

**TEQUESTA GENERAL EMPLOYEES' PENSION TRUST FUND  
REGULAR BOARD MEETING MINUTES  
AUGUST 6, 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 August 6, 2012. The meeting was called to order at 1:03 p.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, and Board Member Cary Levine.

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

**II. Election of Board Officers (Chairperson and Secretary)**

Board Member Carl Hansen nominated Board Member Michael Rhodes for Chair. Board Member Cary Levine seconded the nomination. There were no other nominations for Chair. Board Member Michael Rhodes accepted the position as Chair to this Board.

**MOTION:**

**Board Member Carl Hansen made a motion to accept Board Member Michael Rhodes as Chair. Board Member Cary Levine seconded the motion, which carried by unanimous 4-0 vote.**

Board Member Cary Levine nominated Board Member Carl Hansen for Secretary. Board Member Michelle Gload seconded the nomination. There were no other nominations for Secretary. Board Member Carl Hansen accepted the position as Secretary to this Board.

**MOTION:**

**Board Member Cary Levine made a motion to accept Board Member Carl Hansen as Secretary. Board Member Michelle Gload seconded the motion, which carried by unanimous 4-0 vote.**

**III. Approval of Agenda**

Board Member Cary Levine asked the Board to add to the Agenda FPPTA Conference update by Board Member Levine. The Board agreed to add this item to the Agenda.

**FPPTA Conference Update By Board Member Levine**

Board Member Carl Levine reported that he had attended the FPPTA annual conference. He stated that in his opinion the annual conference is not as educational as the Trustee School.

He briefly reported to the Board his thoughts and opinion regarding the annual conference. He reported that he would like to get certified therefore he will most likely be attending the FPPTA Trustee School.

Dan Johnson, Bogdahn Consulting, LLC reported that Mr. John Hamlin from Dana Advisors called him to let him know that there was a car accident on the Florida Turnpike and that traffic has not moved for quite a while. He does not believe that he will be making it on time to the meeting. He expressed his apologies to the Board of Trustees and asked if he could attend the next Pension Board meeting in November. The Board agreed to have Mr. John Hamlin come to the November meeting to do his presentation. The Board will delete item: V.2.a. Investment Manager – John Hamlin, Dana Advisors, Quarterly Review from the Agenda.

**MOTION:**

**Secretary Carl Hansen made a motion to approve the Agenda as amended. Board Member Michelle Gload seconded the motion, which carried by unanimous 4-0 vote.**

**IV. Approval of Minutes**

- 1. Meeting Minutes - Tequesta General Employees' Pension Trust Fund Board of Trustees – May 7, 2012.**

**MOTION:**

**Board Member Cary Levine made a motion to accept the minutes as presented for the meeting on May 7, 2012. Secretary Carl Hansen seconded the motion, which carried by unanimous 4-0 vote.**

**V. PRESENTATIONS**

- 3. Quarterly Presentation by Monitor – Dan Johnson, Bogdahn Consulting**
  - a. Quarterly Performance Review**

Dan Johnson, Bogdahn Consulting, LLC briefly reviewed the market environment during quarter ending June 30, 2012. He reported that after two consecutive quarters of double-digit performance, the equity markets were down for the second quarter. He reported that Brazil and India did really badly during this second quarter and interest rates keep falling to new lower rates. He reported that the S&P 500 jumped 2.3% on the last day of the quarter.

Mr. Johnson reported that for quarter ending June 30, 2012 the Plan's market value was \$2,156,443 and the asset allocations were Domestic Equity 50.0%, International Equity 8.9%, Fixed Income 38.6%, and Cash Equivalent 2.6%. Mr. Johnson reviewed the financial reconciliation of the Fund as of June 30, 2012. He reported that for this quarter the Plan's Total Fund (Gross) was at -1.61% versus the benchmark at -1.39%. Dana Core Equity was -2.49% versus the benchmark at -2.75%, Dana International Portfolio was down, -8.19 %

