

# *Palm Beach Gardens Police Officers' Pension Fund*

## *Minutes of the Meeting Held: June 13, 2024*

1. Chair Jay Spencer called the regular Quarterly Meeting of the Board of Trustees of the City of Palm Beach Gardens Police Officers' Pension Fund to order at 9:04 AM in the Council Chambers and called roll. Those persons present included:

2. **TRUSTEES PRESENT**

Jay Spencer, Chairman  
Brad Seidensticker, Secretary  
Marc Glass, Trustee  
Greg Mull, Trustee

**OTHERS PRESENT**

Albert Lovingood & Scott Baur (Resource Centers)  
Bonni Jensen (Klausner Kaufman Jensen & Levinson)  
Jennifer Gainfort, Consultant (Mariner Institutional)  
Steve Stack, Investment Manager (Highland Capital)  
Robert Boschen, Member & PBA Representative

3. **REPORTS**

**Highland Capital Investment Manager (Steve Stack, Highland Capital)**

Steven Stack started his presentation by reviewing the PSN Top Guns Core Fixed Income Handout and reported the following: Highland Capital's Core Fixed Income strategy was named to the PSN "Top Guns" list for the First Quarter of 2024, recognizing it as a top performer in its category. The Fund earned this rating as the strategy had an R-Squared rating of 0.80 or greater relative to its benchmark over the past five years, with returns exceeding the benchmark in the latest three-year rolling periods. Mr. Stack also noted that the Fund's standard deviation and information ratios were also key factors in the selection criteria.

Mr. Stack then presented the Board with the Highland Capital Quarterly Performance Report for the period ending March 31, 2024, and started his presentation with a review of the Markets. Mr. Stack reported that the first quarter of 2024 was strong, with the S&P 500 increasing 10.56%. Despite raising interest rates, the market continued its growth, signaling resilience in the U.S. economy. The Federal Reserve maintained its hawkish stance, revising inflation projections upward and signaled fewer rate cuts in 2024. GDP growth for 2024 is projected to be at 2.1% with the unemployment rate expected to be at 3.8%. Mr. Stack then reported that within the Equity Sector, Communication Services were up 16.7% along with Technology, which was up 14.1%, which performed very well. These increases were largely driven by companies such as Meta, NVIDIA, and Microsoft, and Mr. Stack noted that Real Estate is still lagging at -2.9%, which is mainly due to rising interest rates. For the Fixed Income Sector, shorter-duration bonds outperformed in a defensive stance. Despite fiscal concerns, the investment-grade corporate bond market saw a record first quarter. Mr. Stack then reviewed the Fund's portfolio performance, noting that the Equity portfolios experienced strong cumulative gains of 13.22% for the quarter ending March 31, 2024. For Fiscal-Year-to-Date, the Fund has a cumulative return of 29.81%, and the Five-Year cumulative returns are at 127.12%. The Plan's Total Return Fixed Income portfolio saw cumulative returns of 0.71% for the quarter and 6.22% for Fiscal-Year-to-Date, and the Five-Year cumulative returns totaled at 7.83%. The Total Return Short Term Fixed Income Fund saw cumulative returns of 1.26% for the quarter and a Fiscal-Year-to-Date cumulative returns of 3.12%. Mr. Stack concluded his presentation by answering questions asked by the Board of Trustees along with having a detailed conversation regarding the short and long-term outlook on how the markets will perform with any potential interest rate changes.

**Investment Consultant (Jennifer Gainfort, Mariner Institutional)****Mariner Quarterly Performance Report as of March 31, 2024**

Jennifer Gainfort started her presentation by providing the Board of Trustees with a Market Overview, reporting that the Federal Reserve's decision to hold interest rates steady during the first quarter, combined with expectations of rate cuts later in 2024, led to positive momentum in domestic equities. The S&P 500 Index rose 10.6% during the quarter. International equities also performed well, although growth was tempered by a strengthening U.S. dollar. Fixed income markets experienced slight declines due to expectations of sustained higher interest rates, with high-yield bonds outperforming investment-grade bonds due to narrowing credit spreads.

Ms. Gainfort then reviewed the Plan's asset allocation in detail with the Trustees, noting that she does not see a need to rebalance at this time. As of March 31, 2024, the Plan's total assets increased from \$133.8 million to \$138.9 million. The Plan's financial reconciliation for the quarter and Year-to-Date was reviewed in detail with the Board. For the Quarter ending March 31, 2024, the Plan earned a net 4.88%, beating the Plans benchmark rate of 4.54%, and ranked in the top 34<sup>th</sup> percentile of its Peers. For Fiscal-Year-to-Date, the Plan earned a net 12.73%, which beat the benchmark rate of 13.49%. The Five-Year trailing returns were a net 8.47%, slightly trailing the benchmark rate of 8.87%, and since inception the Plan has earned 7.73%, compared to the benchmark rate of 8.58%. The performance of individual asset classes and managers was reviewed in detail with Ms. Gainfort noting that domestic equities showed strong returns, while fixed income delivered modest performance amid a challenging rate environment. The Board of Trustees and Ms. Gainfort then discussed the Real Estate allocation and investment in detail regarding the continued losses that the funds have been posting. Chairman Jay Spencer noted signs of mixed results, especially in the heavy equipment sector. Ms. Gainfort concluded her presentation with informing the Board that the Plan is positioned well going forward and a discussion ensued on the various signs of consumer spending starting to slow along with the mixed results of some sectors being strong, while others are struggling.

