

**TEQUESTA GENERAL EMPLOYEES' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
FEBRUARY 5, 2018**

CALL TO ORDER

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 5, 2018. The meeting was called to order at 1:00 p.m.

ROLL CALL

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

Also in attendance were Attorney Bonni Jensen, Pension Administrator Kerry Dutton, Investment Monitor Tyler Grumbles and Actuary Jeffrey Amrose. Also in attendance was retiree JoAnn Forsythe and members of the public.

PUBLIC COMMENT

None

APPROVAL OF AGENDA

Board member Michelle Gload requested item 9 to be moved up for discussion after the Actuarial Valuation presentation. Chairman Michael Rhodes requested the additional of the Fiduciary Liability presentations. Mrs. Dutton stated the current policy broker, Gehring Group was not available to attend due to a prior commitment out of state but was available by phone and the outside broker advised getting a renewal quote would be better to do closer to the renewal period.

MOTION:

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

APPROVAL OF MINUTES

1. Tequesta General Employees' Pension Trust Fund Board of Trustees Regular Quarterly Meeting Minutes – November 6, 2017.

Ms. Jensen requested the correction of typographical errors. Board member Gload stated item 21 should reference December not August. Chairman Rhodes stated the correct spelling of his name for proper reference in the minutes. The Board also requested to have the wording changed to re-adopt for the investment policy statement. The Board requested the re-line copy be sent out.

MOTION:

Board Member Michelle Gload made a motion to approve the November 6, 2017 Regular Quarterly Meeting Minutes as amended. Board Member Dennis Rick seconded the motion, which carried by 5-0 vote

MOTION:

Secretary Bernard Ward made a motion to approve the July 31, 2017 red-line Regular Quarterly Meeting Minutes as presented. Board Member Michelle Rick seconded the motion, which carried by 5-0 vote

PRESENTATIONS

2. Actuarial Valuation as of September 30, 2017 – Jeffery Amrose, Gabriel Roeder Smith & Company

Mr. Amrose presented to the Board the Actuarial Valuation Report as of September 30, 2017. He stated the Plan is in very good shape due to a high funded level and the reasonable assumptions the Plan is using. He noted the Village's required contribution is low compared to the average of general employees' pension plans. Mr. Amrose reviewed the fluctuation of the actual required Village contributions due to the reduction of the expectant rate of return. Chairman Rhodes noted the payroll increase reflected for the fiscal year. Mr. Amrose stated the Village's required contribution increased to \$352,799 (11.23% of covered payroll) compared to last fiscal year's requirement was \$328,077 (11.20% of covered payroll). He noted the monetary amount of the required contribution increased by \$25,000 due to the payroll increase. There was a net actuarial loss of \$86,580 for the year due to the actual experience being less favorable than expected. He stated the Fund is very healthy with a funded ratio of 97.4% this year compared to last years funded ratio at 98.6%. He stated there were more retirements then expected also shortens the funding time for those benefits. He noted the normal cost for the plan is 9.60%. He reviewed the fund earnings and the salary increase assumptions. He explained the payroll increase reflects only the active participants as of October 1, 2016 and October 1, 2017 valuation periods. The payroll reflects a 6.6% increase between the two valuation periods. A brief discussion ensued on the details of the payroll increase reflected in this year's valuation. Mr. Amrose is to send data back to the Village's Finance Department for further review. He stated the S&P as of last Wednesday was up 11 basis points and therefore feels the plan is in a good position to meet the assumptions. He reviewed the calculation used to determine the required contributions. He reviewed the increased number of retirees. Mr. Amrose reviewed the actuarial value of assets. He stated the actual net earnings to be \$562,828 versus the expected earnings of \$306,791 He explained the gains from the earnings are not recognized at once but over a 5 year period. He reviewed all GASB disclosures which are included in the Village's CAFR. Mr. Amrose reviewed the single discount rate report. He re-stated the Plan is in a good shape. He reviewed and explained the requirement of the GASB 67 disclosure of the sensitivity of the net pension liability. Mr. Amrose reviewed the historical return rates for the Fund.

