

DRAFT
**TEQUESTA GENERAL EMPLOYEES PENSION
TRUST FUND
QUARTERLY BOARD OF TRUSTEES MEETING
August 2, 2010**

I. Call To Order And Roll Call

The Tequesta General Employees Pension Trust Fund Board of Trustees held a regular quarterly meeting at the Tequesta Village Hall, 345 Tequesta Drive, Tequesta, Florida, on Monday, August 2, 2010. The meeting was called to order at 1:01 p.m. A roll call was taken by Recording Secretary Betty Laur. Board Members in attendance at the meeting were: Chair Michael Rhodes, Secretary Carl Hansen, Board Member Michelle Gload, and Board Member John Terzakis. Board Member Deanna Mayo arrived at 1:04 p.m. Also in attendance were Attorney Bonni Jensen, Finance Director Forsythe who joined the meeting later, Dan Johnson with Bogdahn Consulting LLC, Robert Leuty representing Dana Investment Advisors, and Betty Laur, Recording Secretary.

II. Approval Of Agenda

Board Member Gload requested items 14, 15 and 18 be pulled from the Consent Agenda for discussion under Unfinished Business.

MOTION:

Motion was made by Secretary Hansen, seconded by Board Member Terzakis, to approve the agenda as re-ordered. Motion carried by unanimous 5-0 vote.

III. Approval Of Minutes

- 1. Tequesta General Employees' Pension Trust Fund Board of Trustees Regular Quarterly Meeting Minutes – May 3, 2010**

MOTION:

Motion was made by Board Member Gload, seconded by Board Member Mayo to approve the quarterly meeting minutes of May 3, 2010 as submitted. Motion carried by unanimous 5-0 vote.

- 2. Tequesta General Employees' Pension Trust Fund Board of Trustees Joint Meeting with Public Safety Officers' Pension Trust Fund Board of Trustees Meeting Minutes – May 3, 2010**

MOTION:

Motion was made by Board Member Terzakis, seconded by Board Member Mayo to approve the joint meeting minutes of May 3, 2010 as submitted. Motion carried by unanimous 5-0 vote.

- 3. Tequesta General Employees' Pension Trust Fund Board of Trustees Joint Meeting with Public Safety Officers' Pension Trust Fund Board of Trustees Meeting Minutes – June 15, 2010**

MOTION:

Motion was made by Board Member Mayo, seconded by Secretary Hansen to approve the joint meeting minutes of June 15, 2010 as submitted. Motion carried by unanimous 5-0 vote.

IV. Presentations

- 4. Quarterly Presentation by Investment Manager**

Robert Leuty from Dana Investment Advisors' Milwaukee office reviewed the quarterly report for the period ending June 30, 2010, a rough quarter from an equity point of view, with the Gulf oil spill, Euro debt crisis, a flash crash, and a number of other items which had caused the markets to lose money. In July the markets went up, so he had updated the figures to July 26. The total plan was up 6.1% versus the benchmark of 5.92%. Mr. Leuty discussed Greece's debt and the real estate market and how they affected the economy. He explained that a 2% GDP was not sufficient to reduce unemployment to acceptable levels. The Federal Reserve was talking about a quantitative easing, which he felt meant a deflationary environment, which was a bad situation for us, but very good for the fixed income portfolio. Dan Johnson of Bogdahn Consulting commented that TIPS was now a tool that could be used; Mr. Leuty confirmed they would use TIPS when inflation began. Mr. Leuty reviewed the fixed income portfolio, and discussed the weighting. Mr. Johnson advised the plan would be willing to change the index if it were recommended. Mr. Leuty explained that to meet the overall goal of 7-1/2% return, the current index was appropriate for this fund's size. Discussion ensued. When asked about adding more risk, Mr. Leuty advised that would mean more volatility. He explained that if the deflationary environment started to pick up, they would lighten their corporate position, add to their treasury position, and probably have an overweight to treasuries. Equities would need to be lowered down from 50%.

MOTION:

Board Member Terzakis made a motion to approve the Dana Investment Advisors presentation by Mr. Leuty. Secretary Hansen seconded the motion. Motion carried by unanimous 5-0 vote.