#### **COLA – Marc Glass & Robert Boschen**

Trustee Marc Glass provided the Board of Trustees with an overview of the confusion regarding the COLA that was included in the October 1, 2022, Through September 30, 2025, PBA Union Contract. Sgt. Robert Boschen addressed the eligibility and interpretation of the COLA provision in the contract with the Board, noting that the COLA goes in affect one year following separation. Attorney Bonni Jensen informed the Board of Trustees that the new COLA is not included in the Plan Ordinance and that the Ordinance needs to be updated for the Plan to initiate payment of the COLA to those Officers who are eligible to receive it. A detailed conversation ensued with regards to terminology that should be used to align with how the new COLA is to be applied, along with getting answers to some questions, including the annual date of the COLA increase. The Board of Trustees then discussed the implications of the various ways that the COLA could be applied to the retirees along with the need for the Plan Ordinance to be updated to include the new COLA Provision agreed to during negotiations.

**Marc Glass made a motion to authorize The Plan Attorney to implement the language change as necessary to the addition of the new COLA provision to the Plan Ordinance subject to review by PBA Legal Counsel, The Motion received a second from Greg Mull, approved by the Board 4-0.**

#### **Attorney Report (Bonni Jensen, Klausner Kaufman Jensen & Levinson)**

**Jensen Memo – 1099-R Reporting of Disability Income:** Mrs. Jensen provided the Board with a memo regarding Form 1099-R; Reporting of Disability Annuity Payments to First Responders and Other Disabled Taxpayers. Mrs. Jensen reported that the IRS issued a notice to help clarify how to report a Disability Pension payment, along with when they are considered taxable and when they are not. Under Revenue Ruling 85-1056, 1985-C.B. 53 states that disability retirement payments made to a taxpayer “under a workmen’s compensation act or under a statute in the nature of a workmen’s compensation act” as compensation for personal injuries or sickness incurred during the course of employment may not be subject to federal income tax. A new paragraph was added to the 2023 instructions stating: “Box 2a, Taxable Amount, now references Rev. Rul. 85-105 to help you determine the taxable and/or non-taxable amount of the disability payments. If the annuity payments are fully non-taxable, there should be a zero in box 2a.” If a portion of the pension benefit is based on age or length of service under the retirement plan in excess of a fixed percentage, that portion of the pension benefit will be taxable. Mrs. Jensen then provided the Board with a few examples of how this new rule will affect the Plan and the members moving forward. Mrs. Jensen informed the Board that to assist members in their tax filings, future disability orders will contain a paragraph regarding the method for determining the benefit where a fixed percentage, based on years of service/age, or a hybrid and if based on a presumption, whether that presumption is rebuttable or not.

**Summary Plan Description - Draft:** Mrs. Jensen provided the Board with an updated Summary Plan Description for the Board to review and approve. Mrs. Jensen reviewed the changes to the Summary Plan Description in Detail with the Board of Trustees, noting that the updates to the minimum required distribution changes set forth by the IRS along with Mrs. Jensen informed the Board that she has removed the individual Investment Manager Names and

replaced it with “various professional investment managers selected by the Board”, this was to simplify the SPD, and to mitigate the need to update the list each time a manager is hired or terminated.

**Marc Glass made a motion to approve the Summary Plan Description, as amended, The Motion received a second from Greg Mull, approved by the Board 4-0.**

#### **Administrator Report (Albert Lovingood and Scott Baur, Resource Centers)**

**Utilizing Artificial Intelligence for Board Meeting Minutes:** Albert Lovingood presented the Board with a handout that detailed the capabilities of a Mac and Windows Based App called Limitless AI. Scott Baur reviewed how The Resource Centers is currently using Artificial Intelligence and exploring additional future uses for the program as it becomes more accurate. Mr. Lovingood then reviewed the potential uses of Limitless AI with a focus of using the program as an added layer of note taking for Board Meetings, along with all the additional capabilities of the program. One key feature that Mr. Lovingood noted, is the program’s advertised ability to indicate the difference between multiple people speaking. The privacy settings were then reviewed with Mr. Lovingood informing the Board of Trustees that Limitless AI utilizes encrypted files that require an encryption key to access, none of the stored data would be sold, and the data is protected from access by 3<sup>rd</sup> party AI providers. Mr. Lovingood then informed the Board that he has been tasked with beta testing this new program and thought that the Palm Beach Gardens Police Officers’ Pension Fund Quarterly Board Meetings would be a perfect Plan to use as everyone always introduces themselves by name and role at the beginning of the Board Meeting during rollcall. Mr. Lovingood concluded his presentation with informing the Board that he is in the early stages of reviewing and testing the program and does not expect to actively use it in connection with any Board Meetings until the ending of 2024 or beginning of 2025. The Board discussed the use of Limitless AI in detail while seeking the guidance from Mrs. Jensen along with the potential future uses of AI on a Maco level. The Board did not see any issue with utilizing this program and asked Mr. Lovingood to revisit this topic once he is ready to implement the use of this program.

