

**TEQUESTA GENERAL EMPLOYEES' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
MAY 6, 2013**

I. Call To Order and Roll Call

The Regular Quarterly Board Meeting of the Tequesta General Employees' Pension Trust Fund was held in the Emergency Operations Center, 357 Tequesta Drive, Tequesta, Florida, on May 6, 2013. The meeting was called to order at 8:02 am.

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 John Kuper.

Also in attendance were Attorney Bonni Jensen, Pension Administrator Dixie Martinez, Investment Monitor Tyler Grumbles and Actuaries Jeffrey Amrose and Trisha Amrose.

II. Approval of Agenda

Administrator Dixie Martinez reported that Item VIII.11. Class Action Report for Period 01/01/13 through 03/31/13 needed to be deleted from the Agenda. She explained that Salem Trust was not able to submit the report due to their system changes.

Attorney Bonni Jensen suggested adding to the Agenda "Quarterly Report to Commission by the Plan" be added under unfinished business.

MOTION:

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

III. PRESENTATIONS

1. Actuarial Valuation Report 10/01/2012 – Jeffrey Amrose and Trisha Amrose, Gabriel Roeder Smith.

Actuaries Jeffrey Amrose and Trisha Amrose introduced themselves to the Board of Trustees. Mr. Amrose reported that Mr. Palmquist retired December 31, 2012. Mr. Amrose reported that the Plan is in really good shape. He reported that the estimated required employer contribution as a percentage of payroll for fiscal year end September 30, 2014 is \$190,403 or 9.18% of covered payroll which has increased by 0.20% (\$4,850.00) from fiscal year end September 30, 2013. He reported that there was a net actuarial loss of \$32,633 for the year. He explained that the loss was primarily due to recognized investment return below the assumed rate of 7.5%. He reported that the investment return was 17.1% based on market value of assets and 4.6% based on actuarial value of assets. He explained that the investment loss was partially offset by gains due to lower than expected salary increases.

The actuarial loss caused the employer contribution to increase by 0.20% of covered payroll. He reported that the actuarial value of assets is \$28,867 less than the market value of assets as of the valuation date. He explained that this difference will be gradually recognized over the next few years in the absence of other gains or losses. In turn, the computed employer contribution rate will decrease by approximately 0.18% of covered payroll over the same period. He reported that the funded ratio of the Plan is 99.2% this year compared to 102.3% last year.

Board Member Gload asked Mr. Amrose if he was still comfortable with the 7.5% assumed rate of return. Mr. Amrose reported that the assumed rate of return is on the higher end. He explained that if he had his preference he would certainly lower it and possibly also look at the salary scale assumptions. He reminded the Board that all of the actuarial assumptions should be viewed as long term assumptions. The Board had a lengthy discussion regarding the assumed rate of return. Mr. Amrose reported that there is no immediate need to change it. However they should keep an eye on it. Mr. Amrose reviewed the current mortality table. Mr. Amrose reviewed the reconciliation of Plan assets. He reviewed the information related to FASB NO.35. He noted that the funded ratio (using FRS rate of 7.75%) is 127.9% as of October 1, 2012. Mr. Amrose reviewed the schedule of funding progress.

Mr. Amrose reported that there is a bill that recently passed which can still be vetoed by Governor Scott. He explained that if this bill is not vetoed there will be additional reporting requirements. He explained what the additional reporting requirements will be. The Board had a brief discussion regarding this bill.

MOTION:

Board Member Gload made a motion to accept the Actuarial Valuation Report as of October 1, 2012. Secretary Hansen seconded the motion, which carried by unanimous 4-0 vote.

- 2. Quarterly Presentation by Monitor – Tyler Grumbles, Bogdahn Consulting**
 - a. Quarterly Performance Review**
 - b. Asset Allocation Review**
 - c. Diversifying Fixed Income Portfolio**

Tyler Grumbles, Bogdahn Consulting, LLC briefly reviewed the performance of the market environment for major market indexes as of March 31, 2013. He reported that after consecutive quarters of outperformance, the international equity indexes trailed the domestic indexes in the first quarter. Mr. Grumbles reported that for quarter ending March 31, 2013 the Plan's market value was \$2,572,430 and the asset allocations were Domestic Equity 49.4%, International Equity 9.5%, Fixed Income 39.6%, and Cash Equivalent 1.5%. Mr. Grumbles reviewed the financial reconciliation of the Fund as of March 31, 2013. He reported that for the quarter ending March 30, 2013 the Plan's Total Fund (Gross) was up 5.80% versus the benchmark at 5.63%. Dana Core Equity was up 11.78% versus the benchmark at 10.61%, Dana International Portfolio was down -0.13% versus the benchmark

at 3.27%, Dana Fixed Income was up 0.56% versus the benchmark at .15%. He reviewed the Plan's performance fiscal year to date and for the last three years and five years. He reported that fixed income did very well during this quarter. The Board had a brief discussion regarding the yield and duration of fixed income.