versus the benchmark at -6.85%, Dana Fixed Income was up 1.24% versus the benchmark at 1.48%. He reported that Fiscal Year To Date the Plan's Total Fund (Gross) was at 13.56% versus the benchmark at 13.03%. Dana Core Equity was 24.18% versus the benchmark at 22.43%, Dana International Portfolio was 8.51% versus the benchmark at 6.87%, and Dana Fixed Income was up 4.01% versus the benchmark at 2.96%. Mr. Johnson reviewed the holdings based analysis for the Dana Equity portfolio. He reported that Dana's holdings tend to grow their dividends much faster than the benchmark average. He explained that Large Core holdings have increased their dividends at an annualized growth rate over 2.6 times that for the S&P 500. The Board asked Mr. Johnson several questions regarding the Dana Core Equity portfolio to which Mr. Johnson responded accordingly. Mr. Johnson reported that as of June 30, 2012 the Dana Fixed Income allocation was 39.1% Treasury Bonds, 1.8% Mortgage Bonds, and 53.4% Corporate Bonds. Mr. Johnson reported that at this point the Salem Trust Collective Platform is not investment ready yet. Therefore he is not recommending doing anything or pursuing this until he has more information. He explained that Salem Trust has a contractual proposed fee change. He explained that the actual custodial fee increases by \$500.00. He explained that the savings would result from no transaction fees. At this time he is not recommending going with the new proposed fees and he does not recommend changing their custodial agreement because it does not favor them.

#### **b. Expected Return / Asset Allocation Discussion**

Mr. Dan Johnson reviewed a handout which provided a comparison in trailing performance returns through June 2012 for various international managers for the Boards review and consideration. He reported that their fees are relatively close. Board Member Cary Levine stated that he would choose to go with American Funds Europacific Gr R6 but he is also very interested in seeing what Salem Trust will be coming up with. Mr. Johnson stated that he will consult with his research group and see if they have any other ideas. He stated that he will bring a report with a "hypothetical impact to the portfolio" to the next meeting. He will provide further analysis and comparisons. Consensus of the Board to discuss this matter further at their next meeting.

Mr. Dan Johnson reviewed a second handout which provided an analysis using JP Morgan Long-Term (10-15 Year) Capital Market Assumptions. The Board reviewed the projected return and risk assumptions. Mr. Johnson reviewed different ways to project returns. Mr. Johnson reported that as of Friday the Plan's market value was \$2,216,721.00. Mr. Johnson reported that he had worked with Chair Rhodes and Ms. Jensen on a letter to the State of Florida acknowledging the receipt of their recent letter regarding the Plan's assumed rate of return. Mr. Johnson, for the record, read out a loud letter dated May 18, 2012 that was sent to the State of Florida.

This letter is in response to your letter dated April 27, 2012 sent to Ms. Jody Forsythe, Finance Director of the Village of Tequesta, regarding the Village of Tequesta General Employees' Pension Plan "the Plan". Your letter served to notify the Board that the actuarial valuation reports for 2008, 2009, and 2010 were state accepted but indicated a request for a review of the Plan's use of the 7.5% assumed rate of return.

In response to your letter, the Board and its Advisors felt it appropriate to acknowledge your request as well to highlight a few points regarding the Plan, its brief history of prior investment results, and recent changes to the investment structure for your review.

To this extent, we wish to provide the following additional points.

Prior to July 2004 the Plan had an investment structure that consisted of solely risk-free assets and at which time the Board decided to retain the services of an independent investment consultant to assist the Board in the development and implementation of a prudent investment program.

For further reference regarding the Board's past diligence toward the investment program and actuarial assumptions, we would like to mention that in 2009 in coordination with the Board's actuary and investment consultant the Board reviewed and discussed an asset allocation study. We believe it is important to note this asset allocation review not only took into consideration short-term past investment results, but additionally incorporated into its review both long-term historical investment results, as well as, forward looking capital market assumptions and trend analyses.

At that time and based upon these board-based considerations, the Board determined that prudent action called for it to lower the assumed rate of return from then current 8.0% assumption to the current 7.5%.

It remains the consensus opinion of the Board and its Advisors as discussed at our most recent meeting held on May 7, 2012, that we feel this information has provided a good foundation for establishing appropriate assumptions and looks beyond the investment results experienced during the steep sell-off of 2007/2008 that have skewed the past investment results over the short-term period that you have used as the sole criteria for establishing your concern of the Plan's continued use of this assumption.

For further evidence of the changes to the Plan's investment program and with the consideration for the Plan's continued use of the 7.5% assumption, we would like to indicate that as of March 31, 2012 (the most recent quarterly report reviewed by the Board) that the Plan earned an annualized **13.67%** net of investment related expenses for the trailing three-year period. This annualized return is well in excess of the 7.5% assumption and has been realized subsequent to the changes to the investment program and adoption of this assumed rate. With respect, in terms of setting forward looking expectations, this 3-year time period seems as relevant if not more so than the referenced timeframe and returns mentioned in your letter.