MOTION:

Board Member Michelle Gload made a motion to approve the Actuarial Valuation Report as of October 1, 2017 as presented. Board Member Dennis Rick seconded the motion, which carried by 5-0 vote.

9. SB980/HB1363 Memo

Attorney Bonni Jensen reviewed the proposed bill requiring a new schedule on both pre and post-retirement benefits by the actuary. This would include but no limited to life insurance, dental insurance, dental care, vision care, and continuing education tuition credit programs. She stated this information would need to be gathered from the Village. She also noted the Village's revenue would need to be included in the Valuation even though already included in the Village's CAFR. Mr. Amrose also stated the proposed bill would require the calculation of

run out dates without including contributions. Mr. Amrose stated this type of requirement would shine a negative light on pension funds.

Ms. Jensen reviewed the letter from GRS from the lasting meeting. She explained the new requirement for electronic filing of the actuarial valuation by the actuary. She explained the request for an additional fee due to this requirement. It was noted this requirement is a state mandate.

MOTION:

Secretary Bernard Ward made a motion to amend the GRS contract to include the additional fee of \$1,250 for the 1st year and an annual \$500 for each year going forward for the electronic filing of the Valuation requirement. Board Member Dennis Rick seconded the motion, which carried by 5-0 vote.

3. Quarterly Performance Report as of December 31, 2017 - Tyler Grumbles, And Co Consulting

Tyler Grumbles reported the performance as of December 31, 2017. He stated Dan Johnson has been given equity with in the Firm as a Director. He also stated Dave West has decided to recycle his shares back in to the Firm. Michelle Gload gave a word of congratulations to Dan Johnson.

He stated the return for the quarter was very strong. The US dollar depreciation was a driving factor strengthening the emerging markets sector. There was a brief discussion on the market activity over the last few days. Mr. Grumbles reviewed the total funds growth since he started working with the Fund. The asset allocations were reviewed as follows; Domestic Equity 51.6%, International Equity 15.4%, Domestic Fixed Income 18.1%, Global Fixed Income 4.6%, total Real Estate 9.2% and Cash Equivalent 1.0%. Mr. Grumbles reported that for quarter ending December 31, 2017 the Plan's market value was \$5,240,057 and He reviewed the cash flow during the quarter. He stated the assets gained 4.37% for the quarter compared to the 3.74% benchmark and ranked in the top 11th percentile of the peer fund universe. He reviewed the trailing returns. Mr. Grumbles reviewed and commented on individual manager performance. He stated Dana has gotten back on track and now has a very strong healthcare selection. The EuroPacific fund did very well for the 1 year return. He explained the Dana Intermediate Fund was hit the hardest during the quarter due to interest rates. Mr. Grumbles reviewed Templeton's quarterly return which did not do very well due to expecting the Euro to depreciate. He stated there is no recommendation for Templeton because the long term return strategy is up over 8% just very volatile. There was a brief discussion on the benchmark for Templeton. He reviewed ASB's struggle during the quarter but have made a nice recovery. Mr. Grumbles reviewed the objectives listed on the compliance checklist. Mr. Grumbles had no recommendation on asset allocations at this time.

Mr. Grumbles reviewed the need for the Board to set the expectant rate of return. He suggested setting the expectant rate of return at 7%. He explained the need for a letter of explanation to be sent to the State if the Board does not agree with the recommended rate of 7%.

MOTION:

Board Member Dennis Rick made a motion to approve the Expectant Rate of Return at 7% for this year and every year thereafter. Board Member Michelle Gload seconded the motion, which carried by unanimous 5-0 vote.

Mr. Grumbles is to draft a letter and send to the Plan Administrator for signatures to meet the 60 day filing requirement. He stated the 5 year required schedule will also be sent to the administrator to be placed on the fund's website.

