

**TEQUESTA GENERAL EMPLOYEES' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
August 5, 2019.**

CALL TO ORDER

The Regular Quarterly Board Meeting of the Tequesta General Employees' Pension Trust Fund was held in the Village Hall Council Chambers, 345 Tequesta Drive, Tequesta, Florida, on August 5, 2019. The meeting was called to order at 1 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, Board Member Jesse Oakley III, and Board Member Dennis Rick.

Also, in attendance were Attorney Bonni Jensen, Pension Administrators Denise McNeill and A.C. Lovingood, Investment Monitor Jennifer Gainfort, Dana Investment Advisor Greg Peters, and Fiduciary Trust Amed Avila.

PUBLIC COMMENT

There was no public comment.

APPROVAL OF AGENDA

Upon review of the agenda, The Board reviewed the agenda and requested the addition of supporting documents for the budget.

MOTION:

Board Member Jesse Oakley III made a motion to approve the amended minutes. Board Member Dennis Rick 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 5, 2018.

The Board reviewed the minutes from the November 5, 2018 Board Meeting.

2. May 6, 2019 Tequesta General Employees' Pension Trust Fund Board of Trustees Regular Quarterly Meeting Minutes – May 6, 2019.

The Board reviewed the minutes from the May 6, 2019 Board Meeting. There were a few typographical errors noted in the minutes.

MOTION:

Board Member Michelle Gload made a motion to approve the November 5, 2018 minutes as presented and the May 6, 2019 minutes as amended. Board member Bernard Ward seconded the motion, which carried by 5-0 vote.

PRESENTATIONS

3. Dana Presentation – Greg Peters, Dana Investment Advisors

Mr. Greg Peters presented the Dana Quarterly Report as of June 30, 2019 to the Board. Mr. Peters reviewed the account activity, stating that on September 28, 2018 the portfolio had \$2.5 Million dollars in investments and as of June 28, 2019 the assets were at \$2.74 Million. The portfolio's current yield is at 2.48%. The performance gross of fees through June 28, 2019 for LC fund for the quarter was 5.15% compared to the benchmark of 4.30%. The year to date performance was 19.43% compared to the benchmark of 18.54%, and fiscal year to date was at 2.44% compared to the benchmark of 2.51%. The average annual performance of the fund at the three-year mark was 14.09% compared to the benchmark of 14.19%, the five year was 9.38% compared to the benchmark of 10.71%, and since inception the performance of the fund is at 9%, compared to the benchmark of 8.94%. The bond characteristics of the portfolio were reviewed, and Mr. Peters noted that longer maturity corporate bonds, especially BBB bonds, were the best performers due to corporate spreads continuing to tighten while U.S. government bonds, including treasuries saw a decline in their interest rates. The fixed income sector returns were then reviewed with the Board and there was a lively discussion regarding the trends of the best performing sectors since 2004. The total returns by asset class was reviewed with the mention that developed foreign and emerging markets were volatile and underperformed. Chairman Michael Rhodes mentioned the emerging market is choppy and inquired if TIPs are low due to inflation. Mr. Peters stated that inflation is having an affect on the TIP rates. There was a lengthy discussion with regards to the Federal Reserve cutting interest rates and the President's indirect effect on the markets, including, but not limited to the U.S. Central Banking System and the Central Banks in other countries.

The equity market indices were reviewed, Mr. Peters noted that U.S. equity markets rebounded strongly in the first half of 2019, with the sector being the strongest that it has ever been since 1997. There was a very broad market increases except for the energy sector due to crude oil costs. A lengthy discussion came about with regards to modernization which led into the review of the S&P 500 Index earning estimates, noting that the forward earning estimates look unrealistic due to most investment returns are being driven by valuation expansion. The drivers of market performance were reviewed with Mr. Peters pointing out that the Federal Reserve did an about face on their stance of raising interest rates, the President blaming the economic growth slowdown on the Federal Reserve, and the continued Chinese trade negotiations, and the Brexit. The next 15 to 16 months will show a lot of uncertainty. Mr. Peters then stated that Dana is considering the sale of Best Buy, Trustee Bernard Ward asked if the consideration has part to do with consumers making majority of their purchases online. Mr. Peters stated that e-commerce is a contributing factor, however, the existing tariff issues are a major concern for the firm. Mr. Peters then reviewed Dana's investments with the Board and there was a lengthy discussion regarding the investments, their sectors, and Mr. Peters' employment history with Dana.

