

City of Boynton Beach Municipal Firefighters Pension Trust Fund

MINUTES

February 7, 2018
9:00 AM

The regular meeting of the Board of Trustees of the City of Boynton Beach Municipal Firefighters Pension Trust Fund was called to order on behalf of the Board by Chairman Matt Petty, on February 7, 2018, at 9:04 A.M. at 2080 High Ridge Road, Boynton Beach, Florida 33325

TRUSTEES PRESENT:

Mr. Matt Petty – Chairman; Mr. Jon Raybuck – Secretary; Ms. Helen Bush – Trustee; Mr. Stan Cale – Trustee; Mr. Robert Taylor – Trustee; Fire Chief Glenn Joseph – Ex Officio.

ABSENT:

None

OTHERS PRESENT:

Mr. Adam Levinson- Board Attorney; Mr. Bob Dorn, Plan Administrator – Precision Pension Administration, Inc.; David West – AndCo Consulting; Pete Strong – Gabriel, Roeder, Smith & Company; Richard Cristini & Jeanine Bittinger – Davidson, Jamieson & Cristini; Edward Leamon – Retired Member; Robert Kruse – Active Member; Larry Lederhander- Active member;

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

PUBLIC DISCUSSION:

Mr. Edward Leamon spoke to the Board about the DROP statements not being mailed to him. Chairman Petty advised that the DROP statements are no longer being mailed to members but are posted under the members section on the pension web site for the member to obtain their DROP statement at any time. Chairman Petty advised Mr. Leamon to speak to Mr. Dorn and Mr. Dorn will be able to assist him regarding this issue after the meeting. There were no other public comments or discussion.

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

The Board of Trustees reviewed the minutes for the November 1, 2017. A Motion was made by Trustee Raybuck to approve the minutes. The Motion was seconded by Trustee Cale. The Motion passed 5-0.

WARRANTS / RATIFICATIONS:

Mr. Dorn presented to the Board Warrants 040 through 066 for payment. The Board reviewed and discussed each Warrant. A Motion was made by Trustee Taylor to approve Warrants 040 through 066. The Motion was seconded by Trustee Cale. The Motion passed 5-0.

WARRANT 040

This Warrant is to Robert Dorn for reimbursement of funds paid to the Public Pension Coordinating Council's 2017 application fee for the Pension Fund. The amount of this Warrant is for \$100.00.

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WARRANT 041

This Warrant is to Anchor Capital Advisors, LLC for investment fees rendered to the Fund from 7-01-2017 to 9-30-2017. The amount of this Warrant is for \$17,228.11.

WARRANT 042

This Warrant is to Robert Dorn for postage reimbursement for the pension fund. The amount of this Warrant is for \$37.05.

WARRANT 043

This Warrant is to Kevin Quinn for a DROP disbursement from his DROP account. The amount of this Warrant is for \$10,000.00.

WARRANT 044

This Warrant is to Luke Henderson for a DROP disbursement from his DROP account. The amount of this Warrant is for \$30,000.00.

WARRANT 045

This Warrant is to Schroders Investment Management for investment fees from 07/01/2017 to 09/30/2017. The amount of this Warrant is for \$11,041.38. The invoice number is GB93787001

WARRANT 046

This Warrant is to Schroders Investment Management for investment fees (Tips account) from 07/01/2017 to 09/30/2017. The amount of this Warrant is for \$1,231.85. The invoice number is GB93788001.

WARRANT 047

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered through 11/29/2017 to the pension fund. The amount of this Warrant is \$1,980.00. The invoice number is 20913.

WARRANT 048

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered through 10/31/2017 the pension fund. The amount of this Warrant is \$3,183.25. The invoice number is 20776.

WARRANT 049

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered through 08/30/2017 the pension fund. The amount of this Warrant is \$1,740.00. The invoice number is 20498.

WARRANT 050

This Warrant is to Schroders Investment Management for investment fees (Tips account) from 04/01/2017 to 06-30-2017. The amount of this Warrant is for \$1,222.30. The invoice number is 128959.

WARRANT 051

This Warrant is to Shawn Starkoski for a DROP disbursement from his DROP account. The amount of this Warrant is for \$30,000.00.

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WARRANT 052

This Warrant is to Richard Baier for a DROP disbursement from his DROP account. The amount of this Warrant is for \$60,000.00.

WARRANT 053

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered through 12/31/2017 to the pension fund. The amount of this Warrant is \$2,985.00. The invoice number is 21054.

