

**TEQUESTA GENERAL EMPLOYEES' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
FEBRUARY 22, 2011**

I. Call To Order and Roll Call

The Regular Quarterly Board Meeting of the Tequesta General Employees' Pension Trust Fund was held at the Tequesta Village Hall, 345 Tequesta Drive, Tequesta, Florida, on February 22, 2011. The meeting was called to order at 8:15 a.m.

A roll call was taken by Pension Administrator Dixie Martinez. In attendance at the meeting were: Chair Michael Rhodes, Secretary Carl Hansen, Board Member Deanna Mayo, Board Member Michelle Gload, and Board Member John Terzakis.

Also in attendance were Attorney Bonni Jensen, Pension Administrators Scott Baur and Dixie Martinez, Investment Monitor Dan Johnson.

II. Approval of Agenda

Chair Rhodes added item IX.9. Pension Board Handbook.

MOTION:

Secretary Hansen made a motion to approve the Agenda as amended. Board member Terzakis seconded the motion, which carried by unanimous 5-0 vote.

III. Approval of Minutes

- 1. Meeting Minutes - Tequesta General Employees' Pension Trust Fund Board of Trustees – November 1, 2010.**

MOTION:

Board Member Terzakis made a motion to accept the minutes of the meeting on November 1, 2010. Secretary Hansen seconded the motion, which carried by unanimous 5-0 vote.

IV. PRESENTATIONS

- 2. Investment Manager – John Hamlin, Dana Advisors**
 - a. Quarterly Review**
 - b. Discussion to Asset Class Allocations & Investment Policy Statement Criteria.**

John Hamlin, Dana Advisors, reported that for quarter ending December 31, 2010 the Pension Fund's performance was 6.10% versus the index at 5.37% and the total gain was \$190,356.75. He reported that this quarter sector contributors were information technology and that the majority of their holdings performed above sector average, customary discretionary and industrials. This quarter's sector detractors were energy and consumer staples. He reviewed the top individual contributors and detractors. He explained that they focus on companies with strong dividend yield. He noted that the bond market sold off in this last quarter causing the yield curve to steepen. He explained that the key drivers were: Positive economic numbers across the board. Investor perception that Quantitative Easing II will be unnecessary or inflationary and net outflows from bond markets into equity markets. He noted that equities look attractive against alternatives. He reported that companies are beginning to deploy their cash hoards. He is looking forward to another decent year.

Chair Rhodes noted that since January the market has performed well. He questioned if Mr. Hamlin sees any changes in the investment strategy or philosophy going forward. Mr. Hamlin explained that he does not see any changes now but obviously things could change on a daily and monthly basis. Investment Consultant Dan Johnson asked Mr. Hamlin to explain his thoughts on inflation protected securities. Mr. Hamlin explained that they thought about it but have not felt the need to go for that just yet however they are aware that they are free to use it if they please.

Investment Consultant Dan Johnson reported that he had been in contact with Mr. Hamlin to talk about the definition of foreign bonds. He recommends that a definition of foreign bonds be added to the Investment Policy Statement for investment and auditing purposes.

MOTION:

Secretary Hansen moved to approve Dana Advisors report. Board Member Terzakis seconded the motion, which carried by unanimous 5-0 vote.

3. Quarterly Presentation by Monitor – Dan Johnson, Bogdahn Consulting

a. Quarterly Performance Review

b. Investment Policy Statement – Discussion regarding potential revisions/clarifications.

Dan Johnson, Bogdahn Consulting, LLC reported that Mr. John Hamlin from Dana Advisors will be their client service representative. He reported that there had been a big rotation out of bonds and into stocks. He noted that the stock market had done very well this quarter. He reported that for Quarter ending December 31, 2011 emerging markets are up 7.4% and the S&P 500 is up by 10.8%. Bonds turned negative, the Barclay US Aggregate was down, -1.3% and the Barclay US Government were down -2.3%. High quality bonds did worst and junk bonds did much better. The Investment Policy Statement does not allow for the Plan to own any junk bonds.

