

# City of Boynton Beach Municipal Firefighters Pension Trust Fund

## MINUTES

February 6, 2019

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 by the Board by Mr. Matt Petty – Chairman on February 6, 2019 at 9:10 A.M. at 2080 High Ridge Road, Boynton Beach, Florida.

### **TRUSTEES PRESENT:**

Mr. Matt Petty – Chairman; Mr. Jon Raybuck – Secretary; Mr. Stan Cale – Trustee; Mr. Robert Taylor – Trustee & Ms. Desirae Watler (departed meeting at 11:00 AM), Trustee. Also present was Mr. Glenn Joseph - Ex-Officio, who arrived at 10:11 AM.

### **ABSENT:**

None

### **OTHERS PRESENT:**

Mr. Adam Levinson, Board Attorney; Mr. Dave Williams, Plan Administrator; Mr. David West – AndCo Consulting; Mr. Georgio Salame, Mr. Shawn Weeks, Mr. Kevin Reddoch, Mr. Stewart Aaron & Mr. Mr. Joe Senseman.

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

### **PUBLIC DISCUSSION:**

- Ms. Desirae Watler was welcomed to her first pension meeting as a Trustee. Mr. Adam Levinson provided a brief overview of the various service providers of the Plan. Also outlined the Florida Sunshine Law for all.
- Mr. Kevin Reddoch cited that he purchased permissive service and with the passage of the collective bargaining agreement and subsequent change to the city ordinance, he was concerned how his time would be handled as a result of the pension benefit cap. It was learned that the Union felt this was up to the Board to interrupt. Chairman Petty reported that Mr. Pete Strong, Board Actuary was running scenarios to see if anyone breaches the cap. Mr. Levinson stated he would like Mr. Strong to report on this matter at the next meeting so his findings are transparent and understood. With that being said, Mr. Levinson felt it would be prudent to refund affected members who purchased time if they breached the cap as a result of the ordinance change.

### **CONSENT AGENDA:**

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

The Board of Trustees reviewed the minutes for the November 7, 2018 meeting. A Motion was made by Mr. Raybuck to approve the minutes. The Motion was seconded by Mr. Taylor. The Motion passed 5-0.

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

Warrants 142 through 160 were presented 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 Mr. Raybuck. The Motion passed 5-0.

**PRESENTATION OF FINANCIAL STATEMENTS SEPTEMBER 30, 2018**

Ms. Jeanine Bittinger and Mr. Richard Cristini of Davidson, Jamieson and Cristini, PL reflected that they have audited the accompanying financial statements of Boynton Beach Firefighters' Pension Fund (Plan), which comprise the statements of fiduciary net position as of September 30, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

It is the responsibility of Ms. Jeanine Bittinger and Mr. Richard Cristini to express an opinion on these financial statements based on their audits. They conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that they plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

It was reported that an audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements, 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The audit was made for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying required supplementary information of the West Palm Beach Police Pension Fund is required by Governmental Accounting Standards Board Statement No. 67 and is not a required part of the basic financial statements.

Ms. Jeanine Bittinger and Mr. Richard Cristini reported that in their opinion, the financial statements present fairly, in all material respects, the fiduciary net position of the Boynton Beach Firefighters' Pension Fund as of September 30, 2018 and 2017, and the changes in fiduciary net position for the years the ended in accordance with accounting principles generally accepted in the United States of America.

Comments related to the Administrative fees were noted by Ms. Jeanine Bittinger and Mr. Richard Cristini to be lower then the prior fiscal year. Valued at 12 basis points, the expenses were considered extremely reasonable.

