

**TEQUESTA GENERAL EMPLOYEES' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
May 2, 2016**

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 May 2, 2016. The meeting was called to order at 8:12 a.m.

A roll call was taken by Pension Administrator Denise McNeill. In attendance at the meeting were: Chairman Michael Rhodes, Board Member Michelle Gload, Board Member Dennis Rick, Board Member Bernard Ward, and Board Member Jesse Oakley III.

Also in attendance were Attorney Bonni Jensen, Pension Administrator Denise McNeill, Custodian Amed Avila and Investment Monitor John Thinnes (8:30 AM)

II. REAPPOINTMENT OF FIFTH TRUSTEE SEAT

Bonni Jensen addressed the Fifth Trustee seat which is appointed by the other four Trustees.

MOTION:

Board Member Bernard Ward made a motion to reappoint Michael Rhodes to the Fifth Trustee seat. Board Member Gload seconded the motion, which carried by 4-1 vote.

Discussion followed regarding the open Secretary position. Mrs. Jensen explained the seat is predominantly a signing position (minutes, documents, etc.) and a fill-in in the event of the chairman not being available for a meeting. Chairman Rhodes requested the Trustees consider the position and let the administrator know if they are interested in the appointment.

III. PUBLIC COMMENT

It was acknowledged that Carl Hansen appeared before the Board prior to the start of the meeting and the Trustees had thanked him for his many years of service to the Board and the members of the Plan.

III. APPROVAL OF AGENDA

Attorney Bonni Jensen requested for additional items to be added under her attorney report for Election Protocol and Michelle Goad requested for additional items to be added for Resource Centers Website Update and Discussion about the Retirement Process.

MOTION:

Board Member Bernard Ward made a motion to approve the Agenda as amended. Board Member Gload seconded the motion, which carried by unanimous 5-0 vote.

Discussion followed regarding the reporting changes from Fiduciary Trust from a fiscal year quarterly billing process to calendar year. Mr. Avila explained there will be a gap in the payments due to the timing of the transition. He further noted the transition was done at the

request of the Village. Michelle Gload explained after the change, the reporting should match the Village tracking.

VII. CONSENT AGENDA

1. Ratification of invoices paid since last quarterly meeting:

January 4, 2016	Pension Resource Centers Administrator Fee - January 2016	\$800.00
February 1, 2016	Pension Resource Centers Administrator Fee - February 2016	\$800.00
January 30, 2016	DANA Investment Advisors Management Fee - 4th Quarter 2015 for Acct#451856620	\$3,287.32
January 30, 2016	DANA Investment Advisors Management Fee - 4th Quarter 2015 for Acct#451856610	\$721.69
December 31, 2015	Klausner, Kaufman, Jensen & Levinson Legal Services Rendered through 12-31-15	\$720.00
January 6, 2016	Gabriel Roeder Smith & Company Consulting & Actuaries Services Rendered through 12-30-15	\$2,298.00
February 29, 2016	Pension Resource Center Administrative Fee - March 2016	\$800.00
January 31, 2016	Klausner, Kaufman, Jensen & Levinson Legal Services Rendered through 1-31-16	\$4,623.00
February 29, 2016	Klausner, Kaufman, Jensen & Levinson Legal Services Rendered through 2-29-16	\$1,020.93
March 31, 2016	Pension Resource Center Administrative Fee - April 2016	\$800.00
March 30, 2016	The Bogdahn Group Consulting Fee - 1st Quarter 2016	\$3,125.00

Paid by Custodian

December 22, 2015	Fiduciary Trust International Initial Custody Fee 10/30/15 - 11/30/15	\$58.17
December 22, 2015	Fiduciary Trust International Initial Custody Fee 11/04/15 - 11/30/15 DANA EQ	\$74.70
February 11, 2016	Fiduciary Trust International Initial Custody Fee 10/30/15 - 11/30/15 R & D	\$12.43

2. Payments to be reviewed and approved:

March 31, 2016	Klausner, Kaufman, Jensen & Levinson Legal Services Rendered through 3/31/16	\$45.00
April 6, 2016	Gabriel Roeder Smith & Company Consultants & Actuaries for Services Rendered through 3/31/2016	\$3,662.00

3. Reporting of new applicants for participation in Pension Plan:

Neil Curna

4. Approval of withdrawal of contributions:

None

5. Terminated employees who have not taken their contributions:

Martin Meehan

MOTION:

Board Member Michelle Gload made a motion to approve the Consent Agenda Sections 4 and 5 as presented. Board Member Jessie Oakley seconded the motion, which carried by unanimous 5-0 vote.

