

**TEQUESTA GENERAL EMPLOYEES' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
FEBRUARY 25, 2015**

I. CALL TO ORDER AND ROLL CALL

The Regular Quarterly Board Meeting of the Tequesta General Employees' Pension Trust Fund was held in the Village Chambers, 345 Tequesta Drive, Tequesta, Florida, on February 25, 2015. The meeting was called to order at 1:08 p.m.

A roll call was taken by Pension Administrator Scott Baur. In attendance at the meeting were: Chair Michael Rhodes, Board Member Michelle Gload, Board Member Cary Levine.

Also in attendance were Attorney Bonni Jensen, Pension Administrator Scott Baur, Investment Monitor Tyler Grumbles, Investment Manager John Hamlin, Actuary Jeffrey Amrose, Brad Rinsem, Salem Trust, along with a few members of the plan.

II. PUBLIC COMMENT

None

IV. APPROVAL OF AGENDA

Administrator Kerry Dutton requested per Board Member Michelle Gload the addition under XI. Budget Report – 12.a.To Do List.

MOTION:

Board Member Michelle Gload made a motion to approve the Agenda as amended. Board Member Levine seconded the motion, which carried by unanimous 3-0 vote.

VIII. CONSENT AGENDA

5. Ratification of invoices paid since last quarterly meeting:

• Perry & Jensen- Legal Services Through 09/30/14	\$ 45.00
• Perry & Jensen- Legal Services Through 10/15/14	\$ 22.50
• Dana Advisors, Inc.- Manager Fees 3 rd Quarter	\$3,651.97
• Pension Resource Centers- Admin Fee 11/30/2014	\$ 800.00
• Perry & Jensen- Legal Services Through 11/15/14	\$2,524.05
• FPPTA- Membership Fee Year 2015	\$ 600.00
• GRS- Actuarial Services through 10/31/14	\$1,782.00
• Pension Resource Centers- Admin Fee 12/30/2014	\$ 800.00
• Perry & Jensen- Legal Services Through 12/15/14	\$1,403.85
• The Bogdahn Group- 9/30/14 Performance Report & Services	\$2,625.00
• Pension Resource Centers- Admin Fee 1/30/2015	\$ 835.35
• Perry & Jensen- Legal Services Through 1/15/15	\$ 384.90
• GRS- Actuarial Services Through 12/31/14	\$6,389.00
• Dana Advisors, Inc.- Manager Fees 4 th Quarter	\$3,836.54

6. Payments to be reviewed and approved:

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 Levine made a motion to accept the Consent Agenda as presented. Board Member Gload seconded the motion, which carried by unanimous 3-0 vote.

V. APPROVAL OF MINUTES

1. Meeting Minutes - Tequesta General Employees' Pension Trust Fund Board of Trustees – August 4, 2014.

MOTION:

Board Member Levine made a motion to accept the minutes as presented for the meeting on October 21, 2013. Secretary Hansen seconded the motion, which carried by unanimous 5-0 vote.

III. SALEM TRUST

Brad Rinsem introduced himself to the Board. Mr. Rinsem explained that Salem Trust had received an adverse opinion on their SSAE-16. He explained his background with Salem Trust and the process the SSAE-16 consists of. He stated that Salem Trust has had 14 perfect SSAE-16 Reports in the 16 years they have been in business. He explained that all of Salem Trust's statements and benefit payments were inline. However the background documentation was not being done due to employees working 7 days a week and therefore were not able to be produced for the auditors. Mr. Rinsem explained that Salem Trusts operations were moved to the holding company level. He has since brought the control of the operations back down to the operation level. He explained that Salem Trust sends their custodial statements to the consultants, actuary, and the investment managers to allow for comparison. There was a lengthy discussion about the issues documented on the SSAE-16 and the corrective action that has been taken. He explained that his team has gone back to June 2014 and corrected the errors in documentation for the future. Mr. Rinsem explained that there were two issues that Salem faced with, the fraud of \$177million and the adverse opinion of the SSAE-16. Mr. Levine asked what the worst case scenario would be. Bonni Jensen explained that the Village has Marcum as an audit which includes the Pension Plan, along with fiduciary liability insurance. She explained that the auditors will take a closer look at the individual managers and investments. There was a lengthy discussion about service providers, and the Village relying on Salem's statements. Mr. Rhodes asked what Mr. Rinsem has done to ensure that