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**CITY OF BOYNTON BEACH  
FIREFIGHTERS' PENSION PLAN**

**STATEMENTS OF FIDUCIARY NET POSITION  
September 30, 2018 and 2017**

	<u>Assets</u>	
	2018	2017
Cash	\$ -	\$ 685,936
Receivables:		
DROP loans	111,751	140,009
Interest and dividends	136,055	130,932
Broker-dealers	12,179	51,268
Chapter 175 state excise tax rebate	789,121	-
<b>Total receivables</b>	<b>1,049,106</b>	<b>322,209</b>
Investments at fair value:		
U.S. Government obligations	11,479,916	11,184,019
U.S. Government agency obligations	218,021	122,809
Municipal obligations	-	246,792
Domestic corporate obligations	4,747,654	4,859,698
Domestic fixed income investment funds	12,527,623	11,214,113
Domestic stocks	32,003,933	24,843,913
Domestic equity investment funds	22,669,642	23,318,113
Real estate investment funds	10,229,669	9,358,834
International equity investment funds	18,061,651	15,104,332
Temporary investments	2,621,179	3,208,149
<b>Total investments</b>	<b>114,559,288</b>	<b>103,460,772</b>
Prepaid expenses	8,235	3,622
<b>Total assets</b>	<b>115,616,629</b>	<b>104,472,559</b>
	<u>Liabilities</u>	
Accounts payable	58,008	55,824
Accounts payable, broker-dealers	155,235	46,992
<b>Total liabilities</b>	<b>213,243</b>	<b>102,816</b>
<b>Net position restricted for pensions</b>	<b><u>\$ 115,403,386</u></b>	<b><u>\$ 104,369,743</u></b>

See Notes to Financial Statements.

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**CITY OF BOYNTON BEACH**  
**FIREFIIGHTERS' PENSION PLAN**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**Years ended September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Additions:</b>		
Contributions:		
Employer	\$ 5,444,061	\$ 4,293,563
Plan members	1,336,051	1,346,307
Plan members, buy-back	137,465	130,808
Rollover to DROP	<u>323,472</u>	<u>70,279</u>
Total contributions	7,241,049	5,840,957
Intergovernmental revenue:		
Chapter 175 state excise tax rebate	<u>789,121</u>	<u>883,314</u>
Total intergovernmental revenue	789,121	883,314
Investment income:		
Net appreciation (depreciation) in fair value of investments	7,776,462	10,680,769
Interest	371,164	189,206
Dividends	1,409,729	1,600,835
Commission recapture	-	2,101
Class action settlement	<u>32,015</u>	<u>4,700</u>
Total investment income	9,589,370	12,477,611
Less investment expenses	<u>367,634</u>	<u>312,505</u>
Net investment income	<u>9,221,736</u>	<u>12,165,106</u>
Total additions	17,251,906	18,889,377
<b>Deductions:</b>		
Benefits:		
Age and service	4,800,042	4,637,562
Disability	114,519	111,312
Beneficiaries	226,886	226,886
Drop payments	829,266	481,000
Refunds	105,981	53,290
Administrative expenses	<u>141,569</u>	<u>151,010</u>
Total deductions	<u>6,218,263</u>	<u>5,661,060</u>
Net increase in net position	11,033,643	13,228,317
Net position restricted for pensions:		
Beginning of year	<u>104,369,743</u>	<u>91,141,426</u>
End of year	<u>\$ 115,403,386</u>	<u>\$ 104,369,743</u>

See Notes to Financial Statements.

At the conclusion of the presentation of the financial statements and an exchange of questions from the Trustees, a motion was made by Mr. Raybuck to approve and accept the report as presented, which was seconded by Mr. Taylor. All Trustees voted yes, and the motion was passed 5-0.

In a spirit of public transparency, the foregoing report may be viewed on-line at:  
[http://bbffp.org/docs\\_state/FinancialStatements/2018%20Boynton%20Beach%20Firefighters'%20Pension%20FS.pdf#zoom=100](http://bbffp.org/docs_state/FinancialStatements/2018%20Boynton%20Beach%20Firefighters'%20Pension%20FS.pdf#zoom=100)

Mr. Cristini stated that even with the unexpected passing of Mr. Dorn, the audit was essentially uninterrupted due the succession plan in place by Mr. Williams.

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Mr. Cristini cited issues he had with gathering the requested report(s) from Regions Bank. Mr. Cristini learned that Regions did not have the capability to create the report(s) he and Ms. Bittinger requested. The matter will be reviewed by Mr. Williams in an effort to resolve going forward.

**NEW / UNFINISHED BUSINESS:**

**Compensatory Time for AFC:** Mr. Williams reminded the Board that formal notices were sent to those involved outlining the matter and letting each know the optional contribution to make should they want their AFC's adjusted by the actuary. The following members made their contributions and their respective AFC's were revised by the Actuary: Susan McMath, Ronald Rudy, John Kilcooley and Mark Henkle. All affected members were advised accordingly. Matter is now resolved & closed.

**Educational Time for AFC:** In brief review, when the Board of Trustees transitioned from Ms. Barbara LuDue to Pension Resource Center (PRC), the longstanding practice of treating statutory Educational Pay as pensionable compensation was discontinued in September 2016.

Reportedly a PRC representative unilaterally construed statutory Educational Pay as being excluded (not pensionable). As a result, pension contributions ceased being deducted through payroll.

