

# City of Boynton Beach Municipal Firefighters Pension Trust Fund

## MINUTES

November 6, 2019

9:00 A.M.

The meeting of the Board of Trustees of the City of Boynton Beach Municipal Firefighters' Pension Trust Fund was called to order by the Board by Mr. Matt Petty – Chairman on November 6, 2019 at 9:05 A.M. at 2080 High Ridge Road, Boynton Beach, Florida.

### **TRUSTEES PRESENT:**

Mr. Matt Petty – Chairman; Mr. Jon Raybuck – Secretary; Ms. Desirae Watler – Trustee; Mr. Robert Taylor & Mr. Stan Cale – Trustee.

### **ABSENT:**

Mr. Glenn Joseph - Ex-Officio.

### **OTHERS PRESENT:**

Mr. David West – AndCo Consulting; Mr. Pete Strong, Board Actuary - GRS Retirement Consulting; Mr. Adam Levinson, Board Attorney – Klausner, Kaufman, Jensen and Levinson; Mr. Dave Williams, Plan Administrator; Members - Mr. Shawn Weeks; Mr. Kurt Lewis; Mr. Brandon Steinhardt.

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

Mr. Robert Taylor made a motion to approve agenda, which was second by Mr. Cale. The Motion passed 5-0.

### **PUBLIC DISCUSSION:**

None

### **CONSENT AGENDA:**

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

The Board of Trustees reviewed the minutes for the September 25, 2019 meeting. A Motion was made by Mr. Raybuck to approve the minutes. The Motion was seconded by Mr. Cale. The Motion passed 5-0.

### **APPROVAL OF THE WARRANTS:**

Warrants 222 through 231 were presented to the Board for approval. After review & consideration a motion was made by Mr. Raybuck to approve Warrants as presented. The Motion was seconded by Mr. Cale. The Motion passed 5-0.

### **INVESTMENT MONITOR'S REPORT:**

Mr. West advised that on September 30, 2019 the Fund's value was \$122,599,793.00, up from \$122,346,397.00 of June 30, 2019. Market Review: Broad asset class returns were mixed during the 3rd quarter of 2019 with both US large cap equity and fixed income indices extending their year-to-date gains while US small cap and international indices declined. Volatility was high during the period as investors weighed the effects of ongoing trade disruption and slowing global economic data against the announcement of several new central bank stimulus measures. US stocks continued their year-to-date outperformance relative to international stocks during the period. US markets faced headwinds from

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continued escalation in the ongoing trade dispute with China, slowing economic data, particularly with regards to manufacturing, and political uncertainty following a late quarter impeachment inquiry against President Donald Trump. However, markets were supported by easing monetary policy from the Federal Reserve (Fed) which cut interest rates twice during the period. In general, lower risk assets performed better through the period as investors weighed the increased risk of a recession. Within domestic equity markets, large cap stocks outperformed small cap equities during the quarter with the S&P 500 Index returning 1.7% versus a -2.4% return on the small cap Russell 2000 Index. US equity returns over the 1-year period were positive for large and mid-cap stocks, returning 4.3% and 3.2% respectively, but small cap stocks posted a loss, falling -8.9%.

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

**RETURN PERIODS**

<b><u>NAME</u></b>	<b><u>Quarter</u></b>	<b><u>Fiscal Year</u></b>	<b><u>1-Year</u></b>	<b><u>3-Year</u></b>	<b><u>5-Year</u></b>
Total Fund Net	0.51%	5.63%	5.63%	9.25%	7.98%
Benchmark	0.82%	4.60%	4.60%	8.38%	7.12%

Mr. West reflected the portfolio return for the fiscal year to date is in the Top 12 percentile of the investment universe. On a three & five year basis, the portfolio was respectively in the Top 9 & 2 percentile.

Mr. West recommended that growth and value be balanced, which is still within the policy with DSM Large Cap Growth and Anchor All Cap Equity. Motion by Mr. Taylor to have Mr. West adjust the portfolios cited, amount to be determined. Motion seconded by Mr. Raybuck. The Motion passed 5-0.

Mr. West advised Euro Pacific founding manager had SEC issues and was terminated. Team still in place. Under watch by AndCo but at this point no recommendation to terminate.

Mr. West spoke about ASB having retail exposure – Barney’s of New York. A write down was taken. His recommendation was to part ways and begin redemptions. Motion by Mr. Taylor that Mr. West provide notice to ASB on full redemption with the ability to move request to 50%. When funds are available to move to Schroders Core Fixed Income by default. Motion seconded Cale. The Motion passed 5-0.

Mr. West considering inviting ASB to next meeting.

Mr. West and Mr. Levinson reviewed the Schroders Charter change as it relates to ownership and operations. Neither were opposed.

In a spirit of transparency, the Board of Trustees has posted the entire investment review on-line at:  
<http://bbffp.org/docs/investments/2019-09-30%20Boynton%20Beach%20Firefighters%20Quarterly%20Report.pdf#zoom=100>

**ACTUARY REPORT**

**Cola Review:** Mr. Strong advise that he has reviewed all of the documents provided to us via email on October 3, 2019 regarding the history of the implementation of the 2.0% annual Cost-of-Living adjustment (COLA) payable after a 5-year delay for members of the City of Boynton Beach Municipal Firefighters' Pension Trust Fund (Plan) who retired or entered the DROP on or after June 1, 2005, and the division of responsibility for the cost of the COLA. He also consulted to the City's actuary (Mr. Leon F. (Rocky) Joyner, FCA, ASA, MAAA, EA, with Segal Consulting) who reviewed the COLA implementation and the initial cost impact in 2006. Mr. Joyner confirmed that the initial cost of the COLA included a City cost of 0.24% of covered payroll, and that this cost increase should last for 30 years, which was the period used to amortize the initial increase in the actuarial accrued liability resulting from the COLA.

