

**TEQUESTA GENERAL EMPLOYEES' PENSION TRUST FUND  
REGULAR BOARD MEETING MINUTES  
AUGUST 19, 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 August 19, 2013. The meeting was called to order at 1:05 pm.

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 Administrator Dixie Martinez, Investment Monitor Tyler Grumbles and Investment Manager John Hamlin.

**II. APPROVAL OF AGENDA**

Administrator Dixie Martinez requested the addition of item VII. Budget Report for FYE 2014.

**MOTION:**

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

**III. APPROVAL OF MINUTES**

**1. Meeting Minutes - Tequesta General Employees' Pension Trust Fund Board of Trustees – May 6, 2013.**

Board Member Levine questioned why the funded ratio decreased from 102.3% to 99.2%. Ms. Jensen explained why this had occurred. The Board had a brief discussion regarding the assumed salary increases.

**MOTION:**

**Board Member Gload made a motion to accept the minutes as presented for the meeting on May 6, 2013. Secretary Hansen seconded the motion, which carried by unanimous 4-0 vote.**

**IV. PRESENTATIONS**

**2. Investment Manager – John Hamlin, Dana Advisors  
a. Quarterly Review**

John Hamlin, Dana Advisors, reported that for quarter ending June 30, 2013 the returns were as follows; Equity portfolio 2.86% versus the benchmark at 2.32%, Large Cap Equity 3.38% versus the benchmark at 2.91%, International ADR 0.03% versus the benchmark at -2.86% and Fixed Income -1.38% versus the benchmark at -1.77%. He reported that the Fixed Income portfolio's current annualized yield to maturity at market was 2.18% versus the benchmark at 2.0% and the effective duration was 3.71 versus the benchmark at 4.08. He reviewed the asset allocations as of June 30, 2013; 59.2% allocated in Equity, 39.1% allocated in Fixed Income and 1.6% allocated in cash & equivalents.

He reported that U.S. equity markets experienced their best first half-year performance since 1998. Large Value indices outperformed Large Growth indices during the quarter and the last 12 months. He summarized the Fixed Income Market during this quarter. He reported that new issuance levels, which were robust during all of 2012 and into the first quarter of 2013, declined to more normal levels. He explained that most investors have been mentally prepared for a rise in rates, but have been caught off-guard by the speed at which rates rose during the quarter. He reported that 10 Year Treasury yields traded from a low 1.63% at the beginning of the quarter to a high of 2.615, finally ending at 2.49%; in similar fashion, the 2 year to 10 year spread hit 220 basis points, the steepest curve spread since August 2011. Representing the first large scale withdrawal from the bond market since the financial crisis, investors pulled an estimated \$80 billion from ETFs and bond mutual funds in June alone; this outflow nearly doubled the level experienced during the financial crisis. He reported that surprisingly, European financial concerns remained mute during the quarter. He reported that Industrials, Health Care and Information Technology were the top sector contributors during this quarter while Financials, Energy and Telecommunications Services were the top detractors during this quarter.

Mr. Hamlin explained Dana's investment strategy. He reviewed the International ADR portfolio. He reviewed the top performance contributors and the top performance detractors during this quarter. He reported that the Fed attempts to communicate exit plan have provoked markets; U.S. economic data continues to reveal mild growth climate with mixed data; Gold fever appears to have passed; China slowing is impacting BRICs, commodity process, and emerging markets. The Board asked several questions to which he responded accordingly. Mr. Hamlin finished his presentation by summarizing the 2<sup>nd</sup> quarter performances.

**MOTION:**

**Board member Levine made a motion to accept the June 30, 2013 quarterly report from Dana Advisors as presented. Secretary Hansen seconded the motion, which carried by unanimous 4-0 vote.**

**3. Quarterly Presentation by Monitor – Tyler Grumbles, Bogdahn Consulting  
a. Quarterly Performance Review**

Tyler Grumbles, Bogdahn Consulting, LLC briefly reviewed the performance of the market environment for major market indexes as of June 30, 2013. He reported that in the first half of the period, the U.S. equity markets continued the strong run posted in the first quarter, which saw double digit returns across many U.S. indices. Equity markets were up 3-4% from the beginning of April through late May. However, this reversed in June as the S&P 500 declined 1.1% off its high. He reported that international stocks lagged during the second quarter evidenced by the MSCI EAFE Index's return of -0.7%. Emerging stocks fared even worse with the MSCI Emerging Markets Index down 8.0%. The U.S. bond market fell 2.3% in the second quarter of 2013. The 2.3% decline was the largest quarterly drop since the second quarter of 2004. Mr. Grumbles reported that for quarter ending June 30, 2013 the Plan's market value was \$2,629,660 and the asset allocations were Domestic Equity 50.0%, International Equity 9.3%, Fixed Income 39.2%, and Cash Equivalent 1.6%. Mr. Grumbles reviewed the financial reconciliation of the Fund as of June 30, 2013. He reported that for the quarter ending June 30, 2013 the Plan's Total Fund (Gross) was up 1.14% versus the benchmark at 0.45%. Dana Core Equity was up 3.50% versus the benchmark at 2.91%, Dana International Portfolio was down -0.01% versus the benchmark at -2.90%, Dana Fixed Income was down -1.47% versus the benchmark at -1.78%. He reviewed the Plan's performance fiscal year to date and for the last three years and five years.

