

City of Boynton Beach Municipal Firefighters Pension Trust Fund

MINUTES

February 1, 2023

9:00 A.M.

Acting Chairman Cale called to Order the meeting of the Board of Trustees of the City of Boynton Beach Municipal Firefighters' Pension Trust Fund, on February 1, 2023, at 9:00 AM.

TRUSTEES PRESENT:

Mr. Jon Raybuck – Chairman; Mr. Stan Cale¹ – Board Secretary; Mrs. Desirae Patterson, Trustee; Mr. Robert Taylor, Trustee & Chief Hugh Bruder².

ABSENT:

Mr. Conner Flechaus – Trustee

OTHERS PRESENT:

Mr. Ernest Mignoli, City Resident; Mr. Vance Carpenter, Active Member; Mr. Georgio Salame, Active Member; Mr. Chuck Landers, Saltmarsh, Cleaveland & Gund; Mr. David West – AndCo Consulting; Mr. Adam Levinson, Board Attorney – Klausner, Kaufman, Jensen and Levinson; Mr. Dave Williams, Plan Administrator; Mr. Michael Williams, Administrative Plan Assistant.

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

SWEARING IN OF TRUSTEE:

Mr. Williams publicly announced that the City Commission reappointed Mr. Taylor to the Board of Trustees³ on November 1, 2022. As a result, Mr. Adam Levinson duly issued the Oath of Office to Mr. Taylor. The Board welcomed Mr. Taylor back as a Trustee and thanked him for his time and expertise.

PUBLIC DISCUSSION:

Mr. Raybuck opened the meeting to public comments. No comments were provided, and this item was closed.

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

Mr. Cale asked if everyone had an opportunity to review the minutes of November 2, 2022. A Motion was made by Mr. Taylor to approve the minutes. The Motion was seconded by Mrs. Patterson. The Motion passed 4-0.

APPROVAL OF THE WARRANTS:

Warrants 510 through 545 were presented with all the supporting back-up to the Board for approval. After review & consideration a motion was made by Mr. Taylor to approve Warrants as presented. The Motion was seconded by Mrs. Patterson. The Motion passed 4-0.

PRESENTATION OF FINANCIAL STATEMENTS FOR SEPTEMBER 30, 2022:

Mr. Chuck Landers of Saltmarsh, Cleaveland & Gund presented the following presentation on behalf of his firm.

¹ Arrived @ 9:04 AM.

² EX-OFFICIO Non-Voting Member

³ Mr. Chris Simmons, resigned from the Board of Trustees on October 12, 2022.

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Opinion: We have audited the financial statements of the City of Boynton Beach Firefighters' Pension Plan (the "Plan"), which comprise the statements of fiduciary net position as of September 30, 2022 and 2021, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, information regarding the fiduciary net position of the Plan as of September 30, 2022 and 2021, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion: We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements: Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date that the financial statements are issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibility: Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter: As discussed in within these financial statements present only the City of Boynton Beach Firefighters' Pension Plan, a pension trust fund of the City of Boynton Beach (the "City"), and are not intended to present fairly the financial position and changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters - Required Supplementary Information: Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 34 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Plan has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

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CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Cash	\$ 217,096	\$ -
Receivables:		
DROP loans	154,897	98,247
Interest and dividends	143,321	136,262
Employer	103,244	-
Total receivables	<u>401,462</u>	<u>234,509</u>
Investments:		
U.S. Government obligations	13,948,241	25,561,050
U.S. Government agency obligations	3,382,280	472,813
Domestic corporate obligations	7,929,574	11,135,362
Domestic fixed income investment funds	3,248,380	11,667,032
Domestic stocks	34,674,698	43,236,607
Domestic equity investment funds	29,952,691	29,294,579
Real estate investment funds	21,306,385	8,585,982
International equity investment funds	19,149,510	28,692,647
Temporary investment funds	4,998,185	6,466,977
Total investments	<u>138,589,944</u>	<u>165,113,049</u>
Prepaid expenses	<u>15,130</u>	<u>15,130</u>
Total Assets	<u>139,223,632</u>	<u>165,362,688</u>
Liabilities:		
Accounts payable	65,359	160,519
Accounts payable, broker-dealers	365,984	319,024
Total Liabilities	<u>431,343</u>	<u>479,543</u>
Net Position Restricted for Pensions	<u>\$ 138,792,289</u>	<u>\$ 164,883,145</u>

