payroll. The last reevaluation was completed as of October 1, 2018 (applicable to State money received during the fiscal year ending September 30, 2019) and as a result, the base amount of regular Chapter 175 State contributions was determined to be \$1,062,385, beginning with the fiscal year ending September 30, 2019.

Summary of Findings:

The annual actuarial cost of the COLA is \$5,913 higher than it was as of October 1, 2018. Therefore, the annual allocation of Chapter 175 State contributions towards the total required contribution has increased by this amount, from \$1,062,385 to \$1,068,298, beginning with the fiscal year ending September 30, 2022. If the amount received by the State in the fiscal year ending September 30, 2022 is less than this amount, the shortfall must be made up through the release of accumulated excess premium tax revenue reserves.

At the conclusion of the foregoing reports, Mr. Flechaus made a motion that while the Board recognizes the actual investment return fluctuates, the assumed rate of return of 7.15% is reasonable in the near term, in coming years and long term. Mr. Cale seconded the motion. The Motion passed 5-0.

The Board of Trustees thanked Mr. Strong for his presentation.

INVESTMENT REPORT

- Anchor Capital - Mr. John Boles & Mr. William Hickey, Investment Manager of Anchor Capital presented their investment report for the quarter ending April 30, 2022.
- The representatives cited how the firm balances risk with reward. The following illustration was provided:

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Market Event	Anchor ACV (Pure Gross)	Anchor ACV (Net)	Russell 3000 Value
Global Financial Crisis 08/2007–02/2009	-22.49%	-23.01%	-37.20%
U.S. Government Downgrade 05/2011–08/2011	-7.36%	-7.51%	-12.43%
COVID-19 Pandemic 2/2020–5/2020	-17.56%	-17.66%	-20.27%

- Investment Returns as of April 30, 2022:

	QTD	1 Year	3 Year	5 Year	Since Inception
City of Boynton Beach Municipal Firefighters Pension Trust (net of fees)	-4.72%	-7.53%	-3.89%	6.76%	7.67%
Russell 3000 Value	-5.78%	-6.57%	0.79%	9.48%	8.89%

- The account was valued at \$22,444,323.00 as of April 30, 2022.
- The representatives cited no change in the investment style or policy, which long term has benefited the portfolio.
- Mr. Taylor asked Mr. West to opine. Mr. West felt Anchor should continue to be monitored. Mr. West cited Anchor's performance outpacing the benchmark on a 3-year rolling period with an interruption since June 2021. Mr. West suggested no action at this juncture but will report back at a future meeting.

INVESTMENT MONITOR'S REPORT:

Mr. West advised that on March 31, 2021 the Fund's value was \$156,436,791, up from \$153,904,443 of December 31, 2020. Market Review:

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

The Economy:

- The global economy faced headwinds as Russia invaded Ukraine in February. Despite their small percentage of the global GDP, both Russia and Ukraine play significant roles in the global economy. Russia provides most of Europe's energy supplies and combined, both countries account for a large percentage of food supplies.
- Prior to the crisis in Ukraine, the global and US economies were already expected to grow at a slower rate in the 1st quarter. For the 4th quarter 2021, the US GDP grew at an annual rate of 6.9%. Estimates for the 1st quarter 2022 vary significantly, ranging between 0.5% and 2.0%.
- The US labor market remained a source of strength during the 1st quarter with the unemployment rate falling to 3.6% in March. The pace of job growth accelerated during the quarter with a three-month average of roughly +562,000. Importantly, the number of workers re-entering the workforce increased during the quarter with strong wage growth as the likely catalyst.

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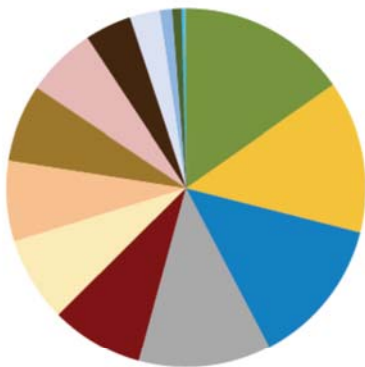
- The US Federal Reserve Bank (the Fed) began the process of normalizing interest rates by raising the Fed Funds rate by 0.25%. Additionally, the Fed signaled it was ready to begin the process of shrinking its balance sheet by not reinvesting up to \$95 billion of maturing bonds into new securities each month. This process is referred to as “quantitative tightening” and is meant to drain liquidity from the economy with the goal of slowing inflation.

Mr. West outlined the portfolio return for the fiscal year and other relevant time periods.

	QTR	FYTD	1 YR	3 YR	5 YR	7 YR	10 YR	Inception	Inception Date
Total Fund (Net)	-5.94 (81)	-2.24 (80)	3.86 (58)	10.75 (41)	9.93 (20)	8.83 (10)	9.28 (12)	6.45 (60)	01/01/2002
Total Fund Policy	-3.59 (11)	1.52 (8)	7.46 (7)	11.77 (14)	10.12 (15)	8.86 (9)	9.27 (12)	6.81 (37)	
Difference	-2.35	-3.76	-3.60	-1.02	-0.19	-0.03	0.01	-0.36	
All Public Plans-Total Fund Median	-4.99	-0.79	4.30	10.48	9.10	7.70	8.31	6.66	