WARRANT 054

This Warrant is to Resource Centers LLC for fees they earned when they were the administrators. The amount of this Warrant is for \$421.51. The invoice numbers for this are 15499 and 15565.

WARRANT 055

This Warrant is to Trustee Matt Petty for reimbursement of fees paid for his pension recertification from FPPTA organization. The amount of this Warrant is \$30.00.

WARRANT 056

This Warrant is to AndCo Consulting for consulting service and performance monitoring of the pension fund investments from 10/1/2017 to 12/31/2018. The invoice number is 23770. The amount of this Warrant is for \$10,000.00.

WARRANT 057

This Warrant is to Gabriel, Roeder, Smith & Company for actuarial services rendered to the pension fund through 12/31/2017. The invoice number is 435436. The amount of this Warrant is for \$2,543.00.

WARRANT 058

This Warrant is to James Witt for a DROP disbursement from his DROP account. The amount of this Warrant is for \$12,000.00.

WARRANT 059

This Warrant is to DSM Capital Partners for investment fees from 01/01/2018 to 03/31/2018. The amount of this Warrant is for \$30,768.79. The invoice number is 20458.

WARRANT 060

This Warrant is to Eduard Herrmann for a DROP disbursement from his DROP account. The amount of this Warrant is for \$12,000.00.

WARRANT 061

This Warrant is to Anchor Capital Advisors, LLC for investment fees rendered to the Fund from 10-01-2017 to 12-31-2017. The amount of this Warrant is for \$18,833.08.

WARRANT 062

This Warrant is to Davidson, Jamieson & Cristini for work preparing the 2017 Annual Report for the pension fund. The invoice number is R7794. The amount of this Warrant is \$2,000.00.

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WARRANT 063

This Warrant is to Davidson, Jamieson & Cristini for work preparing the 2017 Financial Statement (Audit) Report pension fund. The invoice number is R7793. The amount of this Warrant is \$6,000.00.

WARRANT 064

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered through 01/31/2018 to the pension fund. The amount of this Warrant is \$175.00. The invoice number is 21193.

WARRANT 065

This Warrant is to the National Conference on Public Employee Retirement System (NCPERS) for the 2018 membership to the pension organization. The invoice number is 7792. The amount of this Warrant is for \$250.00.

WARRANT 066

This Warrant is to the Florida Public Pension Trustee Association (FPPTA) for the 2018 membership to the pension organization. The invoice number is 300000440. The amount of this Warrant is for \$600.00.

NEW / UNFINISHED BUSINESS:

None

AUDITOR REPORT:

Mr. Richard Cristini and Jeanine Bittinger presented to the Board the Independent Auditor's Report as of September 30, 2017. The Auditors gave an opinion in the report that the financial statements were presented fairly and to obtain the fiduciary net position of the City of Boynton Beach Firefighters Pension Plan as of September 30, 2017 in accordance with accounting principles generally accepted in the United States of America. They believed that the audit evidence they obtained is sufficient and appropriate to provide a basis for their opinion.

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The following is the information the auditors obtained for the audit report which formed their opinion in the changes to the Pension Plan's fiduciary net position:

	<u>2017</u>	<u>2016</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer:	\$4,293,563	\$4,195,420
Plan Members:	\$1,346,307	\$1,308,804
Plan Members-Buy-Backs:	\$ 130,808	\$ 176,324
Rollover to DROP:	\$ 70,279	\$ 271,411
Total Contributions:	\$5,840,957	\$5,951,959
Intergovernmental Revenue:		
Chapter 175 State Excise Tax Rebate:	\$ 883,314	\$923,246
Investment Income:		
Net Appreciate in Fair value of Investments:	\$10,680,769	\$7,056,699
Interest:	\$ 186,206	\$ 215,039
Dividends:	\$ 1,600,835	\$2,211,621
Commission Recapture:	\$ 2,101	\$ 628
Other:	\$ 0	\$ 450
Total Investment Income:	\$12,477,611	\$9,496,463
Less Investment Expenses:	\$ 312,505	\$ 298,977
Net Investment Income:	\$12,165,106	\$9,197,486
TOTAL ADDITIONS:	\$18,889,377	\$16,072,691
<u>DEDUCTIONS:</u>		
Benefits:		
Age and Service:	\$4,637,562	\$4,251,192
Disability:	\$ 111,312	\$ 47,507
Beneficiaries:	\$ 226,886	\$ 225,637
DROP Payments:	\$ 481,000	\$ 652,000
Refunds:	\$ 53,290	\$ 0
Administrative Expenses:	\$ 151,010	\$ 161,122
TOTAL DEDUCTIONS:	\$5,661,060	\$5,337,958
Net Increase in Net Position:	\$13,228,317	\$10,734,733
Net Position at Beginning of Year: (October 1, 2016)	\$91,141,426	\$80,406,693
Net Position at End of Year: (September 30, 2017)	\$104,369,743	\$91,141,426