V. APPROVAL OF THE MINUTES

1. Meeting Minutes - Tequesta General Employees' Pension Trust Fund Board of Trustees – February 8, 2016.

Denise McNeill explained the minutes had been revised to clarify the discussion of the assumed rate of return as requested by Chairman Rhodes. A typo on the actuary's name was noted for correction. The Trustees requested the minutes be provided within three weeks of their meetings going forward.

MOTION:

Board Member Bernard Ward made a motion to accept the minutes for the Meeting on February 8, 2016 as amended. Board Member Oakley seconded the motion, which carried by unanimous 5-0 vote.

VII. CONSENT AGENDA (Continued)

Board Member Michelle Gload inquired into the invoices not listed on the consent agenda. Mrs. McNeill will need to look into the additional items requested for the 10/31/15 attorney invoice, 12/11/15 actuary invoice and the IRS Determination process fee from December.

VI. PRESENTATION

2. John Thinnes, Bogdahn Consulting, LLC.
 - a. Quarterly Performance Report as of March 31, 2016

Bonni Jensen reported that John Hamlin of Dana Investments (who presented to the Board at the February meeting) had passed away unexpectedly. Chairman Rhodes explained he had sent a note extending the Board's condolences to Dana Investments.

John Thinnes of Bogdahn Group appeared before the Board to present the Performance Report as of March 31, 2016. He explained the untimely passing of John Hamlin is very sad as they have been friends for many years and although he will be greatly missed, Mr. Hamlin was not managing the investments and therefore is not expected to have an impact on the investment management of the Fund. Mr. Thinnes reported that Dana Investments has hired someone to fill Mr. Hamlin's position. He went on to review the performance report noting the beginning of 2016 was poor; however the market began to transition early in February; international continues to lag the domestic markets and oil has rallied and the price has begun to increase. Mr. Thinnes reported that for quarter ending March 31, 2016 the Plan's market value was \$3,785,960 and the asset allocations were as follows; Domestic Equity 46.9%, International Equity 14.7%, Domestic Fixed Income 30.8%, Global Fixed Income 4.9% and Cash Equivalent 2.7%. He stated the allocations are in range with the targeted allocations. Mr. Thinnes explained they do not recommend the Plan rebalance at this time and the additional funds in cash are being held for the upcoming capital call. Discussion followed regarding alternative investments and it was noted the real estate is pending investment. Mr. Thinnes reported the total fund was down for the quarter -.06% versus the policy of 1.72%; Dana Core Equity was down -0.53% versus the benchmark at 1.35%, EuroPacific fund was down -2.32% versus the benchmark at -0.26%, Dana fixed Income was up 2.28% versus the benchmark at 2.31%, and Templeton was up 0.24% versus the benchmark at 6.12%. He went on to review each manager in detail. He reported he had met with Dana Investments a couple of weeks prior and they remain confident in Dana's strategy, the value model is still solid and Bogdahn expects Dana to outperform when the market turns. Discussion followed regarding the investment policy. Mr. Thinnes explained when compliance guidelines are not met, it is more valuable to acknowledge and determine why they were not met and then decide if and when a manager change is necessary. The consultant may recommend further diversification on the fixed income down the road. Lengthy discussion followed regarding the international market and Mr. Thinnes explained EuroPacific is doing well overall and have protected capital in a tough period. He then reported Templeton is not looking good and Bogdahn had spoken with the firm the prior week to address their performance relative to the bench. They explained the reasons for the underperformance to the bench related to Templeton's defensive position on interest rates and their bets that the US dollar would appreciate faster than it has. He reported Bogdahn remains confident in Templeton and is not recommending moving the assets at this time. Mr. Thinnes advised Bogdahn will be keeping an eye on Templeton accordingly. Bonni Jensen referred to the historical information noting the transition out of CD's has added tremendous value to the Plan. Mr. Thinnes reported that despite the volatility, the Beta is still below one and they are protecting on the downside.

- b. Letter of Direction for Automatic Rebalance

Discussion followed regarding the automated process and Mr. Thinnes explained the letter of direction to Fiduciary Trust would allow for automated rebalancing when needed so it is not necessary to track down signatures to complete the process. It was noted the letter reflected Mr. Hamlin's name from Dana Investments.

MOTION:

Board Member Bernard Ward made a motion to accept the Bogdahn Report as presented. Board Member Gload seconded the motion, which carried by unanimous 5-0 vote.