#### **b. Diversification fixed income discussion**

Mr. Grumbles presented to the Board a "Diversifying Fixed Income" report as of 2<sup>nd</sup> 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 reviewed currency risks and explained that returns are negatively correlated to the U.S. dollar and that a strong dollar will create a drag on performance. However not all periods of a strengthening dollar have resulted in poor performance. 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 with fees of 75 basis points, Templeton Global Bond with fees of 65 basis points and Templeton Total Return with fees of 80 basis points. He reviewed the sector allocations for the three different strategies. He reviewed a chart that represented the trailing returns and peer group analysis for each investment strategy. Mr. Grumbles reported that these investments would be a mutual fund investment vehicle. Mr. Grumbles recommends an investment of 5% into the Templeton Total Return. The Board asked several questions to which he responded accordingly.

#### **c. New IPS indicating change in asset allocation**

Mr. Grumbles reviewed the changes to the Investment Policy Statement: US Equity 50%, Int'l Equity 15%, Domestic Core Fixed Income 30%, Diversified Fixed Income 5% \* with

benchmark index Diversified Fixed Income Index \*\* (\*benchmark will default to "domestic core fixed income" if this portfolio is not funded), (\*\*Diversified Fixed Index: 33% JPM EMBI + |33% BC Corp HY| 33% Citigroup Non-US World Gov. Bond). Also language was added to item IV.5.c. For compliance purposes, such funds will be treated as a single investment.

The Board instructed Ms. Martinez to revise the May 6, 2013 Minutes pg. 4 3<sup>rd</sup>. paragraph; 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".

Mr. Grumbles explained that the asset allocation had been approved by the Board at the last meeting. However the Board needs to approve the updated Investment Policy Statement.

**MOTION:**

**Secretary Hansen made a motion to accept the updated Investment Policy Statement. Board Member Gload seconded the motion, which carried by unanimous 4-0 vote.**

The Board considered the three different strategies that Mr. Grumbles had presented to them; PIMCO Diversified Income, Templeton Global Bond and Templeton Total Return.

**MOTION:**

**Board Member Levine made a motion to invest 5% of total assets in the Templeton Total Return strategy. Secretary Hansen seconded the motion, which carried by unanimous 4-0 vote.**

**MOTION:**

**Secretary Hansen made a motion to accept the June 30, 2013 quarterly report from Bogdhan Consulting as presented. Board Member Gload seconded the motion, which carried by unanimous 4-0 vote.**

**V. UNFINISHED BUSINESS**

None

**VI. CONSENT AGENDA**

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

- |   |            |
|---|------------|
| • Pension Resource Centers-April 2013 Adm. Fees                     | \$ 800.00  |
| • Pension Resource Centers-May 2013 Adm. Fees                       | \$ 800.00  |
| • Perry & Jensen- Legal Services through 05/15/13                   | \$1,377.95 |
| • Pension Resource Centers-June 2013 Adm. Fees                      | \$ 800.00  |
| • Bogdahn Group- Invest. Monitoring Svc. For 2 <sup>nd</sup> Q 2013 | \$2,625.00 |

- Perry & Jensen- Legal Services through 06/15/13 \$ 57.50

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

- Perry & Jensen – Legal Services through 07/15/13 \$ 893.20
- Pension Resource Centers-July 2013 Adm. Fees \$ 818.36
- Dana Investment Advisors- 2<sup>nd</sup> Q Mgmt. Fees 1087ca \$ 464.89
- Dana Investment Advisors- 2<sup>nd</sup> Q. Mgmt. Fees 10873ma \$3,132.60

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

Nathal Litteral

**7. Approval of withdrawal of contributions**

None

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

None

**End of Consent Agenda**

**MOTION:**

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

**VII. BUDGET REPORT**

**1. Income Statement & Expenditure Report for period 04-01-13 to 06-30-13 & Fiscal Year End 2014 Budget.**

Board Member Gload reported that in terms to year end everything is in line. She presented the Fiscal Year End 2014 Budget Report. Ms. Jensen suggested increasing the budgeted amount for actuarial services, the Board reviewed and agreed to keep the already budgeted amount of \$6,500. Ms. Jensen reported that she was contemplating requesting a fee increase to \$225 an hour for her legal services. She explained that the last time she had requested a fee increase was in 2008. The Board had a lengthy discussion regarding the semiannual report by the Board to the Village Council. Ms. Jensen estimates 2 hours of work to prepare the report for the Board to present to the Council. The Board agreed that Ms. Jensen is not required to attend the Council meeting. The Board agreed to approve the budgeted amount for Legal services to \$6,500. The Board reviewed the budgeted amount for Investment Services and agreed to increase it by 15% as well as increasing the budgeted amount for Custodial Services by 15%.