In May of 2018, Mr. Robert Dorn (now deceased) learned of this matter and began to research and actively discuss the matter with the Board.

The Board of Trustees advised that they were not aware of the unilateral action taken in 2016 by PRC to stop pension contributions for statutory Educational Pay. The Board of Trustees advised that PRC did not have to the authority to make such a change.

On November 7, 2018 Mr. Levinson provided a legal opinion and confirmed that statutory Educational Pay is pensionable compensation. Other points of observation noted were as follows:

- The prior Administrator PRC did not have the lawful authority to make an interpretation of this nature.
- The Board was unaware of the reported action taken by the prior Administrator PRC in 2016 and did not authorize or sanction any action cited above.
- Statutory Educational Pay since its inception has been pensionable and valued as such in the actuarial valuation.

Trustees passed a motion on November 7, 2018 to reaffirm that statutory Educational Pay was in fact pensionable compensation. Further, the Board directed the Plan Administrator to communicate with the city representative(s) to restore statutory Educational Pay as pensionable.

Mr. Williams reported that he notified Ms. Tobey Brown, City of Boynton Beach Payroll of the foregoing. Ms. Brown reactivated Educational Pay effective November 2018. Further, Ms. Brown provided the contribution amount that each affected member was paid for Educational Pay between October 1, 2016 to October 31, 2018.

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Mr. Williams stated he was in the process of working with Ms. Brown to deduct the contributions owed for Educational Pay for each affected party. At that juncture Mr. Petty advised that there was a retroactive payment being issued shortly as a result of a collective bargaining agreement and that Ms. Brown agreed to deduct the contributions owed from that payment.

Mr. Williams sought approval to update each member's payroll history to reflect the payments as pensionable, making them whole. Mr. Raybuck placed the foregoing request in the form of a motion, which was seconded by Mr. Cale. The Motion passed 5-0.

Finally, Mr. Williams advised that formal notices will be sent to all affected members. Further that any DROP or Retired Member(s) will be reviewed by the Actuary and recalculated. Mr. Williams intends to have this matter resolved and closed for the next meeting.

**DROP Account Death Rollover Policy:** Mr. Williams reported that he was contacted by Mr. Kevin Richardson, Attorney who stated he was representing Mrs. Oxendine with regard to the DROP. Mr. Williams connected Mr. Levinson and Mr. Richardson to review the issue at hand. Mr. Levinson reflected that he had a very pleasant conversation with Mr. Richardson and reviewed the elements of the city ordinance. Mr. Levinson and Mr. Williams let Mr. Richardson know this matter was on the Agenda and he was welcomed to attend and to provide his perspective to the Board before any action is taken. Mr. Williams also noticed the Oxendine family about the meeting.

Mr. Levinson reviewed the proposed policy based on the discussions of November 7, 2018 as follows:

- 1) Section 18-222 of the Boynton Beach City Code created a Deferred Retirement Option Plan (DROP) for the members of the City of Boynton Beach Municipal Firefighter Pension Trust Fund (Plan). The City Code and FSS 175.061 authorize the Board of Trustees to adopt rules necessary for the administration of the Plan, to include the DROP. Accordingly, this Administrative Rule shall address the procedure to be employed for distribution of the DROP account by the Plan upon the death of a DROP participant.
- 2) Section 18-222(i) provides as follows: "Upon termination with the City, an employee may receive payment within forty-five (45) days of the member requesting payment or may defer payment until a time not later than the latest date authorized by Section 401(a)(9) of the Internal Revenue Code at the option of the member." The Fund does not have a provision extending members' benefits to beneficiaries.
- 3) With regard to survivor benefits, Section 18-222(l) provides that "if an employee shall die during participation in the DROP, a survivor benefit shall be payable in accordance with the form of benefit chosen at the time of entry into the DROP."
- 4) Upon a participant's death, the Plan Administrator shall provide distribution selection forms to the beneficiary(ies) of the DROP account. Within sixty (60) days following receipt of such forms, each DROP beneficiary shall submit the distribution selection forms to the Plan Administrator, electing a distribution method as detailed in the Special Tax Notice. Distributions shall be made within ninety (90) days.
- 5) The distribution selection must comply with requirements of the Internal Revenue Code. If the beneficiary does not request a rollover to an IRA, the distribution shall be paid directly to the beneficiary. If more than one beneficiary is designated, the account shall be distributed on a pro-rata basis accordingly.

