

**TEQUESTA GENERAL EMPLOYEES' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
MAY 7, 2012**

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 May 7, 2012. The meeting was called to order at 8:02 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 Michelle Gload, Board Member Deanna Mayo and Board Member Cary Levine.

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

II. Approval of Agenda

Dixie Martinez, Pension Resource Centers (PRC), reported that the following invoices needed to be added to the Agenda under item. VI.6. Payments to be reviewed and approved; Dana Investment Advisors – Investment Management fees for 1087 ca 1st Q 2012 \$396.43 and Dana Investment Advisors – Investment Management fees for 1087 ma 1st Q 2012 \$2,588.45.

MOTION:

Secretary Carl Hansen made a motion to approve the Agenda as amended. Board Member Levine 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 – January 23, 2012.**

MOTION:

Board Member Levine made a motion to accept the minutes as presented for the meeting on January 23, 2012. Secretary Hansen seconded the motion, which carried by unanimous 5-0 vote.

IV. PRESENTATIONS

- 2. Actuarial Valuation Report 10/1/2011 – Steve Palmquist, Gabriel Roeder Smith**

Steve Palmquist, Gabriel Roeder Smith, reported that the Required Employer Contribution as a percentage of payrolls for Fiscal Year Ending September 30, 2013 will be 9.38% or \$185,553 compared to Fiscal Year Ending September 30, 2012 which was 9.09% or \$175,691. An increase of 0.29% or \$9,862. He reported that the overall experience since the last valuation has been unfavorable resulting in an actuarial loss of \$40,451. The loss is primarily due to lower than expected investment return and was partially offset by salary increases that were less than expected. He reported that the funded ratio is 102.3% this year compared to 105.6% last year. He reported that the Actuarial Value of Assets exceeds the Market Value of Assets by \$197,046 as of the valuation date. He explained that the difference will be gradually recognized over the next few years in the absence of offsetting gains. In turn, the compounded employer contribution rate will increase by approximately 1.27% of covered payroll over the same period. He reviewed the funding method. He noted that the actuarial present value of projected employer normal cost as of October 1, 2011 was \$1,202,305 compared to \$1,180,401 last year. Mr. Palmquist reviewed the actuarial gain and losses. He pointed out that the Plan had an \$89,150 loss due to investments and a \$48,699 gain due to less than expected pay increases. He reviewed the reconciliation of plan assets and smoothing method. He reviewed the history of investment return rates. He noted that the average returns for all years was 3.1%. Mr. Palmquist reported that he had received a letter from the State of Florida Division of Retirement dated April 27, 2012. He reviewed the letter with the Board. The Board discussed acknowledging the State's letter. Mr. Johnson reported that he could prepare a response letter to the Division of Retirement.

Dan Johnson, Bogdahn Consulting, LLC reported that there are companies that forecast future expectations of asset class returns, asset class correlation and they put all of this information together to see the future predicted models based on current asset allocation and the assumed rate of return that the Plan can achieve going forward. He explained that this can be used as a tool but not as a predicament of the future because it is not precise. He reported that he will bring this asset allocation review for the Boards to see at their next Pension Board meeting. Mr. Palmquist reported that his firm within the last year has developed a similar tool like the one that Mr. Johnson just explained. He reported that for Plans with similar asset allocations as this Plan the expected return is closer to 6.5%. He noted that for this Plan it could even be lower due to Plan's investment expenses compared to the assets, since this Plan is a small fund.

Mr. Palmquist reviewed the changes in the actuarial present value of accumulated plan benefit and the accumulated present value of accumulated plans benefit at the FRS rate of 7.75%. The Board discussed the Plan's return assumptions based on the letter received from the State of Florida. The Board agreed to acknowledging the State's letter, addressing the Plan's use of 7.5% as the current expected rate of return, and to inform them as well that the Board will continue to review this at their request. The Board asked Mr. Johnson to prepare a response letter to the Division of Retirement.

MOTION:

Board Member Gload made a motion to accept the Actuarial Valuation Report as of October 1, 2011. Secretary Hansen seconded the motion, which carried by unanimous 5-0 vote.

MOTION:

Board Member Levine made a motion to set the expected rate of return at 7.5% with the understanding that it will be reviewed at future meetings. Secretary Hansen seconded the motion, which carried by unanimous 5-0 vote.