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CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Additions to Net Position Attributed to:		
Contributions:		
Employer	\$ 5,545,366	\$ 5,215,363
Plan members	1,528,306	1,457,370
Plan members, buy-back	24,869	32,565
Rollover to DROP	169,316	168,513
Total contributions	<u>7,267,857</u>	<u>6,873,811</u>
Intergovernmental revenue:		
Chapter 175 state excise tax rebate	1,056,527	995,143
Total intergovernmental revenue	<u>1,056,527</u>	<u>995,143</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	(29,280,125)	23,457,567
Interest	435,422	435,072
Dividends	3,014,834	2,773,369
Class action settlement	444	327
Total investment income (loss)	<u>(25,829,425)</u>	<u>26,666,335</u>
Less investment expenses	443,117	450,151
Net investment income (loss)	<u>(26,272,542)</u>	<u>26,216,184</u>
Total additions, net	<u>(17,948,158)</u>	<u>34,085,138</u>
Deductions from Net Position Attributed to:		
Benefits:		
Age and service	6,245,547	5,942,092
Disability	193,447	192,526
Beneficiary	326,526	367,187
DROP payments	1,180,246	548,886
Refunds	12,850	8,017
Administrative expenses	184,082	186,227
Total deductions	<u>8,142,698</u>	<u>7,244,935</u>
Net Increase (decrease) in Net Position	(26,090,856)	26,840,203
Net Position Available for Benefits:		
Beginning of year	<u>164,883,145</u>	<u>138,042,942</u>
End of year	<u>\$ 138,792,289</u>	<u>\$ 164,883,145</u>

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Mr. Landers reviewed the administrative expenses of the Plan and commented in a positive manner on the Board's ability to maintain the expenses to a minimum. Mr. Landers also confirmed he had no issues with management as well.

At the conclusion of the presentation Mr. Landers responded to questions. After that exchange, Mr. Cale made a motion to approve and accept the Financial Statements of September 30, 2022. That motion was seconded by Mr. Taylor. The Motion passed 4-0.

In a spirit of transparency, the entire report may be viewed on-line at:

http://bbffp.org/docs_state/FinancialStatements/2022%20Boynton%20Beach%20Firefighters'%20Pension%20FS.pdf#zoom=100

Mr. Taylor made a motion to authorize the Chairman to execute the Management Representation letter. The motion was seconded by Mr. Cale. The Motion passed 4-0.

ATTORNEY'S REPORT:

Mr. Levinson summarized key provisions of the Secure Act 2.0. A copy of the client memo may be viewed on-line at:

http://bbffp.org/docs/announcements/ClientMemo_Secure_2_Act.pdf#zoom=100

INVESTMENT MONITOR'S REPORT:

Mr. West opened his presentation with a brief update on his firm. Mr. West cited that on behalf of everyone at AndCo, we want to Thank You for the opportunity to serve you and for the trust you place in us! We take our role as your consultant and trusted advisor seriously and will continue working hard to maintain your confidence.

Quarterly Investment Report: Mr. West advised that on September 30, 2022 the Fund's value was \$138,626,761.00, which was a decrease from \$144,823,080.00 for the quarter ending June 30, 2022.

Market Review: Mr. West US GDP growth is expected to remain strong in the 4th quarter. While the final measure of 3rd quarter GDP was revised upward to 3.2%, global GDP growth remains challenged with higher energy prices continuing to act as a headwind, especially in Europe. However, China is beginning the process of reopening its economy which should boost emerging markets.

The US Federal Reserve Bank (the Fed) continued to increase interest rates during the quarter with a 0.75% increase in November and a 0.50% increase in December. Importantly, the Fed signaled it remains committed to fighting inflation through additional rate hikes if needed.

The US labor market continued to show its resiliency by adding roughly 680 thousand jobs during the 4th quarter. As a result, the unemployment rate fell to 3.5% in December. Despite these gains, the number announced layoffs during the quarter increased, which could impact labor markets in the future periods.

Global markets were broadly positive during the 4th quarter. Despite persistent inflation, tighter central bank monetary policy, slowing GDP growth, and continuing geopolitical risks investors were focused on the potential of central banks slowing the pace of tightening as inflation moderated.