5. Quarterly Presentation by Monitor

Dan Johnson, Bogdahn Consulting, LLC, covered the major asset classes and the major movements of the market for the quarter ending June 30, 2010. Negative aspects had come from the Greek debit, uncertainty around the financial reform bill, and the Gulf oil spill; however, with less uncertainty regarding these issues in July, the market had rebounded. Mr. Leuty cautioned the Board not to talk themselves out of an asset class because it was low, and advised he felt it was prudent to leave the asset allocation at 60%/40%. The asset yield curve had been driven down by the Fed buying mortgages for the last few years to bail out the banks, which had made money by borrowing at zero interest and purchasing 10-year treasuries at 10%. Mr. Johnson reported most of the gains realized during the first part of the year had been lost during the quarter, but the fund was still positive fiscal year to date. Negative returns of international markets was discussed. Attribution handouts were reviewed. Mr. Johnson commented it had been good to hear that Dana Investment Advisors would use TIPS as a tool when appropriate. The compliance checklist at the end of the report was reviewed; Mr. Johnson indicated he would add total equity and update to reflect the index change. The fund had enjoyed more return less risk than their peers and more return less risk than the index. Mr. Johnson reviewed the asset allocation mixes handout, which included historical and forward assumptions. The possibility of adding 5% in high-yield bonds was discussed; which would require a change to the Village ordinance. Board Member Terzakis commented he would like to see a little bit more proactive allocation in the income sector, and expressed his opinion that it was important to go before Village Council to request the ability to invest in high-yield bonds. He also preferred to see more active management, within a one-year time frame. Discussion ensued. Mr. Johnson summarized by stating the rate of return was 6% year to date, and he hoped to add 1% in the next two months to meet 7% return.

V. Unfinished Business

6. Commission Recapture Documents

Dan Johnson, Bogdahn Consulting, LLC, advised that in working with commission recapture for the Public Safety Officers' pension, he felt this fund should have it also. He explained that trading would still be done best price, best execution, but any trades made through CAPIS would now provide a percentage back to this pension fund. He expected approximately \$10 per month. He recommended the Board approve a letter of direction to Dana Investment Advisors and sign the commission recapture agreement.

MOTION:

Secretary Hansen made a motion to adopt the commission recapture letter. Board Member Terzakis seconded the motion, which carried by unanimous 5-0 vote.

MOTION:

Board Member Terzakis moved approval of the presentation from Bogdahn Consulting. Secretary Hansen seconded the motion, which carried by unanimous 5-0 vote.

Mr. Johnson explained the portfolio owned a couple of securities domiciled outside the United States. In order to define foreign securities, his company used the record keeping of the custodian as to what they defined as an international holding. Dana could never hold more than 15%, and when there was a question, the custodian's view would be taken to lean toward the more conservative side. There were two accounts, one for domestic holdings and one for international holdings, but there were international markings on the domestic statement. Mr. Johnson proposed having the custodian provide one statement for both accounts in order to solve the confusion. Finance Director Forsythe advised they had sent out three letters questioning which securities were foreign, and had received three different opinions. Attorney Jensen advised the Finance Department should take the most conservative view—that of the custodian. Mr. Johnson provided a letter to establish a consolidated account. All foreign securities would be as established by the custodian to measure foreign investment compliance. The custodian measured it by where the companies were domiciled rather than on currency. Mr. Johnson advised the steadfast guideline from Bogdahn would be in the back of their report booklet listed as total foreign security compliance. Salem Trust Company had advised the board to update their signature authorization sheet, however, that task would be turned over to Pension Resource Center to handle.

MOTION:

Board Member Terzakis made a motion to accept and sign the letter to establish a consolidated account at Salem Trust Company requesting a consolidated statement. Board Member Mayo seconded the motion, which carried by unanimous 5-0 vote.