3. Quarterly Presentation by Monitor – Dan Johnson, Bogdahn Consulting
a. Quarterly Performance Review
b. Index Update and IPS Review

Dan Johnson, Bogdahn Consulting, LLC reported that the markets were favorable during quarter ending March 31, 2012. He briefly reviewed the market environment during this quarter. He noted that both domestic and non-US equity markets had double-digit returns but results were mixed in the fixed income markets. He reported that during this quarter International markets were up 11.0%, Emerging markets were up 14.1%, the S&P 500 was up 12.6%, the Russell MidCap was up 12.9%, the Russell 2000 was up 12.4% and the Barclays US Aggregate was up 0.3%, however the Barclay US Treasury Index return was down -1.3%. He reported that during this quarter TIPS did well. He reviewed the quarter's performance by sector. He noted that Financials were up 20.5%, Info Technology was up 21.2%, and Utilities was down -1.6%.

Mr. Johnson reported that for quarter ending March 31, 2012 the Plan's market value was \$2,152,933 and the asset allocations were Domestic Equity 51.0%, International Equity 9.7%, Fixed Income 37.3%, and Cash Equivalent 2.0%. The Plan was at 8.8% versus the benchmark at 7.54%. Dana Core Equity was up 14.47% versus the benchmark at 12.59%, Dana International Portfolio was up 11.94% versus the benchmark at 10.98%, Dana Fixed Income was up 1.91% versus the benchmark at 0.61%. Mr. Johnson reviewed the financial reconciliation of the Fund as of March 31, 2012.

Mr. Johnson briefly reviewed Dana's report. He reviewed the top holdings during this quarter. He reported that Dana keeps weights very closely to the sectors in the index and they rely on good stock picking. He noted that they were under-weighted in Mega Cap. He reviewed Dana's large Cap Core portfolio characteristics. He reviewed Dan's International portfolio. He noted that they had been over-weighted in Germany which helped them this quarter. Mr. Johnson reported that the Total Fund fiscal year to date was up 15.42%. He noted that during this quarter the Plan has done very well compared to its peers.

Mr. Johnson briefly discussed the Salem Trust Collective Platform Trust. He suggested that this approach may benefit the Plan. He will bring more information as soon as it is available. Ms. Jensen explained that she is in the process of reviewing the agreements. She noted that

the Ordinance must allow for investment to commingled products. Mr. Johnson will coordinate with Salem Trust to attend the next meeting if appropriate.

Mr. Johnson reviewed recommended updates to the Investment Policy Statement. He provided a marked up copy which highlighted the proposed changes, which made adjustments to the benchmark as opposed to the current investment assets. He explained that the change to the bond benchmark may cause the manager to make minor portfolio adjustments to better meet the benchmark. The benchmark change for bonds will shift away from US Gov Sec.

MOTION:

Board member Levine made a motion to accept the proposed changes to the Investment Policy Statement. Secretary Hansen seconded the motion, which carried by unanimous 5-0 vote.

V. UNFINISHED BUSINESS

- 4. Invoice # 2441 from Ellen Schaffer for Programming Services rendered to set up Benefit Calculation System Balance Due \$428.75.**
- 5. Invoice # 2451 from Ellen Schaffer for Programming Services rendered to load pay ending dates from 2002 to present \$236.25**

Scott Baur, Pension Resource Centers (PRC), explained the background of invoice #2441 and #2451 from Ellen Schaffer .He explained that one of the issues seems to be that originally, when he presented to the Board the fees and charges of setting up the online system he had estimated a cost of \$2,500.00 and at the end the fees were slightly higher. Mr. Baur reported that concerning the quote of the \$2,500.00, this was an estimate and not an exact figure. He reported that at the last meeting the Board asked him to review the audio of the presentation to verify what was presented to the Board. He explained that as of this time he has not been able to get the recording of the presentation from the Village. Therefore he can't confirm nor verify the actual language or wording that was used in that meeting where he made the proposal to the Board. The Board agreed that the recording of that presentation should be reviewed so they can discuss this item further. Board member Gload went down a listing of Ellen Schaffer's invoices and she asked Mr. Baur to explain the fees and charges. Mr. Baur explained the different fees and charges.