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6) Once the form is submitted, the Plan Administrator shall compute the DROP account balance that is subject to distribution and the Plan actuary will review it. As this Administrative Rule requires a distribution selection to be made within sixty (60) days of the distribution selection form being received, distribution of the DROP account may in some cases be made prior to Board approval. All DROP account distributions shall be placed on the Board of Trustees' agenda for approval and/or ratification at the next regularly scheduled meeting.

7) If no selection is made within the sixty (60) day period, the item will be placed on the agenda of the next Board meeting. Absent special circumstances, an involuntary distribution shall be paid to the beneficiary(ies).

8) If the member has not designated a beneficiary, the DROP account balance shall be paid to the member's estate.

9) The Board of Trustees reserves the right to amend this Administrative Rule from time to time as it deems appropriate. The Board shall retain the right to exercise its discretion in interpreting this Rule and in resolving any disputes that may arise hereunder.

After review and discussion, a motion was made by Mr. Raybuck to approve the administrative policy based on the actuary's review and input. Mr. Taylor seconded the motion. All Trustees voted yes, and the motion was passed 4-0. (Ms. Watler departed the meeting prior to this vote).

A formal notice will be sent to Mrs. Oxendine and her legal counsel, Mr. Kevin Richardson as soon as administratively practical.

**ATTORNEY'S REPORT:**

Mr. Levinson reviewed the city ordinance 19-009 that passed on first reading on February 5, 2019. He said that he appreciated the spirit of cooperation between the city and the union to make reasonable pension reform. The verbiage of the ordinance may be viewed at:

[http://bbffp.org/docs/announcements/SKM\\_C554e19021110220.pdf#zoom=100](http://bbffp.org/docs/announcements/SKM_C554e19021110220.pdf#zoom=100)

Mr. Levinson advised that the Summary Plan Description (SPD) will be updated as a result of the foregoing ordinance change.

Mr. Levinson indicated his staff is in the discovery phase of the disability claim of Mr. Sidaway. The Board made it clear that they wanted a special meeting for any disability claim, due to the length of the quarterly meetings.

**INVESTMENT MONITOR'S REPORT:**

Mr. David West made the presentation to the Board for AndCo Consulting. Mr. West started with a firm review and reported as we start 2019, we first want to say "Thank you" for giving AndCo the opportunity to serve you. On behalf of our entire organization, we are extremely grateful for our client partnerships and we will continue working hard to maintain your trust and confidence. Our mission statement reads – "To represent the sole interest of our clients by redefining independence".

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We're happy to report we remain steadfast in this core belief and continue to build an organization and service model that is singularly focused and independent. This helps ensure all recommendations are truly in the best interest of our valued clients. We believe this approach will drive value for our client partnerships long into the future.

AndCo also remains committed to delivering high quality, customized services. As we start 2019, we are 89 employees strong advising approximately \$90 billion in client assets - both record highs for AndCo. In 2018 we hired 7 new team members including one consultant, two research professionals, one additional compliance officer, one technology administrator and two team members within our client solutions group. All hires were made to better service our clients.

Mr. West advised that on December 31, 2018 the Fund's value was 110,071,686, down from \$114,541,482 of September 30, 2018. Markets were volatile to end the 2018 calendar year. Both international and domestic equity markets had considerable losses during the 4th quarter while fixed income returns were muted but outperformed relative to equities. Within equities, domestic stocks trailed international markets, reversing the 2018 trend of US market strength. Trade tensions between the US and China, midterm elections in US Congress, the effects of ongoing monetary policy tightening by the Federal Reserve (Fed), federal debt ceiling negotiations and the subsequent partial government shutdown outweighed generally positive corporate earnings and macroeconomic data reported during the quarter.

The large cap S&P 500 Index returned -13.5% during the quarter while the small cap Russell 2000 Index fell by over 20% for the period. The drop in equity prices over the last three months was enough to take the returns for major US equity indices into negative territory for the 2018 calendar year. Returns over the 1-year period were -4.4% and -11.0% for the S&P 500 and Russell 2000 respectively.