7. Status of Contract with Pension Resource Center

Attorney Jensen reported that since the last meeting Finance Director Forsythe, Pension Coordinator McWilliams, and Human Resources Director Merlene Reid had met with Scott Baur of Pension Resource Center, and as a result she now had the contract for the Board's signatures. Mr. Baur was present, along with Dixie Martinez from his office, and Attorney Jensen invited them to speak to the Board regarding the division of duties that had been worked out with the Finance Department. Mr. Baur advised there had been extensive conversations

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regarding procedures, accounts, and how they would work with Mrs. Forsythe as she maintained financials on behalf of the plan. Mr. Baur explained the procedure approved by the Public Safety Officers' Board, and advised this was a separate Board and they did not have to do the same. For the other Board, Mr. Baur reported Pension Resource Center would establish a local checking account at a Florida public depository and work out the details with Ms. Forsythe and her staff, and Pension Resource Center would pay invoices on behalf of the plan, and bring back to the Board a warrant for approval at each quarterly meeting. Salem Trust would continue to pay monthly benefits to retired members. Finance Director Forsythe commented the Finance Department would be responsible to transfer funds that would go into the local bank, and Pension Resource Center would write checks for invoices from those funds, so that it would no longer be required for trustees to sign a check. Board Member Gload questioned what separated the items under agenda item 14, payments to be ratified, and 15, payments to be approved. Attorney Jensen explained that when Ken Nielson had been on the Public Safety Officers' Board and he had brought forth a provision of the statutes which requires payment of invoices within a certain number of days of presentment, which was how the ratification process began. She advised she had many clients who waited to approve at the quarterly meeting. Pension Resource Center could follow the same procedure if the Board desired. Board Member Gload asked if Pension Resource Center would verify payments against the contracts. Mr. Baur advised they had a person who did that and another person reconciled the accounts and did the posting. Finance Director Forsythe advised the invoices would be the backup for the transfer of funds into the checking account. Mr. Baur commented for any transfer of funds he would use the Finance Department as initiator and perhaps a verifier in order to differentiate which things the custodian would take direction directly from Pension Resource Center, and which things they would not, to maintain the controls and procedures. Finance Director Forsythe advised they had agreed the Finance Department would be doing reconciliation of accounts; when they reconciled everything would have already been on the Village's books, and if anything was outstanding and unaccounted for, Mr. Baur would be contacted. Secretary Hansen commented when this started it had been because the Village Manager did not want the Village employees to be doing this work, and now there was a division of labor, and he questioned whether this now satisfied the Village Manager. Ms. Forsythe advised it was not the work done by the Finance Department, but that done by the Village Clerk's office. Chair Rhodes asked for a document of policies and guidelines and who would do what. Mr. Baur advised invoices from vendors would be sent to his office and they would typically batch them and pay them about once a month. At that time they would prepare a warrant listing those invoices to be brought to the Board for approval at their quarterly meeting, along with copies of the invoices. He would send copies electronically to the Finance Department. Also, his office would receive the checking account statements as well as the Finance Department, and they would perform their own reconciliation. The warrant would be signed by

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two trustees and would be attached to the meeting minutes. They did benefit payments in a similar fashion. Discussion ensued regarding signatories on the checking account. Mr. Baur indicated Ms. Forsythe or a member of her staff would need to be authorized so that the bank would communicate with her, and two trustees. Attorney Jensen recommended the checks have two signatures even if both were by Pension Resource Center. She advised that Pension Resource Center used facsimile signatures and it was usually the Chair and Secretary whose names would appear on all the checks. Ed Sabin had not been comfortable with that, so the Public Safety Officers' Board was going to use actual signatures of people at Pension Resource Center. Consensus was to use actual signatures of two people at Pension Resource Center.

Mr. Baur provided a handout of all the provisions of the plan. Transfer of actual payroll information would occur next and they would begin to set up their systems. They would send individual letters to all members of the plan letting them know who Pension Resource Center is and what they did, and how to contact their office. The handout was designed for use by the trustees, not the members. Information regarding plan members would be transferred from the Finance Department. He anticipated complete transition over the next few weeks. They also intended to meet the plan members face to face, and could do a workshop if the Board preferred. Their office would be the first contact for members with questions. They would provide notice of the meeting to the Village Clerk for posting and would create electronic meeting packets to be received in advance of the meeting, with paper packets provided at the meeting. Mr. Johnson indicated he would prefer to continue to provide his preliminary report by email and the final report at the meeting.

Attorney Jensen advised the contract was in proper legal format. Mr. Baur was asked to provide a copy of Pension Resource Center's insurance coverage.

MOTION:

Board Member Gload made a motion to approve the contract with Pension Resource Center. Secretary Hansen seconded the motion, which carried by unanimous 5-0 vote.

It was verified for Mr. Baur that this plan did not have a DROP program.