Mr. Rhodes requested the compliance checklist be reviewed. Mr. Grumbles reviewed the first compliance requirement of meeting the 7% expected rate for the trailing 3 years was a not in compliance however many plans did not meet this compliance. Mr. Ward stated the questions on fees presented by the Village Council. Mr. Amrose stated the administrative expenses are roughly \$32,000 which includes the managers, custodian, investment consultant and some passive managers.

MOTION:

Secretary Bernard Ward made a motion to approve the Investment Performance Report as of December 31, 2017 as presented. Board Member Dennis Rick seconded the motion, which carried by unanimous 5-0 vote.

CONSENT AGENDA

4. Ratification of invoices paid since last quarterly meeting

<u>Check#</u>	<u>Paid Date</u>	<u>Vendor / Description</u>	<u>Amount</u>
1300	11/9/2017	Pension Resource Centers Administrator Fee - November 2017 Invoice# 15921	\$800.00
1301	11/9/2017	Gabriel Roeder Smith & Company Actuarial Services Rendered through 09-30-17 Invoice# 433120 Date 1/1/17	\$3,416.00
1302	11/9/2017	DANA Investment Advisors Management Fee - 3rd Quarter 2017 Account# 451856620 Invoice# 57922	\$2,371.25
1303	11/9/2017	DANA Investment Advisors Management Fee - 3rd Quarter 2017 Account# 451856610 Invoice# 57879	\$579.32
1304	11/9/2017	Klausner, Kaufman, Jensen & Levinson Legal Services Rendered through 10/31/17 Invoice# 20726	\$1,099.00
1305		NO PRINT	
1306	11/30/2017	Gallery Grill December 1st, 2017 lunch	\$325.00
1307	12/13/2017	Pension Resource Centers Administrator Fee - November 2017 Invoice# 15984	\$800.00
1308	12/13/2017	Klausner, Kaufman, Jensen & Levinson Legal Services Rendered through 11/29/17 Invoice# 20866	\$3,604.00
1309	12/13/2017	FPPTA	\$600.00

Event Registration: Pension Board

1310	1/11/2018	Pension Resource Centers Administrator Fee - January 2017 Invoice#16053	\$800.00
1311	1/11/2018	Gabriel Roeder Smith & Company Actuarial Services Rendered through 12-31-17 Invoice# 435208	\$9,042.00
1312	1/11/2018	& Co Consulting, LLC 4thQuarter 2017 Invoice #23989	\$3,125.00
1313	1/11/2018	Klausner, Kaufman, Jensen & Levinson Legal Services Rendered through 12/31/17 Invoice# 21003	\$1,956.50
Total:			\$28,518.07
Custodian ASB Capital Management 4th Qtr 2017			\$1,510.15
Total:			\$30,028.22

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

Jennie Disla	Gina Lawrence
Dustin Queen	Alex Gavillan
Ed Black	

6. Non-Vested Terminated employees who have not yet taken their contributions:

<u>Last</u> <u>Name</u>	<u>First</u> <u>Name</u>	<u>Term Date</u>	<u>Total</u> <u>Contributions</u>	<u>Yrs</u> <u>Since</u> <u>Term</u>
Watson	Derek	10/27/2013	\$9,594.13	4.5
Steele	Brett	5/16/2014	\$6,502.55	3.9
Litteral	Nathaniel	12/29/2014	\$7,886.28	3.3
Meehan	Megan	2/13/2016	\$1,516.74	2.2
Jamason	Simon	5/10/2016	\$82.80	1.9
Madsen	Patrick	9/28/2017	\$3,198.74	0.5
Black	Edward	1/5/2018	\$119.60	0.3
Heady	Samuel	1/9/2018	\$14,852.07	0.3

END OF CONSENT AGENDA

MOTION:

Secretary Bernard Ward made a motion to approve the Consent Agenda and Ratification of Warrants as amended. Board Member Michelle Gload seconded the motion, which carried by unanimous 5-0 vote.