Additionally consistent with State requirements, I would like to acknowledge the Plan's expected rate of return for the next year, the next several years, and the long-term thereafter. The Board has discussed this expectation and along with input from our consultants the Board currently continues to feel confident that we should earn 7.5% net of investment expenses over these time periods.

As a matter of normal Board business, I would like to inform you that we will continue to review our assets and our assumptions to help ensure the Plan is engineered for long-term success. As an example, the Board has asked my firm, as investment consultants, to again conduct another asset allocation review and analysis; accordingly the Board will further review the assets and assumptions of the Pension Plan at its next quarterly meeting. We will then inform you and your office if the Board wishes to effect any changes to the expectations of the Plan as a result of this analysis.

**MOTION:**

**Board Member Cary Levine made a motion to accept the June 30, 2012 quarterly performance report. Secretary Carl Hansen seconded the motion, which carried by unanimous 4-0 vote.**

The Board agreed to move next to Agenda item VII. Consent Agenda.

**VII. Consent Agenda**

**5. Ratification of invoices paid since last quarterly meeting:**

- |   |            |
|---|------------|
| • FPPTA- Registration for Cary Levine                               | \$ 500.00  |
| • Pension Resource Center – Adm. Fees for May                       | \$ 800.00  |
| • Perry & Jensen – Legal Services through 05/15/12                  | \$ 986.25  |
| • Pension Resource Center – Adm. Fees for June                      | \$ 800.00  |
| • The Bogdahn Group – Consulting Fees 2 <sup>nd</sup> Q 2012        | \$2,625.00 |
| • Perry & Jensen – Legal Services through 06/15/12                  | \$ 36.00   |
| • Credits to Account: Reimbursement from PSO RE: Fid Liability Ins. | \$ 239.18  |

**6. Payments to be reviewed and approved:**

- |  |            |
|--|------------|
| • Pension Resource Center – Adm. Fees for July                               | \$ 800.00  |
| • Perry & Jensen – Legal Services through 07/15/12                           | \$ 30.00   |
| • Dana Investment Advisors – Invest. Mgmt. Fee for 1087 ca 2 <sup>nd</sup> Q | \$ 364.55  |
| • Dana Investment Advisors – Invest. Mgmt. Fee for 1087 ma 2 <sup>nd</sup> Q | \$2,576.00 |

**7. Approval of new applicants for participation in Pension Plan**

Justin D. Troy

**8. Approval of withdrawal of contributions**

None

**9. Terminated employees who have not taken their contributions**

None

**End of Consent Agenda**

**MOTION:**

**Board Member Carl Levine made a motion to accept the Consent Agenda as presented. Secretary Carl Hansen seconded the motion, which carried by unanimous 4-0 vote.**

**VI. UNFINISHED BUSINESS**

**4. Invoice # 2441 from Ellen Schaffer for Programming Services rendered to set up Benefit Calculation System Balance Due \$428.75.**

**Invoice # 2451 from Ellen Schaffer for Programming Services rendered to load pay ending dates from 2002 to present \$236.25.**

**Invoice # 2496 from Ellen Schaffer for Programming Services rendered to load payroll data for Maureen McGuinniss from 2002 to 2011 \$201.25.**

Scott Baur, Pension Resource Centers (PRC), explained the background of invoice #2441, #2451 and #2496 from Ellen Schaffer. He reported that he had reviewed the audio of the presentation to verify what was presented to the Board. He reported that he had quoted \$2,500.00, this was an estimate and not an exact figure, and at the end the fees were slightly higher. The Board had various questions regarding the source code. Mr. Baur explained that the source code belongs to the Plan.



**MOTION:**

**Board member Michelle Gload made a motion to approve the payment of invoices #2441, #2451, and #2496 to Ellen Schaffer. Secretary Carl Hansen seconded the motion, which carried by unanimous 4-0 vote.**

**VIII. Budget Report**

**10. Income Statement & Expenditure Report for period 04-01-12 to 06-30-12.**

Board member Michelle Gload presented the Income Statement & Expenditure Report to the Board. She reported that the actuarial services fees have gone slightly over the budgeted amount. She reported that it is over by \$201.00, she explained that this was due to the additional fees caused by the change in reporting requirements. She reported that she will be making a journal entry to reclassify the \$600.00 from account 554.300 to seminar & training. Chair Rhodes asked Board member Gload send the report to the Board once it has been updated.