There were a total of 89 retirees receiving monthly benefits, 15 members in the DROP receiving benefits and 3 terminated employees entitled to benefits. There were 76 active

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members who are vested members of the pension plan and 46 non-vested active members employed by the Department as of September 30, 2017. Mr. Crisitini reviewed with the Board the current description of the Pension Plan's benefits and gave a summary of the significant accounting policies. At the time of this report, there was \$15,417,512 in DROP accounts held within the Pension Plan. There were no Pension Plan Amendments during the reporting period. The Plan's fiduciary net position as a percentage of total pension liability is 70.15%. The total pension liability of the Pension Plan is \$148,770,660 and the Plan's fiduciary net position is \$104,369,743. The City's net pension liability is \$44,400,917. The Pension Fund's net rate of return on market value as of September 30, 2017 was 12.865% compared to the net rate of return as of September 30, 2016 of 11.07%. The Administrative costs were reduced from 0.18% (percentage of plan net position) to 0.14% as well as the Investment costs from 0.33% to 0.29%, which is a good sign that the Board is monitoring the costs of operating the Pension Plan. The Board discussed the aforementioned report with the auditors. Trustee Raybuck made a Motion to accept and approve the Financial Statement as of September 30, 2017 as presented. The Motion was seconded by Trustee Cale. The Motion passed 5-0.

Ms. Bittinger presented to the Board a new auditor's contract since the current contract will expire after they complete the 2017 Annual Report. The contract was reviewed and approved for content by the Board's Attorney. The Board reviewed the contract and discussed it. Trustee Cale made a Motion to approve the new three-year (2018-2020) auditor's contract with Davidson, Jamieson & Cristini, P.L.. Trustee Taylor seconded the Motion. The Motion passed 5-0.

Ms. Bittinger presented to the Board an invoice in the amount of \$2,000 for the new requirements that State imposed upon the Board for additional information and research regarding the GASB 67 report. The Board discussed the issue. Mr. Levinson and Mr. Dorn spoke to the Board that the trend is for the State to push the costs to the various Boards for tasks that the State used to do which was time consuming for each individual public pension plan. Trustee Cale made a Motion to approve the invoice for the additional audit work for the new audit requirements. Trustee Raybuck seconded the Motion. The Motion passed 5-0.

ATTORNEY REPORT:

Mr. Adam Levinson made the presentation to the Board for the law firm of Klausner, Kaufman, Jensen & Levinson.

Mr. Levinson informed the Board that the Internal Revenue Code (IRS) standard mileage rate for 2018 is 54.5 cents per mile driven after January 1, 2018.

Mr. Levinson explained to the Board the IRS Code 4019a)(9) which established the required minimum distribution (RMD) standards. These standards mandate the distribution of a participant's accrued benefit under a qualified plan must commence the later of the calendar year in which the participant attains age 70 ½ or the calendar year in which the participant retires. Mr. Levinson also gave a brief review of a retiree who is over 70 ½ and cannot be located.

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Mr. Levinson reviewed with the Board Senate Bill 980/ House Bill 1363 which amends some of Chapter 112 regarding actuarial soundness of defined benefit pensions.

Mr. Levinson advised that his firm is working with the City of Boynton Beach regarding the rollover of sick and vacation as well as some rules for the pension to follow. He advised that there will be updates in future meeting on this.

ACTUARY REPORT:

Mr. Pete Strong made the presentation to the Board for Gabriel, Roeder, Smith & Company. Mr. Strong presented the Actuarial Valuation Report as of October 1, 2017 and the Actuarial Disclosures to the Board. The following is the information that Mr. Strong presented to the Board in the aforementioned report:

The report was reviewed and approved by independent actuaries of the plan sponsor. The results of this report according to the actuaries are complete and accurate. The techniques and assumptions used are reasonable and meet the requirements under Chapter 112, Florida Statutes. The actuarial principles and practices are generally accepted in the United States.