OLD BUSINESS

7. Request for Pro-Rated Pension Benefit from Retiree JoAnn Forsythe - Attorney Bonni Jensen, Klausner, Kaufman, Jensen & Levinson

Mrs. JoAnn Forsythe addressed the Board. She quoted her notations from the previous telephone conversations with Kerry Dutton, plan administrator. She claimed Ms. Dutton stated that Resource Centers pro-rates pension benefits all the time. Mrs. Forsythe quoted specific language for the West Palm Beach ordinance through the Resource Centers office stating the benefits are pro-rated. Ms. Dutton clarified she doesn't not personally work on that specific plan. Ms. Forsythe distributed copies of the Summary Plan Description. She referenced language on page 1 of the Summary Plan Description "*The amount of pension under each optional form has the same actuarial value as the normal form of payment (lifetime payments with 120 payments guaranteed)*". Ms. Jensen clarifies the 10 year certain language previously referenced by Mrs. Forsythe. Mrs. Forsythe referenced the language in the SPD pertaining to the optional forms of benefit and compared the SPD against the benefit election form generated by the actuary. She stated her concern has a possible error resulting in an over payment due to the 120 guarantee had not been waived. Ms. Jensen reviewed the process that would take place if a member brought forth a lawsuit challenging the Boards decision. Mrs. Forsythe stated that she is bring forth the error she has uncovered and wants to confirm that she will not be held liable at a future date to repay an overpayment. Mr. Amrose expressed that the wording for each benefit on the benefit election form seems to be clear. Chairman Rhodes requested any inconsistencies or errors to be stated by the attorney or actuary. Ms. Jensen confirm in her opinion there were no inconsistencies. There was a lengthy discussion on the differences of the interpretation of the benefit options language. Both Ms. Jensen and Mr. Amrose agreed upon the definitions of the optional forms of benefit. Trustee Gload stated that the information was a bit confusing when she reviewed the plan herself. She also noted the plan document states 76% joint & survivor annuity as an optional form whereas the benefit election form references 75% joint & survivor annuity. Mrs. Forsythe stated she feels there was a lack of help during the process. Chairman Rhodes requested to have an agenda action item added to the next regularly scheduled board meeting for summarized timeline of all retirements which took place in the past and current. He requested to have Scott Baur attended the meeting as well. Ms. Jensen confirmed further research of the plan language will be completed and reports at the next board meeting as well.

Mrs. Forsythe reviewed her original request for the pro-ration on the first month's pension benefit. Ms. Jensen reviewed the communication with Jeff Amrose including the questions that the Board had from the last meeting. Mr. Amrose responded to the Boards questions via email were stated as follows:

1. *It was our understanding that the commencement date is the first of the month following retirement based on Section 7.1 of the Plan which states "A Member may retire on his/ her normal retirement date or on the first day of any month thereafter..." Furthermore, the Plan does not specify a proration of the first payment in the Normal Retirement section but does specify this treatment in the Disability Retirement section. However, if the Plan's language is not precise, we rely on the Board to set the administrative policy regarding the commencement date.*
2. *For valuation purposes, retirements are assumed to occur at the beginning of each decrement year (on October 1). The small difference of starting a benefit on the first of the month or on the exact day of retirement is not something that is reflected in the valuation of the liability.*

3. *Changing to a prorated benefit would not change the required contribution for pre-funding purposes. That being said, there would be small actuarial losses when a member terminates before the end of the month and receives a prorated benefit before the full monthly payment on the first of the month following termination.*
4. *Unfortunately we do not have a summary of this particular item for the plans serviced by our team, and I am only aware of two plans on our team that uses an exact retirement date rather than the first of the month after eligibility. I have noticed the prorated benefit under Disability Retirement for most plans that we work on.*