8. Status of IRS Determination Letter

Attorney Bonni Jensen reported she had attended a conference of the National Association of Public Pension Attornies where there was an IRS attorney who advised they were trying to be kinder and gentler with governmental plans and those who did not apply for the IRS determination letter could be fined or penalized and the members taxed.

9. Revised Contract with Actuary

Attorney Bonni Jensen reported all changes requested by the Board, to cross reference fees with duties, to list hourly rates of people doing work for the Village, agreed to maintain at least a million dollars in coverage, and agreed to a longer termination period. The actuary did not agree to contact the Board before destroying their work copies or to make the Board an additional insured on their policy. They would provide a certificate of insurance. Fees were reviewed. For any project they would provide a budget before incurring any time or costs, and would attend one meeting per year to present the annual valuation report. Attorney Jensen was to add travel costs to the contract and the time period for the CPI.

10. Trustee Election Results

Pension Coordinator Lori McWilliams came into the meeting and explained that Michelle Gload and Deanna Mayo were the only people to submit letters of interest, therefore, there had been no election.

11. Updated Summary Plan Document

Attorney Bonni Jensen requested this be tabled to the next meeting, since her computer had crashed. Consensus of the Board was to table this item.

12. Revised Investment Policy Statement including policy on 3% interest on non-vested withdrawal of contributions and procedure for distributions (Included as backup for this item is list compiled by Board Member Gload of terminated employees who received 3% simple interest on their contribution refunds, as requested at last meeting)

Attorney Jensen advised she had revised the policy to 3% simple interest since that had already occurred. Board Member Gload advised now there had been three people paid with simple interest. Finance Director Forsythe indicated this had not been addressed specifically, but a comment made at a Village Council meeting by a member of the Council of a calculation was at 3% simple interest. Attorney Jensen noted the interest would have to be accounted for and was in most places calculated annually. Discussion ensued. Attorney Jensen expressed her opinion that the actuary added \$100 per year to the cost of the plan to account for interest that might be paid.

MOTION:

Board Member Gload made a motion to clarify that the interest paid on employee contribution refunds would be at 3% simple interest. Board

Member Terzakis seconded the motion, which carried by 4-1 vote, with Secretary Hansen opposed.

13. Review of 2005 Agreement with Custodian Salem Trust Company as requested at last quarterly meeting.

Attorney Jensen reported Salem Trust Company had requested an addition to their contract that they would pay or cause to be paid, benefits, bills, statements, and other obligations of the fund; that they would be responsible for the annual tax reporting including the preparation and transmittal of the participant 1099-R forms; that they would be able to purchase and sell mutual funds and receive and deliver mutual funds price mutual funds securities; and to provide monthly statements and a check register showing all the income and principal transactions, and listed those individuals who would receive those. Attorney Jensen explained that this had come about because the bank being used for the local checking account was no longer a qualified public depository, and the Board had approved using Salem Trust until another bank could be found. She advised the new agreement had been sent to the Trustees by email. Because the agreement was not in the meeting packets, consensus was to defer this item to the next meeting.

VI. Consent Agenda

Board Member Gload stated her questions regarding the items she had requested be pulled from the Consent Agenda had been answered.

MOTION:

Motion was made by Secretary Hansen, seconded by Board Member Gload, and carried by unanimous 5-0 vote to approve the Consent Agenda. Therefore the following items were approved:

14. Ratification Of Invoices Paid Since Last Quarterly Meeting:

- Business Services Connection, Inc. –
Office work-weeks ended 4/16/10 through 7/16//10 \$1,739.40
- Business Services Connection, Inc. –
Attendance, recording and preparation of minutes and synopsis for 5/3//10 Regular Quarterly meeting \$ 410.32
- Business Services Connection, Inc. –
Attendance, recording and preparation of minutes and synopsis for 5/3/10 Joint

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Pension Board
(1/2 charged to each board)

\$ 133.80

- Perry & Jensen, LLC.
Legal Fees through 5/15/10 \$1,696.29

15. Payments To Be Reviewed And Approved:

- Business Services Connection, Inc.
Attendance, recording and preparation of
minutes and synopsis for Joint Meeting with
Public Safety Officers' Pension Board \$ 98.12
- Perry & Jensen, LLC
Legal Fees through 7/15/10 \$ 994.87
- Bogdahn Consulting, LLC \$2,625.00
Services through 6/30/10
- Dana Investment Advisors \$1,870.62
Services through 6/30/10
- Gabriel Roeder Smith & Company \$ 300.00
Services through 6/30/10
(Harding benefit calculation)