There has been no change in benefits since the prior valuation report. There was a change in covered payroll from \$11,282,228 versus \$10,684,549 last year. There was a net actuarial experience gain of \$691,612 for the year which means that the overall actual experience was more favorable than expected. The actuarial gain is primarily due to a higher than expected return on the actuarial assets. The net investment return on the actuarial value of assets was 12.98%. The gain was offset somewhat by average salary increases that were higher than expected (8.4% actual versus 6.3% expected), more retirements than expected (4 actual versus 2 expected) and fewer retiree deaths than expected (0 versus 1.5 expected). The net actuarial gain for the year has caused a decrease in the annual required employer contribution of 0.37% of covered payroll, or about \$43,000.

As initiated in 2015, the City of Boynton Beach and the Firefighters' Union have mutually consented to use \$1,000,000 of the accumulated excess state contribution reserve to reduce the Plan's Unfunded Actuarial Liability (UAL) in three annual increments (\$333,333 applied as of October 1, 2016 and \$333,334 in October 1, 2016 & 2017). The net effect was a decrease in the annual required employer contributions of 0.65% of covered payroll or \$75,176.

The funded ratio was 62.6% this year compared to 60.0% last year. The current calculated City contribution requirement is 48.66% of payroll starting October 1, 2018. Under the asset smoothing method, the market gains and losses are recognized over five years. As of October 1, 2017, the market value of assets exceeded the actuarial value by \$4,164,054. Once all the gains and losses through September 30, 2017 have been fully recognized in the actuarial value of assets, the employer contribution rate will decrease by roughly 2.26% of payroll unless there are offsetting losses. Mr. Strong explained to the Board the payroll assumption rate that under 112.64, F.S, the payroll assumption may not exceed the average payroll growth during the last ten years which is currently 2.51%, which is lower than the prior ten year's average rate of 2.74% which caused the employer contribution to increase. Mr. Strong advised that the economic

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forecasts reasonably suggest a payroll growth in the low to mid two percent. Mr. Strong suggested to the Board to change the assumption for the payroll growth unfunded liability to a flat 2.5%. Trustee Taylor made a Motion to change the unfunded liability payroll growth assumption rate to a flat 2.5%. Trustee Cale seconded the Motion. The Motion passed 5-0.

The Pension Plan provided for a 13th check if there is a net actuarial gain for the previous year. Through the Pension Plan experienced a gain during the prior year, the cumulative balance of actuarial gains and losses is negative (a net loss), so no funds are available to provide a 13th check in 2017.

The funded ratio is 62.6% this year, whereas it was over 100% in the year 200. Steps have been taken in recent years to address this issue, such as strengthening the actuarial assumptions, including lowering the investment returns assumption from 8.5% to 7.5% over time, and also applying an additional million dollars towards the unfunded liability. Mr. Strong suggest to the Board to consider in the future a review the 30-year amortization of the unfunded liability for a possible change. The Board agreed to review this in the future for a possible change. Mr. Strong confirmed to the Board the use of the State Chapter Money was used according to State Statutes. Mr. Strong advised that the average market return for the last five years was 9.6 % and the average market return since inception is 8.7%. Trustee Raybuck made a Motion to accept the Actuarial Valuation Report as of October 1, 2017 which was presented by Mr. Strong. Trustee Cale seconded the Motion. The Motion passed 5-0.

MONITOR REPORT:

Mr. David West made the presentation to the Board for AndCo. Mr. West informed the Board of some internal changes within AndCo. Mr. West then gave an overview of the domestic and foreign markets to the Board for the previous quarter and the last fiscal year. Mr. West advised that on 12/31/2017, the Fund's market value was \$111,529,219. The market value of the Fund on 09/30/2017 was \$103,588,768. Mr. West reported to the Board the following investment reports for the portfolio:

RETURN PERIODS

NAME	Quarter	Fiscal Year	1-Year	3-Year
Total Fund Net	3.28%	3.28%	16.62%	8.52%
Total Fund Gross	3.37%	3.37%	17.03%	8.97%
<i>Domestic Equity</i>				
Anchor All Cap Value	2.87%	2.87%	14.40%	7.80%
Vanguard 500 Index	6.64%	6.64%	21.79%	11.38%
DSM Large Growth	5.78%	5.78%	36.92%	13.42%
Vanguard Mid-Cap	5.67%	5.67%	19.30%	9.40%
<i>International Equity</i>				
WCM Internat Growth	5.15%	5.15%	31.24%	N/A
American EuroPacific	4.23%	4.23%	31.18%	N/A

Domestic Fixed Income

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Schroders Core fixed	-0.06%	-0.06%	2.39%	2.25%
Schroders TIPS	0.56%	0.56%	2.27%	2.04%