Equity (Domestic and International): US equities moved higher during the 4th quarter despite concerns regarding inflation, the potential for higher interest rates, and a slowing global GDP growth. Large cap value was the best performing domestic segment of the equity market relative to other US market capitalizations and styles during the period while large cap growth performed the worst. International stocks also experienced strong returns during the 4th quarter. While local currency performance was solid, the primary catalyst for outsized returns was a weakening USD, which fell against most major and emerging market currencies. GDP growth, especially in Europe, remained

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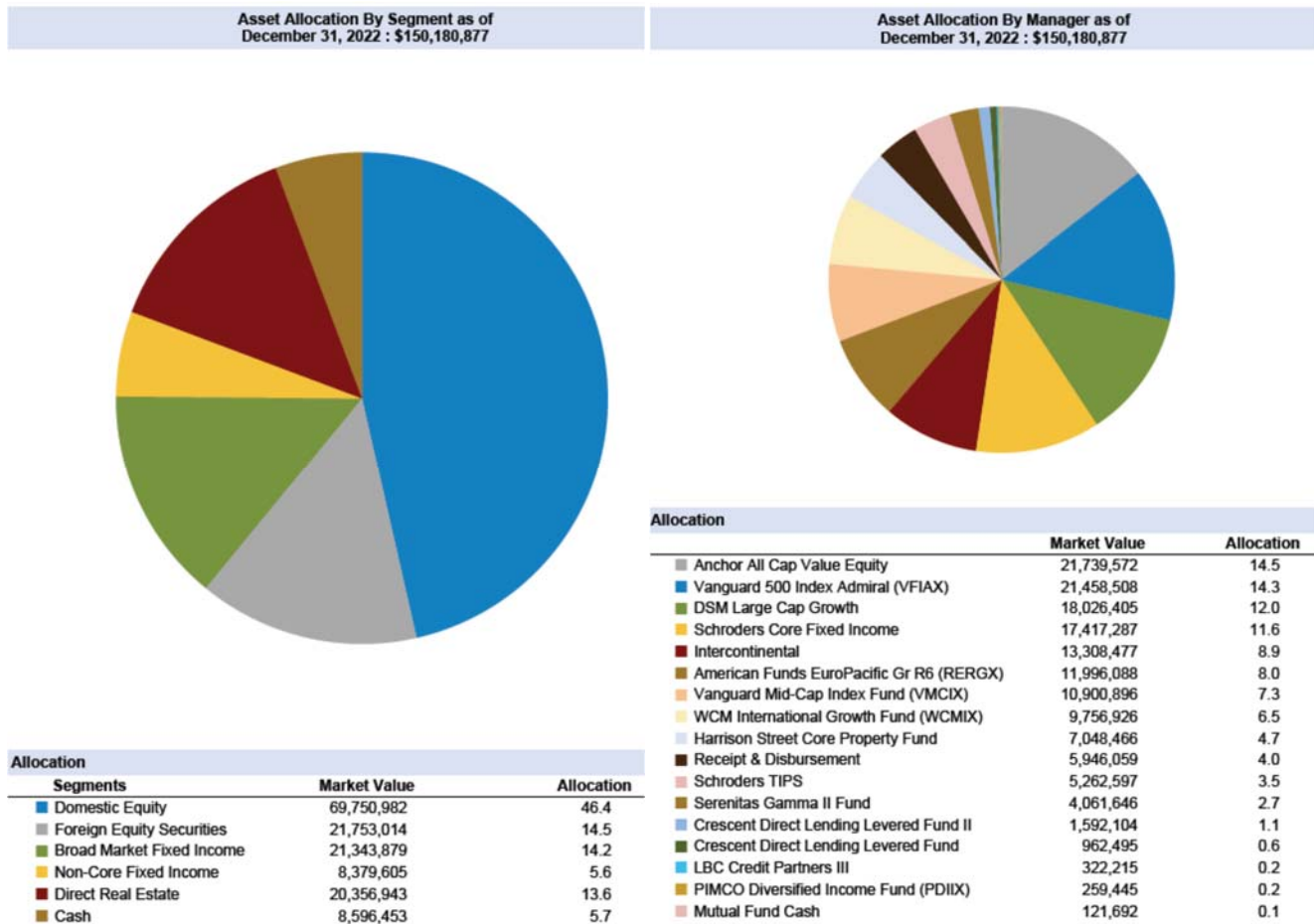
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under pressure as central bank policies remained restrictive and elevated energy prices acted as a headwind. Finally, China began to relax its zero-tolerance policy regarding Covid- 19, which positively contributed to both global GDP growth and equity market performance.

Fixed Income: While inflation declined during the 4th quarter, the Fed continued increasing interest rates with two increases totaling 1.25%. Despite the short-term increases, long-term interest rates remained relatively stable during the period. US interest rates moved slightly higher during the quarter with the US 10-Year Treasury bond rising 0.08% to close the year at a yield of 3.88%. Performance across domestic bond market sectors was positive during the quarter, led by US high yield and corporate investment grade bonds. Much like equities, global bonds outperformed their domestic peers mainly due to a weaker USD. The combination of higher coupons, a shorter maturity profile relative to high quality government bonds, and narrower credit spreads were the primary drivers of relative return during the period. US Treasury bonds lagged their corporate bond peers during the quarter as investors’ concerns about rising interest rates and the need for safety subsided.