MOTION:

Board Member Bernard Ward made a motion to approve signing the automatic rebalance instruction for Fiduciary Trust. Board Member Rick seconded the motion, which carried by unanimous 5-0 vote.

3. Amed Avila, Fiduciary Trust Company
 - a. Annual Custodial Update

Amed Avila of Fiduciary Trust appeared before the Board to present an update since the transition to Fiduciary Trust. He reported the Plan transitioned from Salem Trust to Fiduciary Trust on October 30, 2015 and they transitioned pension payment service on January 4, 2016. He reported it was a seamless transition. Trustee Michelle Gload reported on the Village side, it was a learning process of how to read their reports and reconcile with the new format. Mr. Avila reported he had worked closely with the Village to help address any pending items needing attention.

MOTION:

Board Member Michelle Gload made a motion to accept the Fiduciary Trust update. Board Member Rick seconded the motion, which carried by unanimous 5-0 vote.

VIII. UNFINISHED BUSINESS

9. NCPERS Discussion

Attorney Bonni Jensen reviewed the NCPERS Code of Conduct specific to the adoption of the code of conduct policy that had been briefly addressed at the prior meeting. She explained NCPERS has developed a Code of Conduct for service providers and they are requesting all public pension plans adopt the standard. She reviewed the details of the code with the trustees explaining it covers an ordinary relationship with the service provider, fees and the last part relates to service providers advocating against Defined Benefit plans. Mrs. Jensen explained some plans have adopted the policy while others have added as part of their plan process when doing an RFP and interviewing new providers. Mrs. Jensen confirmed all service providers are fiduciaries to the Plan and duly documented as such. Discussion followed regarding the list of groups who are taking active public roles in favor of Defined Contribution plans. She further explained the Department of Labor recently released many of the same rules in the private sector (items number one through eight of the document); however it has been in place in institutional accounts for a long time. Mrs. Jensen reported out of the ten rules, the first eight are all accounted for in their current contracts; while rules nine and ten would be new.

MOTION:

Board Member Bernard Ward made a motion to take the NCPERS information under advisement and include the questions with future RFP's. Board Member Rick seconded the motion, which carried by unanimous 5-0 vote.

10. Experience Study on Reduction of Assumptions

The Board reviewed the study in detail regarding the assumed rate of return which is currently 7.5%; noting GRS had recommended the Board consider lowering the rate down to a range of 6.5% to 7%. They reviewed the cost associated with each adjustment. Lengthy discussion followed regarding the results of the study and the potential cost to the Village. Chairman Rhodes requested the actuary provide the following: A) Who the eight investment consultants were that GRS had polled and B) what those consultant's forecasts reflected five years ago. Board Member Gload reported they had done a similar study in 2009 and the Plan changed from 8% down to 7.5%. It was noted that prior to the past year, the investment consultants and actuaries had believed the assumed rate of return was fine long term; however now the actuary is recommending the rate be reduced. Discussion followed regarding the salary assumption. Actuary Jeff Amrose of Gabriel Roeder Smith joined the meeting via telephone conference at 9:55 a.m. Mr. Amrose reviewed the study in detail noting every 25 basis point reduction in the assumed rate of return equates to about \$35,000 of additional cost for the Village. He explained the assumptions do not dictate the overall cost; they only dictate when the money is due. Mr. Amrose noted the sentiment in the market two years ago was more positive and he explained the following large investment firms were used for the review: JP Morgan, Mercer, NEPC, PCA, Bank of New York, HFK and Towers Watson. Discussion followed regarding the salary assumptions and Mr. Amrose explained only two of the past seven years have been close; however the average since 1998 has been 6.8%. Mr. Amrose would consider looking at 5% as he feels 3%-4% would be too low in the long term view. Mr. Rhodes requested looking at the numbers based upon a 1% change factor. Mr. Amrose reported the average for over eighty plans at GRS was 5.5%. Discussion then followed regarding the funded ratio. Mr. Amrose explained if they lower the assumed rate of return, it will reduce the Plan's funded ratio. He explained the funded ratio "is what it is" and an adjustment will only allow for the assumptions to more clearly reflect the reality of the Plan. He noted that many plans with a 75% funded ratio are better off than plans with an 80% funded ratio due to the assumptions being used. Mr. Amrose's call ended at 10:30 a.m. Board member Gload explained she would consider going lower on the assumptions after listening to Mr. Amrose as she feels they should get the assumptions as close to the actual activity as possible and she feels the 6.5% is more real. Lengthy discussion followed regarding the Board's role to be prudent, the economy, the October 1, 2016 valuation report, the current assumptions and the potential cost for the assumption changes in incremental changes.