Mr. West reported to the Board the following investment reports 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	-8.20%	-8.20%	-3.14%	6.62%	5.83%
Benchmark	-7.69%	-7.69%	-3.40%	6.37%	5.52%

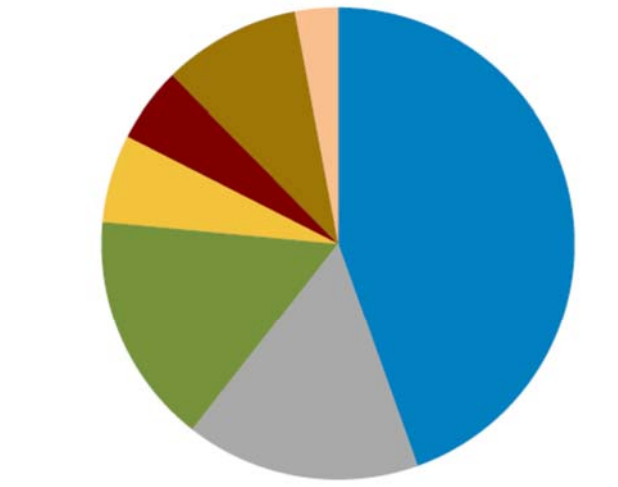
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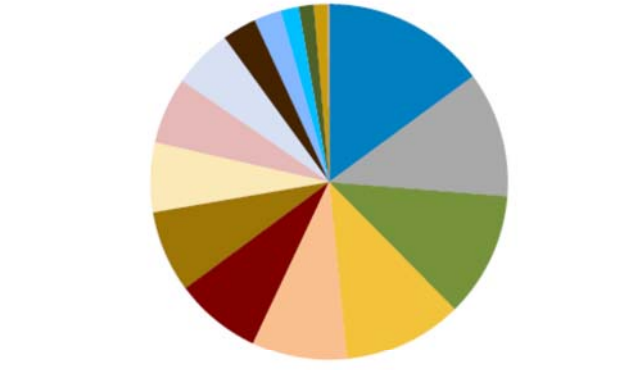
Asset Allocation and Manager Allocation as reported as follows:

Asset Allocation By Segment as of December 31, 2018 : \$110,071,686



Segments	Market Value	Allocation
Domestic Equity	49,039,172	44.6
International Equity	17,623,742	16.0
Domestic Fixed Income	17,541,554	15.9
Global Fixed Income	6,608,357	6.0
Other Fixed Income	5,639,103	5.1
Real Estate	10,369,002	9.4
Cash	3,250,757	3.0

Asset Allocation By Manager as of December 31, 2018 : \$110,071,686



Allocation	Market Value	Allocation
DSM Large Cap Growth	16,396,640	14.9
Anchor All Cap Value Equity	12,513,282	11.4
Vanguard 500 Index Admiral (VFIAX)	12,493,839	11.4
Schroders Core Fixed Income	11,878,562	10.8
American Funds EuroPacific Gr R6 (RERGX)	9,459,134	8.6
Vanguard Mid-Cap Index Fund (VMCIX)	8,656,708	7.9
WCM International Growth Fund (WCMIX)	8,164,608	7.4
Intercontinental	6,934,006	6.3
PIMCO Diversified Income Fund (PDIIIX)	6,634,649	6.0
Schroders TIPS	5,948,032	5.4
ASB RE	3,434,996	3.1
Crescent Direct Lending Levered Fund	2,719,892	2.5
Receipt & Disbursement	1,800,053	1.6
LBC Credit Partners III	1,485,829	1.3
Crescent Direct Lending Levered Fund II	1,433,382	1.3
Mutual Fund Cash	118,074	0.1

Mr. West announced the investments have bounced back since the lows of the December 31, 2018 quarter.

The Board of Trustees posted the entire investment review on-line at:

<http://bbffp.org/docs/investments/2018-12-31%20Boynton%20Beach%20Firefighters%20Quarterly%20Report.pdf#zoom=100>

**PLAN ADMINISTRATOR:**

Mr. Williams advised that the city transferred funds to the Plan for two active drop members on January 6, 2019. Mr. Williams learned from Ms. Brown, City of Boynton Beach payroll that the funds represent the balance that should have been sent when the respective members entered the drop. Mr. Williams asked the Board how the payments should be posted. Options: When the funds were received or when the funds should have been received. Mr. Raybuck made the motion to post the funds to each member’s account when it should have been received. Mr. Petty seconded the motion. All Trustees voted yes, and the motion was passed 4-0. (Desirae Watler Off the dais).

**OPEN DISCUSSION:**

Mr. Raybuck asked Mr. Williams to ensure that the required disability reporting was filed pursuant to city ordinance. Update will be provided at the May meeting.


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**ADJOURN:**

Trustee Raybuck made a Motion to adjourn the meeting. Trustee Cale seconded the Motion. Motion passed 4-0. The meeting was adjourned at 11:56 AM.



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Matt Petty, Chairman

***FOR THE BOARD***