**Charles Hino – Designation of Beneficiary Change:** Mr. Lovingood informed the Board that retired Police Officer, Charles Hino had passed away on May 11, 2024. The notification of his passing came from his wife, Leeann Hino, who indicated that Mr. Hino had told her that she was listed as the Joint Annuitant. Mr. Lovingood informed the Board that when he pulled Mr. Hino’s file, he was unsuccessful in locating a revised Pension Calculation with Leeann Hino listed as the Joint Annuitant; however, he did come across a Designation of Beneficiary Change Form from 2018, listing Leeann as his new beneficiary along with a copy of Mr. Hino’s late wife, Linda Hino’s Death Certificate. This finding prompted Mr. Lovingood to review the Plan Ordinance to confirm any restrictions regarding the changing of a Joint Annuitant along with pulling historical emails to obtain any additional information, which resulting in the location of a communication that indicated Mr. Hino wanted to change his Joint Annuitant. As a result of this information Mr. Lovingood stated that he submitted a request to the Actuary to process a Joint Annuitant Change for Mr. Hino’s Pension Benefit and provided the Board with the updated monthly benefit calculation. The monthly benefit choices were reviewed and there was a detailed discussion regarding the matter with Chairman Jay Spencer thanking Mr. Lovingood for investigating this matter and locating evidence of what Mr. Hino’s intentions were. The Board, Plan Attorney and Plan Administrator had a detailed conversation regarding how a Joint Annuitant Change is done which resulted in the Board requesting that the Plan Attorney create a Form specific for requesting a Joint Annuitant Change.

**Greg Mull made a motion to Accept and approve the revised Pension Benefit Calculation updating his Joint Annuitant to be Leeann Hino, The Motion received a second from Greg Mull, approved by the Board 4-0.**

#### **4. MINUTES**

The Trustees reviewed the draft Minutes for the March 28, 2024, Quarterly Board Meeting. Mr. Lovingood informed the Board that Secretary, Brad Seidensticker had provided some recommended corrections to the March 28, 2024, Quarterly Board Meeting Minutes and that the updated Minutes are included in the Meeting Packets along with a Red-Line Version that indicates the changes that were made.

**Marc Glass made a motion to approve the Minutes for the March 28, 2024, Quarterly Meeting as amended, The Motion received a second from Brad Seidensticker, approved by the Board 4-0.**

5. **DISBURSEMENTS AND FINANCIAL STATEMENTS**

The Board reviewed the Warrant dated June 13, 2024, for payment of expenses.

**Brad Seidensticker made a motion to approve the expenses on the Warrant dated June 13, 2024, as presented. The Motion received a second from Marc Glass, approved by the Board 4-0.**

The Board received, reviewed, and filed the interim financial statement through April 30, 2024.

6. **BENEFIT APPROVALS**

The Benefit Approvals dated June 13, 2024, were presented to the Board for review. Mr. Lovingood informed the Board that a Refund of Contributions listed in the Benefit Approvals has been Voided Out. Mr. Lovingood explained that a member of the Plan had left employment and requested a refund of contributions. Upon receipt of the refund of contributions, the check had accidentally been destroyed and upon the member contacting Mr. Lovingood about the destroyed check, Mr. Lovingood learned that the member was being rehired. This resulted in a detailed discussion regarding the member's service time that resulted in the refund being voided. The Board and Mrs. Jensen confirmed with Mr. Lovingood that he did receive a written request from the member to void out the refund, which Mr. Lovingood did confirm.

**Greg Mull made a motion to approve the Benefit Approvals dated June 13, 2024. The Motion received a second from Marc Glass, approved by the Board 4-0.**

7. **OTHER BUSINESS**

There was no other business to discuss at this time.

8. **ADDITIONAL REPORTS**

The Board of Trustees accepted and filed the Palm Beach Gardens Police 2023 Actuarial Confirmation of Use of State Moneys, GASB 67 Disclosures, and the GASB 68 Disclosures.

9. **PUBLIC COMMENTS**

No members of the public had any comment.

10. **ADJOURN**

There being no further business, Chairman Jay Spencer adjourned the meeting at 11:13 AM.

Respectfully submitted,

***Brad Seidensticker***

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Brad Seidensticker, Secretary

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