Mr. Grumbles presented to the Board an asset allocation review report. He explained that the expected annual rate of return is the expected rate that must be earned in order to fund the present and future liabilities at a given contribution rate. He explained that it is not intended to be a prediction of what will happen next year but rather an expectation of what will happen over the next several years and the long term thereafter. He explained the importance of the expected annual rate of return. He explained that in order to know what rate to set they need to consider specific factors in the Plan which include; cash flows, asset allocation and restrictions. He reviewed the Long-term Capital Market Return Assumptions JP Morgan Asset Management. He commented on certain areas that currently the Plan is not taking advantage of however they may want to do so in the future. He reviewed historical market returns and comparisons.

Mr. Grumbles reviewed the Plan's current asset allocations and suggested increasing the current International Equity allocation from 10% to 15%, an allocation of 5% to Diversified Bonds and lowering the US Agg Fixed allocation from 40% to 30%. Mr. Grumbles reviewed a chart which showed the Plan's asset allocation versus all Public Plans total fund.

Ms. Jensen asked if there was any way to lower the investment related expenses. Mr. Grumbles explained that if the Plan invested all assets into an index funds the investment related expenses could be lowered. However he does not know of an international or high yield fund that will do all of this and one that is an index fund. He suggested that the new allocation may have a slight increase in investment expenses. Chair Rhodes questioned Dana's fees. Mr. Grumbles reported that Dana's fees are in line compared to other clients however he will check on it and will report back to the Board. The Board discussed the importance of meeting the 7.5% assumed rate of return. Mr. Grumbles explained why he is suggesting changes to the Plan's asset allocation. He explained that with these suggested changes there will be an increase in volatility as well.

Mr. Grumbles presented to the Board a "Diversifying Fixed Income" report as of 1st quarter of 2013. He reviewed several graphs which showed how interest rates impact bond prices. He explained historically how interest rates have done. He explained the importance, risks, availability of diversifying the bond portfolio. He suggested an allocation of 5% of total assets. He reviewed historical returns and risks of diversified bond investing. He explained the opportunities for bond markets versus an equity market diversification. He explained that based on historical results, it appears that there are greater diversification opportunities in bond markets. He presented an overview of three different strategies; PIMCO Diversified Income, Templeton Global Bond and Templeton Total Return. Mr. Grumbles reported that these investments would be a mutual fund investment vehicle.

The Board reviewed the current asset allocation: US Equity 50%, Int'l Equity 10%, US Agg Fixed 40% and the proposed asset reallocation suggested by Mr. Grumbles: US Equity 50%, Int'l Equity 15%, US Agg Fixed 30%, Diversified Bonds 5%. The Board agreed with the proposed asset reallocation by Mr. Grumbles.

MOTION:

Secretary Hansen made a motion to accept the proposed asset allocation as presented: US Equity 50%, Int'l Equity 15%, US Agg Fixed 30%, Diversified Bonds 5%. Board Member Kuper seconded the motion, which carried by unanimous 4-0 vote.

Ms. Jensen stated that the proposed asset allocation includes an asset allocation of 5% into the Diversified Bonds. However if the Board does not want to make an allocation into this asset allocation, she is not sure that the Board wants to change their measurement tool to include the Diversified Bond. Mr. Grumbles explained that the way that this asset allocation will be included in the Investment Policy Statement. He explained that the 5% allocation into Diversified Bonds will contain an asterisk that will note that if this is not invested it will be allocated into the US Fixed Income and we will measure it accordingly.

The Board agreed that they would like to wait until ~~all 5 Board Members are present at the meeting to make a decision regarding the diversification of the fixed income portfolio~~ "Board Member Levine is present to make a decision regarding the diversification of the fixed income portfolio".

MOTION:

Board Member Gload made a motion to table the discussion of the diversification of the fixed income portfolio until next meeting when all Board Members are present. Secretary Hansen seconded the motion, which carried by unanimous 4-0 vote.

The Board asked Mr. Grumbles to contact Board Member Levine to update him on the discussion of the diversification of the fixed income portfolio.