Attorney Bonni Jensen reported that she had received an e-mail for the Village's HR Department asking her what happens if the Village moves all non-unionized employees hired after 10/1/2013, to a 401a plan. The Board briefly discussed this matter. Chair Rhodes believes that further communication needs to take place with the Village Manager in regards to this matter. Chair Rhodes asked that this matter be added to the next Pension Board Agenda.

Board Member Levine reported that he may be attending the upcoming FPPTA Trustee School at the PGA National on September 29<sup>th</sup> through October 2<sup>nd</sup>. Chair Rhodes may attend as well. Board Member Gload will not be able to attend.

The Board reviewed the budgeted amount for Travel and Per Diem and agreed to increase the budgeted amount to \$3,000.00.

Ms. Martinez reported that the Fiduciary Liability Insurance Policy expires October 1, 2013. She reported that she is awaiting the renewal quote. The Board asked Ms. Martinez to request a secondary quote to confirm that rates are in line. The Board agreed to approve the renewal of the Fiduciary Liability Insurance Policy not to exceed \$1,100.00.

**MOTION:**

**Board Member Levine made a motion to approve the renewal of the Fiduciary Liability Insurance not to exceed \$1,100.00. Board Member Gload seconded the motion, which carried by unanimous 4-0 vote.**

Board Member Gload will update the Fiscal Year End 2014 Budget report as amended by the Board.

**MOTION:**

**Secretary Hansen made a motion to accept the Fiscal Year End 2014 Budget as amended. Board Member Levine seconded the motion, which carried by unanimous 4-0 vote.**

**VIII. NEW BUSINESS**

**10. IRS Determination Letter, Attorney Bonni Jensen.**

Attorney Bonni Jensen reported that the Plan received a favorable determination from the IRS. She reported that this favorable determination letter expires on January 31, 2014 and the fund will need to file again to have the tax qualification determination continued. She reported that the Plan can file in Cycle C, which is between February 1, 2013 and January 31, 2014 or Cycle E which is between February 1, 2015 and January 31, 2016. She reported that at this time the Board does not have to take any action to elect either Cycle other than file in that Cycle. If the Fund elects Cycle E, the expiration date of the determination letter is extended to January 31, 2016.

**11. Ordinance amendments as required by the terms of the IRS favorable determination letter dated June 17, 2013, Attorney Bonni Jensen.**

Attorney Bonni Jensen reported that this determination is subject to the Funds adoption of the proposed two proposed amendments. She reported that the two amendments are required by the terms of the IRS Favorable determination letter dated June 17, 2013. She explained that the amendments which cover different time periods and provide for different technical requirements by the IRS.

**MOTION:**

**Board Member Levine made a motion to approve the two ordinance amendments as presented. Board Member Gload seconded the motion, which carried by unanimous 4-0 vote.**

**12. Memorandum regarding Senate Bill 534, Attorney Bonni Jensen.**

Attorney Bonni Jensen reported that on Friday, May 31, 2013, the Governor signed into law SB 534 providing for reporting requirements for Pension Funds. Ms. Jensen reviewed her memo in regards to the important pension disclosure amendments to Chapter 112 (SB 534). She explained the 3 additional reporting requirements that the Division of Retirement will start requesting effective October 1, 2014. She noted that The Plan's Actuary will be working on a plan of action to implement the requirements of SB 534. She reviewed the requirements to post data and reports on-line. She reported that copies of the plan's most recent financial statement, actuarial valuation, and a link to the Division of Retirement's fact sheet shall be posted on the Plan and Plan sponsor's website.

**IX. ANY OTHER MATTERS**

The Board considered changing the next Pension Board meeting to Monday, October 21 at 1:00 p.m.

Consensus of the Board to hold the next Pension Board meeting on Monday, October 21 at 1:00 p.m.

**X. COMMUNICATIONS FROM CITIZENS**

There were no communications from citizens.

**XI. ADJOURNMENT**

**MOTION:**

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

There being no further business, the meeting was adjourned at 4:03 p.m.

Respectfully submitted,

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Dixie Martinez  
Administrator  
Village of Tequesta General Employees' Pension Plan

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Board Member  
Village of Tequesta General Employees' Pension Plan