MOTION:

Board Member Bernard Ward made a motion to reduce the assumed rate of return from 7.5% down to 7.0% effective with the October 1, 2016 valuation report. Board Member Gload seconded the motion, which carried by unanimous 5-0 vote.

IX. NEW BUSINESS

11. Bonni Jensen, The Law Office of Klausner, Kaufman, Jensen & Levison
 - a. Normal Retirement Age Regulation

Bonni Jensen informed the Board the IRS has implemented a proposed final regulation on normal retirement age that pension plans have been waiting for since 2007. She reported the IRS has been very generous in their regulation. The Pension Plan allows members to receive an In Service Distribution therefore the new regulation does apply to the Plan. Mrs. Jensen reviewed the regulation in details with the Board noting it was the best rule they could have hoped for.

Mrs. Jensen reported of the upcoming meeting scheduled on June 9, 2016 to present to the Village Council to provide an update of the Pension Plan. She reviewed the summary information of the items to be presented. Mrs. Jensen will work with the Chairman to put the packet together for the Council.

X. BUDGET REPORT

12. Quarterly Budget Report – Income Statement & Expenditure Report, Finance Staff

Board Member Gload provided an update of the budget reporting all expenses are on track as expected and she expect the Fiduciary Trust invoices to be caught up soon now that they will be processing the retro invoice since they converted their reporting. Chairman Rhodes requested Board Member Gload do a report of the last three years of the cost trend of the Plan; to be provided to the Board at the next meeting. Discussion followed regarding the Pension Plans cost and Mrs. Jensen explained the Plan's information is part of the Village's CAFR; however the typical cost for the Plan is below 1%. She reviewed the management expenses from Bogdahn's report. Mrs. Jensen confirmed the insurance is co-shared with Public Safety and the cost was pro-rated accordingly for each Plan.

MOTION:

Board Member Jesse Oakley made a motion to approve the updated budget information. Board Member Rick seconded the motion, which carried by unanimous 5-0 vote.

XI. ADMINISTRATIVE REPORT

13. FPPTA 32nd Annual Conference

Denise McNeill reviewed the notice from the FPPTA regarding the upcoming summer conference. She recommended the Trustees consider attending either the conference or one of the upcoming Trustee schools held by the FPPTA for Trustee education; explaining the schools hold several different sessions which are beneficial for different levels of training. The administrator will make sure all trustees are registered with the FPPTA online.

14. Updated Center State Signature Cards

Denise McNeill explained the Center State signature cards need to be updated and she requested all Trustees be sure to sign the new documents at the end of the meeting.

XII. ANY OTHER MATTER

15. Discussion on Election Protocol

Bonni Jensen presented Administrative Rules to clarify the certification of employee trustee candidates. It was confirmed the Village will certify which can be done by the HR Director or the Finance Manager.

MOTION:

Board Member Michelle Gload made a motion to approve the amended Administrative Rules. Board Member Ward seconded the motion, which carried by unanimous 5-0 vote.

16. Discussion on Retirement Process

Board Member Michelle Gload inquired into the retirement process and what HR may be able to provide to members to help with retirement. Mrs. McNeill described a notice used with some pension plans describing the process and the timing expectation and she will have the administrator provide such a document to the Board at their next meeting. At the moment, she is not certain if one is already in use with their members.

Board Member Ward inquired if the Plan has any governmental guarantee through the PBGC and Mrs. Jensen explained the PBGC does not apply to governmental Plans.

Mrs. Jensen reported the IRS Determination application was filed and the IRS has acknowledged receipt so it is progress. She noted the last time the Plan filed for a determination was in 2009.

XIII. COMMUNICATION FROM CITIZENS

There were no communications from citizens.


XI. ADJOURNMENT

MOTION:

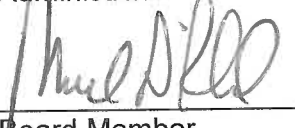
Board Member Bernard Ward moved to adjourn the meeting. Board Member Oakley seconded the motion, which carried by unanimous 5-0 vote.

There being no further business, the meeting was adjourned at 11:16 a.m.

Respectfully submitted,



Denise McNeill
Administrator



Board Member
Village of Tequesta General Employees' Pension Plan