MOTION:

Board member Levine made a motion to defer payment of invoices to Ellen Schaffer to the next meeting after the audio has been reviewed. Board member Gload seconded the motion, which carried by unanimous 5-0 vote.

VI. Consent Agenda

Board member Gload asked why the Plan has not paid any invoices since the last meeting. Ms. Martinez reported that it seems that sometimes it takes a lot of time and resources to get the funding from the Village to pay the invoices that are received in between meetings. Therefore she believes the invoices may have been held until this meeting since it seems that once the invoices are approved by the Board at a meeting it is not as difficult to receive the funding from the Village. Ms Martinez briefly explained the process and length of time that in some cases it has taken to receive the funding to pay invoices. Chair Rhodes asked Ms. Martinez to notify the Board in the future if she encounters any issues related to the payment of invoices so that this does not happen again.

5. Ratification of invoices paid since last quarterly meeting:

None

6. Payments to be reviewed and approved:

• Pension Resource Center – Adm. Fees for February	\$ 800.00
• Pension Resource Center – Adm. Fees for March	\$ 800.00
• Pension Resource Center – Adm. Fees for April	\$ 800.00
• Dana Investment Advisors – Invest. Mgmt. Fee for 1087 ca 4 th Q	\$ 356.32
• Dana Investment Advisors – Invest. Mgmt. Fee for 1087 ma 4 th Q	\$2,245.90
• GRS- Actuarial Services through 12/31/11	\$1,214.00
• GRS- Actuarial Services through 02/29/12	\$1,644.00
• GRS- Actuarial Services though 03/31/12	\$3,793.00
• The Bogdahn Group – Consulting Fees 1 st Q 2012	\$2,625.00
• Perry & Jensen – Legal Services through 01/15/12	\$ 254.45
• Perry & Jensen – Legal Services through 02/25/12	\$1,056.61
• Perry & Jensen – Legal Services through 03/15/12	\$ 20.00
• Perry & Jensen – Legal Services through 04/15/12	\$ 147.37

MOTION:

Board Member Gload made a motion to accept the invoices listed above as presented. Board member Levine seconded the motion, which carried by unanimous 5-0 vote.

• Dana Investment Advisors – Invest. Mgmt. Fee for 1087 ca 1 st Q	\$ 396.43
• Dana Investment Advisors – Invest. Mgmt. Fee for 1087 ma 1 st Q	\$2,588.45

MOTION:

Board Member Gload made a motion to accept the Dana Investment Advisors invoices in the amount of \$396.43 and \$2,588.45. Board member Levine seconded the motion, which carried by unanimous 5-0 vote.

• Ellen Schaffer – Prog. Svcs.load payroll data McGuinniss 2002-2011	\$ 201.25
--	-----------

The Board tabled payment of this invoice as part of their motion under Agenda item 4.

7. Approval of new applicants for participation in Pension Plan

None

8. Approval of withdrawal of contributions

None

9. Terminated employees who have not taken their contributions

None

MOTION:

Board Member Gload made a motion to accept the Consent Agenda as amended. Board member Levine seconded the motion, which carried by unanimous 5-0 vote.

End of Consent Agenda

VII. Budget Report

10. Income Statement & Expenditure Report for period 01-01-12 to 03-31-12.

Finance Director Jody Forsythe is not in the room. The Board will proceed with the next item on the Agenda until Ms. Forsythe's arrival.

VIII. New Business

11. Appointment of Fifth Trustee – Michael Rhodes term expires May 12, 2012, Administrator Dixie Martinez

Dixie Martinez, Pension Resource Centers (PRC), reported that Board member Michael Rhodes term expires May 12, 2012. She explained that he is the Fifth Trustee and he was elected by the other Trustees on the Board by majority vote. Board member Michael Rhodes indicated his willingness to continue to serve as the Fifth Trustee.

MOTION:

Board Member Levine made a motion to accept and approve Mr. Michael Rhodes as the Fifth Trustee. Board member Gload seconded the motion, which carried by unanimous 5-0 vote.

Mr. Baur reported that at the next Pension Board meeting the Board will need to add to the Agenda "Consideration of the Chair and Secretary" given the reappointment of Board member Rhodes.