Mr. Johnson reported that for quarter ending December 31, 2010 the Plan's market value is \$1,726,041 and the asset allocations are Domestic Equity 50.8%, International Equity 9.9%,

Fixed Income 37.2%, and Cash Equivalent 2.1%. The Plan was up by 6.06% versus the benchmark at 5.41%. Dana Core Equity was up 11.68% versus the benchmark at 10.76%, Dana International Portfolio was up 7.54% versus the benchmark at 6.65%, Dana Fixed Income was -1.12% versus the benchmark at -1.44%. He noted that as of Friday the Plan's market value was \$1,823,450.

Mr. Johnson reported that the recommended changes to the Investment Policy Statement are as follows; pg. 2 target chart, added a total equities line and removed TIPS; pg. 3 item III.B. Equity Performance deleted S&P 500 Index and added 83% S&P 500 + 17% MSCI-EAFE Stock Index; pg. 4 item 2. Fixed Income added item c. The value of bonds denomination in US dollars that are issued by a foreign bank or corporation (Yankee Bonds) shall not exceed 5% of the total fund; pg. 4 item 4. Foreign Equity deleted item c. Foreign securities shall not exceed twenty five percent (25%) of the value at market of the fund; pg. 5. item C. Limitation item 2. will add after foreign securities in parenthesis "(including equities and fixed income)". The Board discussed the proposed changes.

Mr. Johnson noted that currently he feels very comfortable with the tools that the Plan has to meet the 7.5% actuarial earnings assumptions. Chair Rhodes noted that under the current Investment Statement Policy the Domestic Equity range is 35% - 65% and not 40%-60%. Mr. Johnson will change the range back to 35%-65%.

Board Member Terzakis expressed that he would like to add language to the Investment Policy Statement to allow investing in high yield bonds. He believes this will add a layer of flexibility. The Board had a lengthy discussion regarding high yield bond investments. Mr. Johnson explained that he would need directive from the Board to ask the Plan's attorney to draft a revision to the Ordinance to add language to allow investing in high yield bonds. Chair Rhodes asked the Board if they would wish to add this language. Board Member Hansen would like to add language. Board member Gload would not want to add language. Board member Mayo would like to add language. Board member Terzakis would like to add language. Chair Rhodes asked Mr. Johnson to provide a graph that shows the last 3 to 5 year trend in high yield bonds. He also asked Mr. Hamlin to talk to his team about high yield bond investments.

Chair Rhodes asked the Board to vote on whether or not they would want to add language to the Investment Police Statement to allow investing in high yield bonds.

Michelle Gload	NAY
Deanna Mayo	AYES
John Terzakis	AYES
Carl Hansen	AYES
Michael Rhodes	AYES

Attorney Bonni Jensen will draft an ordinance amendment. The Board will have a special meeting to review the ordinance amendment.

MOTION:

Secretary Hansen moved to approve the Investment Report. Board member Terzakis seconded the motion, which carried by unanimous 5-0 vote.

MOTION:

Board Member Terzakis moved to approve the revisions to the Investment Policy Statement. Secretary Hansen seconded the motion, which carried by unanimous 5-0 vote.