16. Approval of new applicants for participation in Pension Plan:

Brett Steele – Water Dept. Service Tech Trainee Hire date
5/10/10

17. Approval of withdrawal of contributions:

None

18. Terminated Employees who have not taken their contributions

Natasha Hunt Date of Separation 4/22/10
Total Gross \$3,939.40 (\$3,824.66 + 3% interest \$114.74)
20% mandatory withholding \$787.88
Total Check Amount \$3,151.52

- 19. Revenue and Expenditure Report** – There were no questions or comments.

END OF CONSENT AGENDA

VII. Budget Report

- 20. Quarterly Budget Report Expenditures
and
21. Adoption of New Budget**

Board Member Gload and Finance Director Forsythe presented the budget items. The FY 2010 estimated income and expenses were discussed, and the FY 2011 budget was established. The new budget operating expenditures consisted of the following items: Legal Services \$9,500; Actuarial Services \$6,676, Pension Administration \$9,600; Pension Distribution/Benefits \$6,200, Travel & Per Diem \$2,000; Insurance \$900, Other Miscellaneous Charges and Obligations \$50, Books, Publications, Subs and Membership \$600, Seminars and Training – Pensions \$1,000. Investment expense consisted of Investment Services \$10,000, Custodial Services \$5,000, and Investment Advisors \$10,500.

MOTION:

Secretary Hansen made a motion to approve the FY 2010 estimated income and expenses and the FY 2011 budget as discussed. Board Member Terzakis seconded the motion, which carried by unanimous 5-0 vote.

VIII. New Business

- 22. Termination of Contract with Business Services Connection, Inc.**

Attorney Jensen advised that Betty Laur had been doing all of the administration for the pension board through her company, Business Services Connection, Inc. Since the Board had hired a third party administrator, these services would no longer be needed. However, services would be needed during transition to move documentation to Pension Resource Center. The Public Safety Board had moved to terminate the current contract, which had a 14-day notice, and to then enter into a contract to pay Ms. Laur on an hourly basis during the transition as was done under her current contract.

Secretary Hansen left at this point in the meeting at 4:37 p.m.

Chair Rhodes expressed appreciation on behalf of the Board to Ms. Laur for her work with the Board. Ms. Laur expressed her thanks.

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Chair Rhodes acknowledged the 14-day notice and expressed his opinion that it would be prudent for this Board to take the same action on this item that the Public Safety Board had taken.

MOTION:

Board Member Mayo made a motion to terminate the current contract with Business Services Connection, Inc., which had a 14-day notice, and to then enter into a contract to pay Ms. Laur on an hourly basis during the transition to Pension Resource Center. Board Member Gload seconded the motion, which carried by unanimous 4-0 vote.

Ms. Laur stated her agreement and advised the Board that she would work with Mr. Baur and Ms. Martinez of Pension Resource Center to see how they would like to proceed during the transition.

23. Revised Pension Benefit Application Process

Attorney Jensen reported the pension benefit application process had involved the Village departments and coordinated how a person would apply for pension through the Village's process. Given that now Pension Resource Center had been hired, the Board's policy would simply be to call Pension Resource Center, and they would handle all necessary coordination. Attorney Jensen advised she had not made changes discussed at the last meeting because she did not feel it was right to charge the Board for changes to a process that would no longer be needed upon hiring Pension Resource Center.

**24. FPTTA Annual Conference Trustees School September 26-29
at PGA National Resort, Palm Beach Gardens, Florida**

During discussion of the budget, it had been pointed out that three members were to attend this Trustees School as approved at the last meeting – Board Members Mayo, Gload and Terzakis. Locations of upcoming schools and conferences were also discussed.

IX. Any Other Matters

There were no other matters to come before the Board.

X. Communications From Citizens

There were no communications from citizens.

XI. Adjournment

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There being no further business, the meeting was adjourned upon motion by Board Member Mayo, seconded by Board Member Gload, and unanimously carried, at 4:40 p.m.

Respectfully submitted,

Betty Laur
Recording Secretary