**MOTION:**

**Secretary Carl Hansen made a motion to accept and approve the amended Income Statement & Expenditure Report for period 04-01-12 to 06-30-12. Board member Cary Levine seconded the motion, which carried by unanimous 4-0 vote.**

**IX. New Business**

**11. Local Retirement Plans Percentage of Payroll VS Fixed-Dollar Contribution, Attorney Bonni Jensen.**

Attorney Bonni Jensen reviewed a memorandum dated May 29, 2012 from the Division of Retirement Bureau of Local Retirement Systems. She reported that the State prior to this memo required that local retirement plan contributions must minimally equal the amount of contributions determined using the percentage of payroll method. The State has now determined that use of this method is not required for compliance with Part VII of Chapter 112, Florida Statutes. Accordingly, effective immediately, local governments should confer with the retirement board actuary to select and maintain a contribution method (percentage of payroll or fixed dollar contributions) that best fits with the funding requirements of the plan.

**12. Designation of Beneficiary Forms, F.S. §732.703, Attorney Bonni Jensen.**

Attorney Bonni Jensen reported that the information regarding HB 401 relating to updating beneficiary information has been provided to the Village and all participants of the Plan.

**13. Election for Two General Employee Representatives – Update, Administrator Dixie Martinez.**

Dixie Martinez, Pension Resource Centers (PRC), reported that the deadline to submit a letter of interest is August 8, 2012 at 5:00 p.m. She reported that so far the only letter of interest that has been received is from Board member Michelle Gload. She reported that Ms. Deanna Mayo will not be re-running for her position on the Board of Trustees. She explained that as per the Election procedures the Board of Trustees has to: Certify list of Eligible Candidates, Appoint two non candidates to be election judges. She explained that she will need the Board to authorize her to do this on their behalf. She reported that she will need them to authorize her to emboss the ballots with PRC's corporate embosser. She reported that if there is a need for an election she will need the Board to authorize the expense of the mailer which will include: postage, copies, supplies (envelopes etc), and labor cost. Ballots have to be mailed to each employed participant in the Village of Tequesta General Plan. The Board had a lengthy discussion regarding the election procedures. Ms. Martinez reported that if by August 8<sup>th</sup> no one has submitted a letter of interest the Notice of Election will need to be posted again. The Board asked if the Village could hand deliver the Ballots instead of mailing them. Mr. Baur explained that if the Board would like to modify the election procedure they will need to make a motion. Ms. Martinez reported that Ms. Reid from Human Resources may be able to help with the distribution of the Ballots. She explained that the embossed ballots and a master list will be provided to Ms. Reid.

**MOTION:**

**Board member Cary Levine made a motion to have a coordinated effort between Ms. Martinez and the Village's Human Resources Department for the preparation and distribution of the ballots. Secretary Carl Hansen seconded the motion, which carried by unanimous 4-0 vote.**

**MOTION:**

**Board member Cary Levine made a motion to delegate the election of judges to Ms. Martinez and Mr. Baur. Secretary Carl Hansen seconded the motion, which carried by unanimous 4-0 vote.**

**17. Class Action Report for Period 04/01/12 through 06/30/12, Administrator Dixie Martinez**

Dixie Martinez, Pension Resource Centers (PRC), reported that there has been a class action filed by Salem Trust on their behalf during quarter ending June 30, 2012 against Motorola. The Board asked Ms. Jensen to find out information regarding what the lawsuit is about.

**IX. ANY OTHER MATTERS**

There were no other matters.

**X. COMMUNICATIONS FROM CITIZENS**



There were no communications from citizens.

## **XI. Adjournment**

### **MOTION:**

**Secretary Carl Hansen moved to adjourn the meeting. Board member Cary Levine seconded the motion, which carried by unanimous 4-0 vote.**

There being no further business, the meeting was adjourned at 3:24 p.m.

Respectfully submitted,

---

Dixie Martinez  
Administrator  
Village of Tequesta General Employees' Pension Plan

---

Board Member  
Village of Tequesta General Employees' Pension Plan