V. UNFINISHED BUSINESS

4. Method of Calculating Refund of Contributions – Pension Administrator, Scott Baur.

Scott Baur, Pension Resource Centers, reported that this item had been added to the Agenda because as he received a request for a refund of contributions from a member of the Plan some questions had arisen as to how the 3% simple interest should be calculated. Therefore the question before the Board is what method should be used to calculate interest on refund of contributions. He explained that the Ordinance establishes that members should receive 3% interest on refund of contributions. It does not say if it should be compounded or simple interest and it does not specify how the calculation should be implemented. Mr. Baur reported that his understanding is that the interpretation of the Board was that a member receives a refund of contributions with 3% simple interest and the question now before us has to do with what the simple interest mean. Mr. Baur reported that by simple interest he interprets that the calculation should be processed with a 3% simple interest annually but the actual interpretation from the Finance Department is that it means 3% simple interest on the total amount of the members contribution and not annually. Just 3% on whatever the amount is. Mr. Baur reported that he does not necessarily agree with this method and he provided examples of how inconsistent this method could be. Board member Gload noted that there have been 2 members from the Plan who have received refund of contributions with a 3% simple interest on the total amount of the member's contributions, not annually but on the total amount of contributions. Mr. Baur noted that he had not been aware of this. Chair Rhodes questioned the original intent of the 3% interest on refund of contributions. Board member Gload believes the intent was to pay 3% simple interest on the total amount of the refund of contributions which is the way that it has been done in the past She also recommends continuing to pay the interest in the same manner used in the past.

MOTION:

Board Member Gload moved to regardless of time, pay 3% interest on the total amount of the refund of contributions. Board member Mayo seconded the motion, which carried by unanimous 5-0 vote.

Mr. Baur asked Board member Gload to provide copies of prior refund of contributions calculations so that he can be able to implement future refunds in the same manner. Board member Gload will be the primary contact for the Plan administrator in Finance.

VI. Consent Agenda

5. Ratification of invoices paid since last quarterly meeting:

• Pension Resource Centers- Adm. fees August to November	\$3,200.00
• Perry & Jensen, LLC – Legal Fees through 11/15/10	\$1,880.45
• Pension Resource Centers- Adm. fees for December	\$ 839.25
• Bogdahn Consulting, LLC – 3 rd Quarter 2010	\$2,625.00
• FPPTA – Deanna Mayo Trustee School	\$ 400.00
• Renaissance Resort- Hotel for Deanna Mayo	\$ 567.00
• FPPTA Yearly Active Membership- Annual Fees	\$ 600.00

Attorney Bonni Jensen explained the fees in her invoice for services rendered through November 15, 2010.

MOTION:

Board member Gload moved approval of ratification of payments made since the last meeting. Board Member Mayo seconded the motion, which carried by unanimous 5-0 vote

6. Payments to be reviewed and approved:

• Pension Resource Centers- Adm. fees for January 2011	\$ 839.25
• GRS – Actuarial Services rendered through 10/31/10	\$1,519.00
• Bogdahn Consulting, LLC – 4 th Quarter 2010	\$2,625.00
• Dana Investment Advisors – Services through 12/31/10	\$ 323.10
• Dana Investment Advisors – Services through 12/31/10	\$2,068.69
• Ellen Schaffer – Programming Services	\$ 52.50
• Pension Resource Centers- Adm. fees for February 2011	\$ 839.25
• Business Services Connection – Preparation of Electronic Files	\$ 35.68

The Board reviewed the invoices for expenses. Board member Gload questioned the invoice from Gabriel Roeder Smith. She will contact GRS to ask for additional details on the invoice. She will send e-mail to the Board with GRS explanation of charges. Board asked that GRS show on their invoice the amount of time that they spend on a particular matter if it is being billed at the hourly rate as well as the rate of the person who is performing the services.

MOTION:

Secretary Hansen moved for approval of invoices for payment with the exception of the GRS invoice in the amount of \$1,519.00 pending resolution. Board Member Mayo seconded the motion, which carried by unanimous 5-0 vote.

7. Approval of new applicants for participation in Pension Plan

None

8. Approval of withdrawal of contributions

Monica Rahim

\$11,175.60

Mr. Baur reported that the revised amount of the refund of contributions with 3% interest on the lump-sum amount is \$11,175.60 as opposed to \$11,392.73

9. Terminated employees who have not taken their contributions

None

MOTION:

Board Member Gload moved approval of the consent agenda with revision to Ms. Rahim's refund of contributions amount. Board Member Mayo seconded the motion, which carried by unanimous 5-0 vote.