A letter from Mr. Joyner dated October 31, 2019 was provided to the Board which also stated: "As requested, I have reviewed the various documents from 2006 regarding the Boynton Beach study and subsequent adoption of a Cost of Living Adjustment (COLA) for the City's Firefighter Pension Plan. The total increase in required contributions for the COLA in 2006 was 5.24% of pay. This included an increase in the Normal Cost as well as a 30-year amortization of the increase in the Unfunded Actuarial Accrued Liability (UAAL). The expectation was that 0.24% of the cost of the COLA would be paid by the City for the duration of the amortization period".

Mr. Strong provided a summary of the results of the revised interpretation with regard to how the cost of the COLA should be allocated:

- The excess State contribution reserve as of October 1, 2018 increases from \$2,074,002 to \$2,297,379.
- The City's prepaid contribution as of October 1, 2018 decreases from \$146,476 to \$14,589.

Please note that the decrease in the City's prepaid contribution is less than the increase in the excess State contribution reserve because the City paid more than the required contribution in some years, and these additional contributions were not originally added to a City prepaid contribution (in fiscal years 2010, 2011 and 2013).

Mr. Strong is also separately re-issuing an updated 2019 COLA Reevaluation study showing the updated cost of the COLA after explicitly reflecting the City's share of the COLA cost (0.24% of covered pay).

Fiscal Year 2019: The fourth COLA reevaluation was originally prepared on March 27, 2019. This reevaluation has been updated (dated November 5, 2019) to reflect the City's share of the COLA cost. The update reduces the amount of Chapter 175 State money needed to fund the COLA in fiscal years 2019-2021 by \$25,569 – from \$1,087,954 to \$1,062,385.

The expected City contribution to be received in fiscal year 2019 is \$5,627,597 (the amount shown in the October 1, 2017 actuarial valuation report for FY 2019, which was payable on October 1, 2018). When this amount is added to the updated Chapter 175 state money allocation (\$1,062,385), the total fiscal year 2019 contribution is \$6,689,982, which exceeds the \$6,409,551 total required contribution by \$280,431.

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This will more than offset the difference between the prepaid city contribution amount shown in the October 1, 2018 valuation report (\$146,476), on which the October 1, 2019 required City contribution was based, and the updated prepaid city contribution (\$14,589), which means the actual FY 2020 contribution will still exceed the required contribution amount.

The actual amount of Chapter 175 State money received in 2019 was \$830,904. The updated Chapter 175 excess contribution reserve as of 9/30/2018 was \$2,297,379. The updated amount of State money to be used to fund the COLA in fiscal year 2019 is \$1,062,385. After adding \$830,904 and subtracting \$1,062,385 from the Chapter 175 excess contribution reserve, the Chapter 175 excess contribution reserve as of 9/30/2019 is expected to be \$2,065,898.

The Board thanked Mr. Weeks for all his time and effort in researching this matter.

**Actuarial Impact Statement:** Mr. Strong provided a copy of an impact statement (dated October 25, 2019) relating to DROP for future hires after January 1, 2020. Pending CBA/MOU to ratify.

**ATTORNEY'S REPORT:**

Pre-Retirement Death: Mr. Petty informed the Board of his actions once he learned of the pre-retirement death of Alvis Fernandez. Mr. Williams, Mr. Strong and Mr. Levinson reviewed the matter at once. Mr. Levinson cited this was the first in the system's history. Section 18.82 (g) was reviewed as was Florida Statute 175.201(2). The beneficiary will be provided the opportunity to select either the local plan death benefit (lifetime annuity) or opt for Chapter 175 minimum death benefit (10-year certain annuity). Mr. Williams will provide the benefit option statement to Mr. Raybuck as per his request to present to the beneficiary. Matter will be expedited.

Mr. Levinson state the Union must consider options to clarify matters of this nature going forward. It was suggested having a line of duty death section and a non-line of duty death section. The remarriage provision was also noted to be outdated and should be struck.

**PLAN ADMINISTRATOR:**

DROP Approval: Mr. Williams provided all of the required back up for the Board to consider for Mr. Carr and Mr. Senseman. After reviewing same, Mr. Raybuck made a motion to approve the member's DROP entry. Motion seconded by Mr. Taylor. The Motion passed 5-0.

Bryan Croft Matter: Mr. Williams advised he is still in the process of contacting Mr. Croft to recover the over payment. He hopes to have an agreement by the next meeting.

Audit Update: Mr. Williams advised fieldwork was underway and progressing well.

Expense Report: Mr. Williams reviewed a new expense report that will be generated for each meeting going forward. The report contains all expenses paid for by the Plan on a fiscal year basis. Mr. Williams hopes the Board finds the report helpful.

**OPEN DISCUSSION:**

No open discussion.

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**ADJOURN:**

Meeting adjourned at 10:55 A.M.

Matt Petty, Chairman

***FOR THE BOARD***