IV. Approval of Minutes

1. Meeting Minutes - Tequesta General Employees' Pension Trust Fund Board of Trustees – February 4, 2013.

Board Member Gload requested that the following changes be made to the February 4, 2013 minutes: page 4, item. 9, last sentence currently reads "...Actuarial Services from \$6,651 to \$7,401." This should be changed to "...actual Actuarial services \$5,305.00, plus \$750.00 for Senate Bill 1128, plus an additional \$500.00 for extra services, totaling to \$6,555.00.

Also she noted that on page 11, 1st motion related to the Administrative Rules 2012 does not seem to be related to item 11. Ms. Martinez agreed and reported that she will look back at her notes and either confirm or make the necessary changes.

MOTION:

Board Member Gload made a motion to accept the minutes as amended for the meeting on February 4, 2013. Secretary Hansen seconded the motion, which carried by unanimous 4-0 vote.

V. UNFINISHED BUSINESS

Quarterly Report to Commission by the Plan

Attorney Bonni Jensen reviewed the Summary of Actions for the Quarter ending March 31, 2013. The Board had a brief discussion regarding the report. Ms. Jensen will update item 4. on the report to reflect the motion made by Board at today's meeting in regards to the asset allocation. She will also attach the October 1, 2012 Actuarial Valuation to the report.

VI. Consent Agenda

4. Ratification of invoices paid since last quarterly meeting:

• Perry & Jensen- Legal Services through 02/15/13	\$ 648.40
• Pension Resource Centers-February 2013 Adm. Fees	\$ 800.00
• GRS- Actuarial Services rendered through 01/31/13	\$1,426.00
• Bogdahn Group- Invest. Monitoring Svc. For 1 st Q 2013	\$2,625.00
• Perry & Jensen- Legal Services through 03/15/13	\$ 199.75
• Pension Resource Centers-March 2013 Adm. Fees	\$ 800.00

5. Payments to be reviewed and approved:

• Perry & Jensen – Legal Services through 04/15/13	\$ 70.15
• GRS- Actuarial Services rendered through 03/31/13	\$5,119.00
• Dana Investment Advisors- 1 st Q Mgmt. Fees 1087ca	\$ 464.98
• Dana Investment Advisors- 1 st Q. Mgmt. Fees 10873ma	\$3,044.99

6. Approval of new applicants for participation in Pension Plan

None

7. Approval of withdrawal of contributions

Phillip White (beneficiary of Russell White) \$17,424.69

8. Terminated employees who have not taken their contributions

None

End of Consent Agenda

MOTION:

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

VII. Budget Report

9. Fiscal Year End 2013 Budget

10. Income Statement & Expenditure Report for period 01-01-13 to 03-31-13

Board Member Gload presented the Budget Report. She reminded the Board that "Pension Distribution/Refunds" has a \$0.00 budget as they do not budget for this since they do not know if any Members will terminate employment and request a refund of contributions. Ms. Martinez reported that this account will increase by \$17,424.69 for the recent distribution to Mr. White's beneficiary. Ms. Gload reported that all accounts are in order and in line.

MOTION:

Board Member Kuper made a motion to accept and approve the Budget report as presented and the Income Statement & Expenditure Report for period 01-01-13 to 03-31-13 as presented. Secretary Carl Hansen seconded the motion, which carried by unanimous 4-0 vote.

VIII. New Business

None

IX. ANY OTHER MATTERS

Attorney Bonni Jensen reviewed several changes related to recent legislation in detail with the Trustees. Mrs. Jensen reported that the Ethics bill passed and Form 1 can now be filed on behalf of the Trustee by their personal attorney or accountant. Related to penalties, the State has a large amount of uncollected debt. The legislature also allows for the collection assessment to be garnished from wages. She explained that starting in 2015 Form 1 can be filed online. Ms. Jensen reported that two bills have passed, but are not yet law. The first requires that meetings must allow for public comments and it should be posted on the agenda. The second is a reporting requirement that will require more than one actuarial valuation. Beginning after June 1, 2014 there will be significant reporting requirements. Additionally the bill mandates the use of the RP2000 mortality table. These reporting requirements will impose more costs to the plan. Ms. Jensen reminded the trustees to file the Form 1 by July 1, 2013. She recommended that the trustees file the Form in such a way that is traceable.

Chair Rhodes thanked Secretary Hansen for service to this Board.

X. COMMUNICATIONS FROM CITIZENS

There were no communications from citizens.

XI. Adjournment

MOTION:

Board Member Kuper moved to adjourn the meeting. Board Member Gload seconded the motion, which carried by unanimous 4-0 vote.

There being no further business, the meeting was adjourned at 10:24 a.m.

Respectfully submitted,

Dixie Martinez
Administrator
Village of Tequesta General Employees' Pension Plan

Board Member
Village of Tequesta General Employees' Pension Plan