the root of this problem cannot be duplicated. Mr. Rinsem responded that The Village is not the only one that is in this situation. He further explained that Salem is the custodian and only acts on the Board's direction. There was a lengthy discussion about the fraudulent issue with Pennant. Ms. Gload expressed her nervousness and concern for the adverse opinion along with the multiple red flags. Village Finance Director, Jody Forsythe, addressed the Board. She explained that an extension is now required due to the dead line being March 31th which is now not feasible because of the adverse opinion of Salem's SSAE-16. She explained that now Marcum has to verify the fair market value of all assets with the individual investment managers since Salem's statements are not reliable. Mr. Forsythe explained the issues that have been seen in the finance department due to Salem's inconsistency with their statements. She stated examples of the issues to be unclear items of \$20,000 and end of the month balances not matching the beginning balance of the following month. She stated that it takes 2-3 weeks time to have these types of issues resolved; however these issues are currently still outstanding. John Hamlin explained that Dana can produce all documentation required as an investment managing company. Mr. Grumbles stated that while Dana's portfolio is good others like Euro do not have a 3rd party to verify the trading. He explained that because of this absence of a 3rd party he checks and tracks the purchases himself. Ms. Forsythe informed the Board of a 3 month period lagging when the finance department could not retain statements from Salem. She then explained that once her department did receive the statements further problems then arose. She stated that she worked very close with Cindy Farrow and not since Ms. Farrow's resignation she does not feel confident in Salem. There was a lengthy discussion about the past Village audit opinions and audit processes. Ms. Jensen explained that a stand-alone audit may be beneficial to the Pension Plan. There was a brief discussion about the Board being informed and meeting for discussion of this issue before any other plans. Mr. Forsythe explained specifics of additional issues the Finance Department has been face with while working with Salem. Mr. Rinsem suggested having all contact with him directly from this point forward. Ms. Gload asked Mr. Rinsem how many clients Salem has currently. Mr. Rinsem responded that currently there are 244 pension clients. Mr. Rhodes confirmed that all communication shall go to Brad Rinsem directly. He also stated he would like to be informed of the progress with Marcum's further audit investigation. Ms. Jensen contacted Marcum's representative, Beila Sherman via phone. Ms. Jensen recapped the recent conversation information earlier in the meeting. Ms. Sherman stated furthering the audit starts with the investment managers. She explained that the extent of the involvement the managers have with monitoring may affect the time frame for resolving this audit process. She reviewed the standard audit deadline and timing of processes. She explained that due to the unexpected additional verification required to now be done with individual managers will extend to at least the end of April but truly depends on each manager. There was a lengthy discussion on the specifics of the detail verification that Marcum must now do with all investment managers individually due to Salem's documentation not being sufficient. Ms. Gload expressed her concerns with Salem. Mr. Baur stated that Pension Resource Centers currently has 26 clients who have relationships with Salem. He stated that his expectations of a subsequent number of Plans will be going out for RFP's. He reviewed the conversations taken place with other auditors since this information with Salem has been released. Mr. Baur stated his unaddressed question in regards to mutual funds specifically being verified by the auditors. Mr. Grumbles confirmed that there is no 3rd party to verify the market value of the funds. Ms. Jensen informed the Board that Mr. Baur has created a template for clients of PRC that request RFP's for custodians to help simplify the anticipated high number of responses. Mr. Baur further explained the details of the RFP process. He stated there have been roughly 5 plans that have already decided to go out for RFP's for a possible custodian change since the SSAE-16 has been release in the last 10 days. Mr. Rhodes stated a zero tolerance he has for inadequate numbers.

MOTION:

Board Member Levine made a motion to have Pension Resource Centers request Proposals for custodians. Board Member Gload seconded the motion, which carried by unanimous 3-0 vote.

IV. PRESENTATIONS

2. Actuaries Jeffrey Amrose, Gabriel, Roeder, Smith & Company
 - a. Actuarial Valuation Report 10/01/2013

Mr. Amrose presented to the Board the Actuarial Valuation Report as of October 1, 2014. Mr. Amrose reported that the Plan is in good shape. He reported that the estimated required employer contribution as a percentage of payroll for fiscal year end September 30, 2016 is \$175,440 or 7.48% of covered payroll which has decreased by 0.95% (\$8,454) from fiscal year end September 30, 2015. He reported that there was a net actuarial gain of \$149,104 for the year. He explained that the gain was primarily due to lower than expected salary increases. He reported that the funded ratio is 108% this year compared to 102.8% last year. He stated that this Plan has the second highest fund ratio he has this year. Mr. Amrose reviewed the funded ratio in relationship to the market value. Mr. Amrose reviewed the assumption used. He reviewed the actuarial gains and losses. Mr. Ambrose stated that the market value of the Plan assets to be \$3,346,937 at the end of the 2014 year. He informed the Board of a \$308,314 gain of investment earnings during the 2014 fiscal year which exceeded the expected investment earnings of \$2010, 476. He explained the new GASB67 schedules.

MOTION:

Board Member Gload made a motion to accept the Actuarial Valuation Report as of October 1, 2014. Board Member Levine seconded the motion, which carried by unanimous 3-0 vote.