Asset Allocation by Asset Class & by Manager:



Comparative Performance:

Comparative Performance Trailing Returns										
	QTR	FYTD	1 YR	3 YR	5 YR	7 YR	10 YR	Inception	Inception Date	
Total Fund (Net)	5.09 (74)	5.09 (74)	-14.81 (69)	3.42 (54)	5.59 (23)	7.34 (18)	7.84 (11)	5.71 (68)	01/01/2002	
Total Fund Policy	5.56 (61)	5.56 (61)	-12.87 (35)	4.64 (21)	5.80 (15)	7.43 (15)	7.73 (13)	6.05 (52)		
Difference	-0.47	-0.47	-1.94	-1.22	-0.21	-0.09	0.11	-0.34		
All Public Plans-Total Fund Median	5.99	5.99	-13.81	3.55	4.92	6.66	6.86	6.06		

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

In a spirit of transparency, the Board of Trustees invite you to visit the link below to review the investment reports for the Plan. <http://bbffp.org/modules/investments/index.asp>

Mr. West explained his reasoning regarding the following:

- Maintain overweight in cash.
- Maintain overweight in domestic equities.
- Maintain current allocation in real estate.

In short, Mr. West recommended staying the course. After discussion, Mr. Taylor made a motion to maintain the current allocation as recommended by Mr. West. Mr. Cale seconded that motion. The Motion passed 4-0.

PLAN ADMINISTRATOR:

Mr. Williams cited a business e-mail compromise that was identified and thwarted. He alerted all key personnel and all Board members individually when this matter arose. Mr. Williams advised that due to internal controls in place with respective businesses, there was no known loss. Mr. Williams reflected that he is consulting with the cyber insurance company.

Mr. Williams advised that he was contacted by Mr. Raybuck relative to an estimate prepared for another member. Mr. Raybuck asked Mr. Williams to research to ensure the imported data from the City of Boynton Beach – Payroll Department was accurate. In doing so with the assistance of his IT representative, it was determined that on or about of May 2020, the city changed their payroll system. For reasons unknown, during a bi-weekly payroll upload, the city import dumped data into our system dating back to 2018. This modified payroll periods from January to October 2018⁴. Mr. Williams with the assistance of IT reversed the import, to resolve the matter. It was learned that five active drop member calculations were affected, and their benefit amount was overstated. Mr. Williams notified all Board members individually as well as Mr. Levinson. Mr. Williams also contacted all affected personnel and provided updated calculations. A meeting was set up with the affected parties⁵, and essentially, they all stated they would have not dropped if they're payment was reduced to the revised calculation. The members understood that they could not receive an overstated benefit. The members fundamentally wanted to restate their drop dates in order to achieve the original drop benefit payment amount. Mr. Klausner felt that was reasonable under the circumstances, but cited the Board of Trustees would have to formally approve. Mr. Williams indicated that he was in the process of obtaining up to date payroll for the affected members and will recalculate accordingly. Once the Plan Actuary concurs with the restated calculations, he will share with the members to review and opine. At that juncture he will bring this matter back to the Board at a special meeting to consider. The Board understood the events as they transpired, and thanked Mr. Williams for his open communication with all concerned and actions taken thus far to resolve the matter.

Mr. Williams thanked Mr. Levinson for his assistance in the revision of the drop packets. The packet may be obtained on-line at: <http://bbffp.org/docs/penDocs/DROP%20Application%20Package%208%20year%2012-09-2022.pdf#zoom=100>

NEW/UNFINISHED BUSINESS

- a. 175 Issue – Matter tabled by the Board of Trustees.

OPEN DISCUSSION:

No open discussion ensued.

⁴ Mr. Raybuck reminded Trustees that the cited periods were adjusted in 2018 as Pension Resource Center (prior administrator) instructed the city to stop pension contributions for educational incentive pay, without the Board's knowledge. The payroll was corrected until the rouge payroll dump from the city.

⁵ Mr. Klausner and Mr. Levinson were present at the meeting.

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ADJOURN:

Meeting adjourned at 10:58 A.M.

DocuSigned by:

Jon Raybuck

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FOR THE BOARD

DocuSigned by:

Stan Cole

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