End of Consent Agenda

VII. Budget Report

10. Income Statement & Expenditure Report for period 09-01-10 to 12-31-10- Finance Director Forsythe

Finance Director Forsythe reviewed the budget reports. The Board received and file.

VIII. New Business

11. Memorandum, HB 303 and SB 290, Attorney Bonni Jensen

Attorney Bonni Jensen reported that House Bill 303 has been withdrawn. She reported that Senate Bill 290 is related the Florida Retirement System and it proposes to reduce the multiplier for elected officials as well as for judges and justices. She reported that Senate Bill 1128 has been filed which is much like Senate Bill 303 amended. It discusses some changes to Chapter 112 of the Florida Statutes which applies to all Pension Plans throughout the state

of Florida. The bill is proposing that effective July 1, 2011 there will be no more Defined Benefit Plans in the state of Florida. All Pension Plans will become Defined Contribution Plans for new hires. It has a transition provision which states that for Plans that are subject to collective bargaining this would go into effect with the first collective bargaining agreement that is associated after July 1, 2011. Chair Rhodes questioned what implications this could have on the Pension Plan. Ms. Jensen explained that the Plan would become a closed Plan and it would change the dynamics of the Plan. She noted that this has just been proposed. Ms. Jensen briefly reviewed the remaining proposed changes.

12. Memorandum, 2011 IRS Mileage Rates, Attorney Bonni Jensen.

Attorney Bonni Jensen reported that the mileage rate went up to .51 cents.

13. Rate of Return, Attorney Bonni Jensen

Attorney Bonni Jensen reported that the Plan is obligated to send to the State a formal notification of the rate of return. Mr. Nash is still comfortable that the Plan will earn a 7.5% assumed rate of return over the next several years and the long term thereafter. The Plan administrator will send letter to State.

MOTION:

Board Member Gload moved keep the 7.5% assumed rate of return for the next year, next several years and the long term thereafter and to send formal notification to the State. Board Member Mayo seconded the motion, which carried by unanimous 5-0 vote.

14. Class Acton Report, Attorney Bonni Jensen

Attorney Bonni Jensen reported that the Plan has not filed for any class actions during the last quarter. She explained that there are some pending claims that Salem Trust will be filing which is on the 2nd page of the report. She noted that it may not be necessarily the Plan's holdings though, but class actions that will be coming up.

15. Beneficiary Form, Pension Administrator Scott Baur.

Administrator Scott Baur reported that at the workshop for members of the Plan a question had come up regarding the beneficiary form and what was allowable in terms of beneficiaries. He suggested revising the form and providing a revised form that would allow members if they desire to specify a beneficiary with a little more information as well as to allow for a contingent beneficiary. He reported that Attorney Bonni Jensen had reviewed the revised formed and approved it.

16. Request to Close Checking Account with First Citizens Bank, Pension Administrator Dixie Martinez.

Administrator Dixie Martinez reported that the new checking account with First Southern has been opened. She explained that the Board needed to authorize the closing of the old account with First Citizens Bank. The Board approved the closing of the old account with First Citizens Bank

IX. ANY OTHER MATTERS

17. Plan Handbook, Chair Rhodes

Chair Rhodes asked that the Plan Handbook be updated each year. He also asked to be provided in electronic format, with copies of all signed contracts and an updated list of scheduled meetings for the year. Ms. Martinez will work on updating the Plan Handbook and making it available electronically.

XII. COMMUNICATIONS FROM CITIZENS

There were no communications from citizens.

XIII. Adjournment

MOTION:

Secretary Hansen moved to adjourn the meeting. Board Member Mayo seconded the motion, which carried by unanimous 5-0 vote.

There being no further business, the meeting was adjourned at 11:46 a.m.

Respectfully submitted,

Dixie Martinez
Administrator
Village of Tequesta Public Safety Officers' Pension Plan