- b. GASB No. 68 Implementation Package

Mr. Amrose presented to the Board the GASB No. 68 Implementation Package. He reviewed the cost range to be \$1,500 to \$2,000. He stated that this is a standard fee cost for new requirements. Mr. Ambrose explained that this is a requirement that the Plan must comply with.

MOTION:

Board Member Gload made a motion to accept the GASB 68 implementation package with fees between \$1,500 to \$2,000. Board Member Levine seconded the motion, which carried by unanimous 3-0 vote.

3. John Hamlin, Dana Investments
 - a. Quarter Review

John Hamlin, Dana Advisor, presented to the Board the Dana Advisors Investment Performance Report as of December 31, 2014. He reported that the returns for the 2014 calendar year were \$278,603.71. Mr. Hamlin stated the portfolio allocations for the December 31, 2014 quarter to be as follows; Cash at .9%, Bonds at 38.8%, and Stocks at 60.3%. He reviewed the performance gross fees through December 31, 2014. He reviewed the performance of the market environment during quarter ending December 31, 2014. Mr. Hamlin explained Dana's investment strategy including the 3 year dividend growth and the EPS growth rate that is estimated over a 3-5 year span. Mr. Hamlin stated that the unemployment

rate as of 1/31/15 was 5.7%. He reviewed the consumer price inflation versus the 10 year treasury. He reviewed the top performance contributors and the top performance detractors during this quarter. He explained that due to energy not doing well this last quarter the portfolio being underweight was an ideal. He reviewed the drop during the recession for the consumer sentiment and stated the incline since.

MOTION:

Board Member Levine made a motion to accept Dana Advisors report as of December 31, 2014. Board Member Gload seconded the motion, which carried by unanimous 3-0 vote.

4. Tyler Grumbles, Bogdahn Consulting, LLC.
 - a. Quarterly Performance Report as of December 31, 2014

Tyler Grumbles, Bogdahn Consulting, LLC briefly reviewed the performance of the market environment, for major market indexes as of December 31, 2014. He reviewed the markets environment. Energy experienced a negative return this quarter. Mr. Grumbles reported that for quarter ending December 31, 2014 the Plan's market value was \$3,489,544 and the asset allocations were Domestic Equity 48%, International Equity 14.9%, Domestic Fixed Income 30.9%, Global Fixed Income 4.9% and Cash Equivalent 1.3%. He reported that for quarter end the Plan's Total Fund (Gross) was at 3.05% versus the benchmark at 2.15%. Mr. Grumbles also reviewed the 3 year, 4 year, and 5 year total fund versus the benchmark which shows that the Fund has outperformed each year. Dana Core Equity was 6.23% versus the benchmark at 4.93%, Dana International Portfolio was not applicable due to the change to EuroPacific Growth Fund at the beginning of the 3rd quarter, and therefore the new EuroPacific fund was at -1.63% versus the benchmark at -3.81%. He explained that EuroPacific had shown protection on a down quarter. He reviewed the financial reconciliation quarter to date. Mr. Grumble reviewed the Dana Core fixed income at 1.29% versus the benchmark at 1.2%. The trailing returns for the quarter for Templeton Global were at -1.62% versus the benchmark of -1.61%, Templeton Global Total Return came in at -0.74% versus the benchmark of -3.13%. He explained to the Board that as of last night the total fund was up roughly another \$140,000. He reported that was a strong quarter. Mr. Grumbles reviewed the compliance checklist which showed all funds in compliance except for both Dana funds for not being able to show the 5 year down market capture ratio. He expressed his strong confidence this year with the Plan's position already for the beginning this coming year.

MOTION:

Board Member Levine made a motion to accept the December 31, 2014 quarterly report from Bogdhan Consulting as presented. Board Member Gload seconded the motion, which carried by unanimous 3-0 vote.

b. Global Tactical Asset Allocation Discussion

Mr. Grumbles presented to the Board an Asset Allocation Study report as of December 31, 2014. Mr. Grumbles reviewed the GTAA Strategies which included Blackrock, Westwood, PIMCO, Principle, and John Hancock. He stated that two recommendations of Blackrock is more volatile than Westwood which is more conservative. There was a lengthy discussion about the recommendation. Mr. Grumbles reviewed the 7 year investment strategy showing how the GTAA protects on a down market. He also pointed out how the GTAA is consistently between the Plan's current benchmark and current investment returns. Ms. Jensen asked Mr. Grumbles where the fund would be added under the current ordinance. Mr. Grumbles stated this fund would be classified as a balanced fund. There is a brief discussion about the steps to be made in order to include this fund in the portfolio which will only gain roughly 10%. Mr.

Grumbles agreed. The Board decided not to move forward with this investment option at this time.

c. Internal Control Change

Mr. Grumbles explained the reason for the change in control of Bogdahn. He explained that the company has a total of 54 employees and Joe Bogdahn has been the majority equity owner since the company was started. He reviewed that Mike Walker and Dave West became equity partners in 2005 and 2006. Mr. Grumbles explained how this change of internal control cannot take place without the majority of the firm's clients approving this change.