12. Election General Employee Representative – Michelle Gload's term expires August 18, 2012, Administrator Dixie Martinez

Dixie Martinez, Pension Resource Centers (PRC), reported that Board member Michelle Gload term expires August 18, 2012. She reported that an election will need to be held. Board member Rhodes indicated that Ms. Gload's participation and her contribution to the Board are greatly appreciated and he hopes that she will consider re-running for this position.

13. Election General Employee Representative – Deanna Mayo's term expires August 4, 2012, Administrator Dixie Martinez

Dixie Martinez, Pension Resource Centers (PRC), reported that Board member Deanna Mayo's term expires August 4, 2012. She reported that an election will need to be held. Board member Rhodes indicated that Ms. Mayo's participation as well to the Board is greatly appreciated and he hopes that she will consider re-running for this position.

14. Palm Beach County Commission on Ethics Opinion Clarification of RQO 11-060 Regarding Pension Trustees, Attorney Bonni Jensen.

Attorney Bonni Jensen reported the Palm Beach County Commission on Ethics has issued an Opinion Clarification regarding Pension Trustees. She reported that in response to a request from the Boca Raton Police and Firefighters Retirement System Board of Trustees, the letter clarifies 5 issues related to Pension Fund Trustees. She explained that they reiterated that Appointed Pension Trustees are "officials" under the Palm Beach County Ethics law. The financial misuse of office and the prohibited contractual relationship sections of the law don't affect the mere status of a relationship between a Trustee and a person or entity enumerated in the law. Provisions prohibiting the acceptance of travel expenses may be waived by the governing body. The prohibition against soliciting or accepting gifts from vendors only applies to advisory board members. The appointed trustees who are officials are volunteer officials and not Advisory Board Members. However, these Board members must still follow state law reporting requirements of Form 9 and file the Form 9 with the PBC Commission. She explained that these clarifications apply only to non-employee Trustees.

15. State & Tax Law Updates, Attorney Bonni Jensen

Attorney Bonni Jensen reported that there are a couple of things that happened during this legislative session which are not pension related but it will impact them but because they are a Governmental entity. She explained that with regards to confidentiality, certain individuals who are employed by the municipality are exempted from the Public Records disclosure of their personal information, for example address, telephone numbers. The date of birth is

exempt for those confidential type of employees. She explained that the definition of telephone number has been expanded to mean any telephone number associated with any sort of electronic device. She reported that she has developed a form so that members can let the Plan know, for example for code enforcer officers or employees who are involved in hiring or firing people, so they can let us know that they want the Plan to honor the confidentiality that they are entitled to under the State law. She recommends that the "Request for Confidentiality" form included in their meeting packets be part of the retirement package when members retire and it also be readily available for members. Ms. Bonni Jensen will let Human Resources know about this so that they are aware. Chair Rhodes asked if it can be posted on the website.

Attorney Bonni Jensen reported that in a Private Letter Ruling ("PLR"), the IRS determined that if an employee "retires" in order to qualify for a benefit, with the explicit understanding with the employer that the employee is not separating from service, then the employee is not legitimately retired. Municipalities and Pension Plans need to be very careful about this process and make sure that it truly is a retirement and considered a rehire decision if they plan to bring someone back into employment. One of the ways that the Plan can operate with that rehire is to provide for in service distributions. She explained that in 2006 with the Pension Protection Act, the IRS code was amended to allow for people to remain employed and actually collect their pension. They would have to be at normal retirement age, which the IRS code states is age 62 but there are some exceptions. Public Safety Officers is age 50. There is some ability to have a retirement between age 55 and 62 which requires a little bit of work but the Plan can implement this type of process therefore allowing somebody to be re-employed.

Attorney Bonni Jensen reported that the IRS's has issued a private ruling on Retire/Rehire policies and is addressing the Normal Retirement Age issue again. In its ongoing review of Normal Retirement Age in the governmental sector, the IRS clarification that governmental plans which do not offer in-service distributions do not need to have a definition of normal retirement age and do not need to have a definition referencing specific age.