Global Fixed Income

PIMCO Diversified Income Fund	0.61%	0.61%	8.70%	6.77%
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Real Estate

Intercontinental	2.75%	2.75%	8.69%	12.17%
ASB RE	2.06%	2.06%	4.91%	9.08%

Mr. West suggested to the Board to invest the cash in the R & D account to the American EuroPacific fund up to three million dollars. The discussed this suggestion. Trustee made a Motion to transfer the cash in the Regions Bank R & D account to the American EuroPacific Fund. The Motion was seconded by Trustee Taylor. The Motion passed 5-0. Mr. West also suggested that we discuss potential investment with infrastructure sector investments in the future which he advised that he would bring a list of active fixed managers to the next meeting for the Board to review.

Mr. West reported that the overall investment returns for the Fund were outstanding. Mr. West reviewed each investment manager performance with the Board. Trustee Taylor pointed out the returns of Anchor Capital and ASB real estate were well behind the benchmarks. They discussed these companies, there returns, potential upsides and its downside protection. Mr. West advised that he will closely monitor the ASB real estate fund. Mr. West presented to the Board an acknowledgement letter of the change in equity in the management of AndCo and requested the Board for signature of the letter. The Board agreed to this. Trustee Taylor made a Motion to approve and execute the acknowledgement letter of the corporate equity change in AndCo. The Motion was seconded by Trustee Raybuck. The Motion passed 5-0.

PLAN ADMINISTRATOR:

Mr. Dorn advised that death checks were performed and Retiree Derek Hernandez passed away on 12/1/2017 and his benefit selection was a life annuity which stopped upon his death..

Mr. Dorn advised that Mr. Michael Gregorek entered the DROP on January 31, 2018 and submitted all necessary DROP Application forms. The Board acknowledged his entry into the DROP.

Mr. Dorn advised that Ms. Christina Tamihi entered the DROP on December 31, 2017 and submitted all necessary DROP Application forms. The Board acknowledged her entry into the DROP.

Mr. Dorn advised that Mr. John Kilcooley entered the DROP on December 31, 2017 and submitted all necessary DROP Application forms. The Board acknowledged his entry into the DROP.

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Mr. Dorn advised that Mr. Doug Brant will enter the DROP on May 1, 2018 and submitted all necessary DROP Application forms. The Board acknowledged his entry into the DROP.

Mr. Dorn advised that Retiree Daniel Bell changed his beneficiary and a new beneficiary calculation had to be conducted. The change in his monthly benefit occurred on the December 1, 2017 payment and all payments going forward.

Mr. Dorn advised that the fiduciary Insurance expired on April 10, 2018 and will need the Board's permission to obtain a new policy. The Board directed Mr. Dorn to obtain a new fiduciary insurance policy before the policy expires.

Mr. Dorn advised that the 5th Member Trustee Board position expired at the end of December and that a notice was given for any eligible person to apply for this open position which is currently held by Trustee Raybuck. Mr. Dorn advised no one applied for this position except for Trustee Raybuck. The Board voted all in favor 4-0 for the appointment of Jon Raybuck for the 5th member Board position. Mr. Dorn advised that he would notify the City Clerk's Office and also update the web site of this.

PPCC Award: Mr. Dorn advised that he submitted an application to the Public Pension Coordinating Council (PPCC) for the City of Boynton Beach Municipal Firefighters Pension Fund. PPCC is a coalition of three national associations that represent public retirement systems and administrators; NASRA, the National Council on Teacher Retirement (NCTR) and National Conference on Public Employee Retirement Systems (NCPERS). Together, these associations represent more than 500 of the largest pension plans in the United States serving most of the nation's 16 million employees of state and local government. The PPCC established the Public Pension Standards to reflect required expectations for public retirement system management, administration, and funding. The Standards serve as a benchmark by which to measure public defined benefit plans. All public retirement systems and the state and local governments that sponsor them are encouraged to meet the standards. Recognition Award for Funding & Recognition Award for Administration was received. The PPCC has reviewed the application and documents submitted to them. PPCC has given the City of Boynton Beach Firefighters' Pension Fund the Award for Funding and Administration. Mr. Dorn advised that the award will be put on the web site.

OPEN DISCUSSION:

None

ADJOURN:

Trustee Taylor made a Motion to adjourn the meeting. Trustee Raybuck seconded the Motion. The Motion passed 5-0. The meeting was adjourned at 11:50 A.M.



Matt Petty, Chairman

FOR THE BOARD