Secretary Ward confirmed the plan allows for pro-ration of the disability benefits. Ms. Jensen continued to review the definition of Normal Retirement Date and the definition of Early or Normal Retirement. Mr. Amrose confirmed pro-ration of the first months benefit would not result in member's benefits being recalculated. There was a discussion on how the first month's pro-rated payment would be applied to the guaranteed 120 month benefit. Ms. Jensen explained the definition of "coincident with or". Ms. Jensen and Mr. Amrose both confirmed the language being questioned is found within most plans. Ms. Jensen explained the opposite side of a pro-rated benefit, for instance when a member passes away then the last monthly benefit received would be pro-rated and part would be return to the Plan. Board Member Gload reviewed the process she tried to on her own and explained at which point she expressed her concerns with the process. There was a discussion on revising some of the language within the plan. Ms. Jensen is to add the commencement language to the Summary Plan Description. Ms. Jensen stated that based on the policy the Board will need to deny Mrs. Forsythe's request for a pro-rated benefit. Mrs. Forsythe stated the Plan Administrator should advise and guide the member on selecting retirement dates. Ms. Jensen expressed the concerns of a plan administrator advising a member on retirement dates. Ms. Jensen explained the appeal process that would be available to Mrs. Forsythe upon the denial from the Board on the request. She stated there is 60 days allowed after a written notification of the denial for the member to appeal.

MOTION:

Secretary Ward made a motion to deny the request for pro-ration brought forward by JoAnn Forsythe. Board Member Oakley seconded the motion, which carried by unanimous 5-0 vote.

NEW BUSINESS

8. *IRS Mileage Rate for 2019 – Attorney Bonni Jensen, Klausner, Kaufman, Jensen & Levinson*

Ms. Jensen stated the 2018 mileage rate increase to 54.5 cents per mile and will be used for mileage reimbursements during the year.

10. *Required Minimum Distribution – Attorney Bonni Jensen, Klausner, Kaufman, Jensen & Levinson*

Ms. Jensen explained the program that assisted in locating members who are eligible for benefits however the program has since been closed. She stated this would apply to the plan when members reach 70 ½ and the plan has been unable located the individuals to issue a refund of contributions or a beneficiary payment. Ms. Jensen reviewed the steps the Plan is required to follow when trying to locate a missing participant or participant's beneficiary.

11. Discussion on Process for Actuarial Valuation Data Requests

Ms. Dutton recapped the process of collecting the data needed for completing the Valuation. She explained that the active data was supplied directly to the actuary therefore the questions regarding the active data was needed to be forwarded to the Village for clarification. She explained this can cause a break in complete records for the pension record keeping. There was discussion on both the Village and Pension Resource Centers having joint access to the portal. Ms. Dutton will follow up with GRS.

BUDGET REPORT

12. Quarterly Budget Report – Revenue & Expenditure Report – *Board Member, Michelle Gload, Finance Department*

Ms. Gload reviewed the revenue and expenditure report to date. She stated that several vendors have not yet billed. The budget reflected miscellaneous is over the originally expected amount.

MOTION:

Secretary Bernard Ward made a motion to approve the quarterly Budget Report. Board Member Jesse Oakley seconded the motion, which carried by unanimous 5-0 vote.

ADMINISTRATIVE REPORT

13. 2018 Conference List – Plan Administrator Kerry Dutton, Pension Resource Centers

The Board reviewed the 2018 conference list.

14. Approved Vendor List – Plan Administrator Kerry Dutton, Pension Resource Centers

Mrs. Dutton reviewed the list of approved vendors. The item was table until the next regularly scheduled meeting.

ANY OTHER MATTER

15. FY2018 Calendar Schedule

The Board reviewed the calendar. It was requested the Fiduciary Liability Presentations, Plan Administration presentation, and annual notification letters to non-vested terminated members.

Ms. Jensen reviewed the participant workshop and stated the presentation went well. She reviewed briefly some of the pension information touch on during the workshop.

Ms. Jensen stated the Village Council meeting dates are set for June 14th and December 13th this year for the General Employees Board to give bi-annual updated presentations.

Board Member Gload stated the minutes are due four weeks following the meeting date which is an administration rule.

ADJOURNMENT

There being no further business, the meeting was adjourned at 4:52 p.m.

A handwritten signature in blue ink, appearing to read "Bernard J. Ward", is written over a horizontal line.

Secretary

Village of Tequesta General Employees' Pension Plan