Ms. Bonni Jensen reported that HB 401 is effective July 1, 2012. It provides that dissolution or annulment of marriage voids the election of a former spouse as a designated beneficiary/joint annuitant as of the date of the divorce. She reported that in her opinion what this does is change the responsibility from the participant having to come to the Pension Plan and change their beneficiary. Instead the Pension Plan will have to look at someone's death and see what happened during their lifetime, to see if they got divorced or if they were married to the designated beneficiary on their date of death. The law provides that what should be done is that at time of death the death certificate should be reviewed to see if they were divorced or married at the time of death. She reported that the review of the death certificate is the Pension Plan's immunity from liability. If the Plan makes a missed payment by relying on the Death Certificate, the State Statute says that we are not responsible for it. In the absence of the Death Certificate giving that particular information, there are two affidavits that the law

created. One for the primary beneficiary to complete where they will need to state that the person was married to the retiree on whatever date and that they were still married at the time of death in order to make the payment. The second affidavit might apply primarily for a refund of contributions type of situation. For someone who has a primary and a contingent beneficiary, where the contingent beneficiary could say that the participant was divorced on such and such date therefore they are now the primary beneficiary. She recommends that the two affidavits be put into place as a standard process of the Pension Plan, even if we do not need it and can look at the death certificate. She reported that there are 10 exemptions where this law does not apply. For example if the retiree remarries the spouse after they divorce the spouse. It does not apply if the final judgement of dissolution requires the retiree to keep the former spouse as the designated beneficiary, a fact that the Pension Plan would not know unless they can review the divorce decree. It does not apply to the Florida Retirement system. It does not apply if the retiree renames the former spouse as the designated beneficiary. She reported that she recommends that the plan of action should be to renew efforts to make sure that all beneficiary designations are up to date, to Implement use of the affidavits for payment of all death benefits effective July 1, 2012, to develop procedures for gathering records to determine participant's marital status on date of death, to ensure that the City and all service providers are aware of the new law and to follow up on regulations interpreting the statute, if any. She reported that she will contact the Village to make them aware of this law. Chair Rhodes asked if a notice regarding this matter could be added to the website. Mr. Baur reported that a section could be added to the website that covered this topic with any necessary related information.

16. Memorandum – Annual Form 1, Filing, Attorney Bonni Jensen

Attorney Bonni Jensen reminded the Board that Form 1 is due July 1, 2012. She explained on this form they need to disclose the financial information for year ending December 31, 2011. She reported that it is important that they timely file this form because the penalty for failure to timely file is \$25.00 per day, to a maximum of \$1,500.00. She reminded the Board that last year the State Commission on Ethics issued a letter which was a clarification on how they need to complete the intangible part of the report. At that time they indicated that Trustees need to list the holdings that are invested which are more than the threshold, which is either anything over \$10,000 for the dollar value or if using a percentage it is 10% of your net worth. She reported that DROP accounts have to be reported if they have more than \$10,000 value and Florida Pre-Paid program has to be reported. Also, she recommended filing it in a way that they can prove that the form has been filed.

Board member Gload reported that Finance Director Jody Forsythe is in a meeting. Therefore she will review with the Board the Budget Report

10. Income Statement & Expenditure Report for period 01-01-12 to 03-31-12.

Board member Gload asked the Board if they had any questions. She reported that the year to date expenses are underestimated by about \$15,000.00. She reported that the

reimbursement from Public Safety for the overpayment of the fiduciary liability is in the Public's Safety Agenda today. She reported that everything else looks in line. Ms. Gload asked who the participant that received a refund of contributions was. Ms. Martinez reported that the refund of contributions was paid to Ms. Lorraine Ferina.

Chair Rhodes commented that the FPPTA annual conference is coming up. Ms. Bonnie Jensen reported that the conference will be in Orlando June 24 to June 27.

17. Class Action Report for Period 01/01/12 through 03/31/12, Administrator Dixie Martinez

Dixie Martinez, Pension Resource Centers (PRC), reported that there were no class actions filed by Salem Trust on their behalf during quarter ending March 31, 2012.

IX. ANY OTHER MATTERS

There were no other matters.

X. COMMUNICATIONS FROM CITIZENS

There were no communications from citizens.

XI. Adjournment

MOTION:

Board member Gload 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 10:58 a.m.

Respectfully submitted,

Dixie Martinez
Administrator
Village of Tequesta General Employees' Pension Plan

Board Member
Village of Tequesta General Employees' Pension Plan