MOTION:

Board Member Levine made a motion for approval of consent of the Bogdahn Change of Internal Control. Board Member Gload seconded the motion, which carried by unanimous 3-0 vote.

d. New Fee Proposal

Mr. Grumbles informed the Board that the last fee increase took place in 2008. He stated that the Plan size has tripled over the last 3 years. He is requesting the fee be increased from \$10,500 to \$12,500.

MOTION:

Board Member Gload made a motion to approve the fee increase for Bogdahn Group to \$12,500.00 with a guarantee for 3 years. Board Member Levine seconded the motion, which carried by unanimous 3-0 vote.

VII. UNFINISHED BUSINESS

None

IX. BUDGET REPORT

10. Income Statement & Expenditure Report, Finance Staff.

Board Member Gload presented the Budget Report to the Board. She recommended updating the budget at the next quarterly meeting to include the new audit fee due to Salem's adverse opinion that the Plan is not responsible for.

MOTION:

Board Member Levine made a motion to accept the Budget Report as presented. Board Member Gload seconded the motion, which carried by unanimous 3-0 vote.

X. NEW BUSINESS

11. Attorney Bonni Jensen, The Law Office of Klausner, Kaufman, Jensen & Levison
a. 2015 Revised Administrative Rules

Attorney Bonni Jensen presented to the Board the revised administrative rule. Ms. Gload specified that there is additional information to be included in the administrative rules. She will email the information suggested to be included in the updated administrative rule to the Board for review. The Board tabled this item till the next quarterly meeting.

b. Summary Plan Description

Attorney Bonni Jensen reviewed the changes made to the Summary Plan Description which include the specific listing of each investment manager, and the attorney's updated firm name. She also stated this updated document, once approved will need to be distributed to the active employees participating in the pension plan.

MOTION:

Board Member Gload made a motion to approve the updated Summary Plan Description. Board Member Levine seconded the motion, which carried by unanimous 3-0 vote.

c. 2015 Mileage Rate

Attorney Bonni Jensen reported that as of January 1, 2015 the IRS Standard Mileage Rate for 2015 is 57.5 cents per mile.

d. 2015 Tax Notice

Attorney Bonni Jensen explained the options and choices for refund of contributions to terminated members including early retirement penalties. She informed the Board that a recommendation of using this document provided by the IRS directly is suggested as it is very detailed in explaining the possible tax penalties that members may incur. She directed Pension Resource Centers to use this document going forward.

e. IRS Determination Letter

Attorney Bonni Jensen stated it is again time to file with the state. She suggested her services to complete the filing of this requested Determination Letter. She informed the Board that the deadline is January 31, 2016.

MOTION:

Board Member Levine made a motion to approve attorney Bonni Jensen to file the IRS Determination Letter to meet the January 31, 2016 deadline. Board Member Gload seconded the motion, which carried by unanimous 3-0 vote.

f. Senate Bill 242

Attorney Bonni Jensen explained the new SB 242. She explained that SB 242 requires all pension plans to use a unique blended mortality table. She further explained the new suggested mortality table is blended with the FRS state mortality table. She stated that the bill has not been moved and she will keep the Board updated with the movement of this bill if any occurs.

Chair Rhodes asked for an update on the vacancy seat on the Board. Ms Gload explained there was some interest shown by an employee; however there has been no further communication. Ms. Gload agreed to reach out to the employee for possible interest in joining the Pension Board.

The Board with input from Mr. Grumbles discussed the total expected annual rate of return for the fund. The Board agreed that it is reasonable to expect for the current year, the next several

years, and the long-term thereafter, the Plan is likely to earn 7.5%, net of investment expenses.

MOTION:

Board Member Levine made a motion to set the total expected annual rate of return at 7.5% for the fund for the current year, the next several years, and the long-term thereafter. Board member Gload seconded the motion, which carried by unanimous 3-0 vote.

XI. ANY OTHER MATTER

12. To Do List

Ms. Gload explained the need for the document to exist. Ms. Jensen response to the listed required deadlines listed. There was a brief discussion in regards to the specific filing requirements and the new GASB68 and GASB 68 requirements. An updated list will be presented at the August meeting.

XII. COMMUNICATIONS FROM CITIZENS

There were no communications from citizens.

XI. ADJOURNMENT

MOTION:

Board Member Gload moved to adjourn the meeting. Board Member Levine seconded the motion, which carried by unanimous 3-0 vote.

There being no further business, the meeting was adjourned at 5:05 p.m.

Respectfully submitted,



Kerry Dutton

Administrator

Village of Tequesta General Employees' Pension Plan



Board Member

Village of Tequesta General Employees' Pension Plan