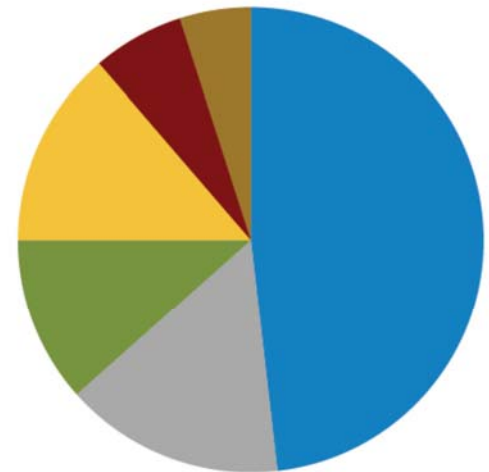
Mr. West reviewed Allocation by Segment & Manager:

Asset Allocation By Manager as of March 31, 2022 : \$163,813,314



Allocation	Market Value	Allocation
Vanguard 500 Index Admiral (VFIAX)	25,008,259	15.3
Anchor All Cap Value Equity	22,444,343	13.7
DSM Large Cap Growth	21,916,891	13.4
Schroders Core Fixed Income	19,461,230	11.9
American Funds EuroPacific Gr R6 (RERGX)	13,624,441	8.3
Vanguard Mid-Cap Index Fund (VMCIX)	12,561,659	7.7
Schroders TIPS	11,899,654	7.3
WCM International Growth Fund (WCMIX)	11,343,396	6.9
Intercontinental	10,403,852	6.4
PIMCO Diversified Income Fund (PDIIX)	6,836,291	4.2
Receipt & Disbursement	4,456,752	2.7
Crescent Direct Lending Levered Fund II	1,803,188	1.1
Crescent Direct Lending Levered Fund	1,375,364	0.8
LBC Credit Partners III	558,664	0.3
Mutual Fund Cash	119,328	0.1

Asset Allocation By Segment as of March 31, 2022 : \$163,813,314



Allocation	Market Value	Allocation
Domestic Equity	78,922,180	48.2
Foreign Equity Securities	24,967,837	15.2
Broad Market Fixed Income	18,989,000	11.6
Non-Core Fixed Income	22,416,294	13.7
Direct Real Estate	10,403,852	6.4
Cash	8,114,150	5.0

Mr. West had no recommended changes for this quarter. The Board should stay the course and follow the investment guidelines.

In a spirit of transparency, the Board of Trustees has posted the entire investment review on-line at: <http://bbffp.org/docs/investments/2022-03-31%20Boynton%20Beach%20Firefighters%20Quarterly%20Report.pdf#zoom=100>

The Board recessed 11:16 AM and reconvened at 11:22 AM.

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ATTORNEY'S REPORT:

- Mr. Levinson reminded the Board about the Form 1 filing requirements.
- Mr. Levinson cited pending federal legislation related to required minimum distributions (RMD) that would affect drop members, if passed. He will monitor this legislation.

NEW BUSINESS:

- **Affirmation of Engagement of BLBG – Clarivate Matter**
Mr. Levinson advised that Mr. Klausner was contacted in March by representatives of Bernstein Litowitz Berger & Grossman (BLB&G) who is one of our security monitoring firms. The representative outlined a potential case for Mr. Klausner to consider in seeking lead plaintiff status on behalf of this Plan. Mr. Klausner felt the claim was worthy.³ The claims against Clarivate arise from an accounting fraud perpetrated by the Company and certain of its current and former senior executives. Due to the foregoing, Mr. Klausner contacted Mr. Raybuck, who after consultation approved the engagement of (BLB&G) in this matter. The Board was provided the executive summary to consider as well. A Motion was made by Mr. Flechaus to approve the action taken by Mr. Raybuck and the engagement of BLBG in the Clarivate Matter. The Motion was seconded by Mr. Cale. The Motion passed 5-0.
- **Administrative Budget FYE 2023**
Mr. Williams presented an Administrative Expense Budget based on the expenses reported in the financial statements of September 30, 2021 for the Board to consider. Mr. Williams stated that 100 basis points of expense is considered reasonable in the industry. The proposed budget is estimated at 22 basis points which is based on the September 30, 2021 balance of the System, so he believes it is extremely reasonable. After review and discussion, Mr. Cale made a motion to approve the 2022/23 Administrative Expense Budget as presented, which was seconded by Mr. Flechaus. The Motion passed 5-0.

In a spirit of transparency, the Board of Trustees has posted the entire report on-line at:

http://bbffp.org/docs_state/AnnualBudget/2022-23%20BBFF%20Adm%20Expense%20Budget%20approved%2008-04-2021%20MEETING.pdf#zoom=100

PLAN ADMINISTRATOR:

As a follow up to the Chapter 175 review, Mr. Williams contacted Jennifer Marangos, City GIS Analyst. It was conveyed by Ms. Marangos that as of the last state address update 4,358 records were added to Boynton Beach's jurisdiction.

OPEN DISCUSSION:

Mr. Raybuck inquired about the Ex-Officio position, as Mr. Stables is now the interim city manager for the City of Boynton Beach. Mr. Levinson opined that Mr. Stables could have a representative attend the meeting on his behalf and report back to him, as it is a non-voting position.

³ Based on our review of Boynton Beach Fire's trading, BLB&G estimated that the Fund incurred a loss of approximately \$128,000 on its transactions in Clarivate stock during the period from November 10, 2020, to February 2, 2022 (the "Expanded Period").

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Mr. Raybuck informed the Board that he has been assisting as a resource to the city/union with regard to the collective bargaining process in terms of pension changes. Mr. Raybuck feels a special meeting would be prudent should the collective bargaining agreement pass, and the ordinance would require a change. Mr. Levinson pointed out the Board would not be the authority to approve or deny the potential changes but give input to the language within the ordinance for administrative practicality.

ADJOURN:

Meeting adjourned at 11:44 A.M.

Next meeting August 3, 2022, at 9:00 A.M.

DocuSigned by:
Stan Cole
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FOR THE BOARD