MOTION:

Board Member Michelle Gload made a motion to approve the Dana Investment Report. Board member Dennis Rick seconded the motion, which carried by 5-0 vote.

4. Quarterly Performance Report as of June 30, 2019 - Jennifer Gainfort, AndCo

Ms. Jennifer Gainfort started her presentation by reviewing the performance of the Plan to the Board. On March 31, 2019 the Plan's assets were at \$5,817,166 and as of June 30, 2019 the assets grew to \$6,071,014. The asset allocations targets were reviewed with the Board and Ms. Gainfort stated that she does not see a need to rebalance the Plan at this time. For the

second quarter of 2019, the Plan had a total of \$137,278 in contributions, \$72,938 in distributions, the total expenses for the quarter was \$16,629, income for the quarter was \$28,771, and the total capital gain for the quarter was \$182,181. For the fiscal year to date, the Plan had a total of \$395,746 in contributions, \$169,829 in distributions, the total expenses was \$38,594, \$13,909 in management fees, \$99,273 in income, and the total capital gains was \$105,139. For the quarter ending June 30, 2019 the trailing returns were 3.60% compared to the benchmark of 3.32%, the fiscal year to date returns were 3.39% compared to the benchmark of 3.59%. The one year returns were 7% compared to the 7.68% benchmark, three year returns were 9.52% versus the benchmark of 9.92%, five year returns were 6.24% versus the 7.04% benchmark, and the total returns since inception was 6.30% versus the 5.87% benchmark. Ms. Gainfort then reviewed each investment class returns compared to their respective benchmarks, noting that Dana Large Cap Core was at 5.16% compared to their benchmark of 4.30% with the S&P 500 Index and the 4.28% IM U.S. Large Cap Core Equity Index. Trustee Bernard Ward inquired if the Plan has recovered from the losses suffered from the fourth quarter in 2018, which Ms. Gainfort stated that the Plan has recovered from those losses. There was a discussion regarding the Plan's long term performance along with the Plan's Compliance Checklist.

MOTION:

Board Member Dennis Rick made a motion to approve the Bernard Ward AndCo Quarterly Performance Report as of June 30, 2019. Board member Bernard Ward seconded the motion, which carried by 5-0 vote.

a) AndCo ADV Part 2A

Ms. Jennifer Gainfort reviewed the ADV Part 2A disclosure. She explained that the ADV Part 2A disclosure provides information about the qualifications and business practices of AndCo Consulting. The only change to this notice was additional employee ownership was granted via the Unit Appreciation Rights.

b) AndCo Privacy Notice

Ms. Jennifer Gainfort reviewed the AndCo Privacy Notice with the Board. She noted that AndCo does not disclose client information to companies who may want to sell products or services and AndCo does not sell client lists.

MOTION:

Board Member Bernard Ward made a motion to approve the AndCo ADV Part 2A report and the AndCo Privacy Notice. Board member Michelle Gload seconded the motion, which carried by 5-0 vote.

5. Large Growth Equity and Large Cap Equity Value Analysis - Jennifer Gainfort, AndCo

Jennifer Gainfort presented the Board with a comparative performance of Dana Large Cap Core Fund versus a blended mix of 25% MFS Growth, 25% Polen Growth, and 50% JPMorgan Equity Income Funds and a blended mix of 50% Russell 1000 Growth and 50% Russell 1000 Value Funds as requested by the Board. The comparisons were reviewed, Chairman Rhodes noted that there was not much of a difference between Dana and the two potential options and inquired what the fee cost is for each option. Ms. Gainfort stated that Dana's fees are at 0.65%, Polen Capital is 1%, MFS Financial is at 0.60% and JPMorgan Chase is at 0.50%. Attorney Bonni Jensen informed the Board that when investing in mutual funds, there is no fiduciary relationship to the plan, the mutual fund managers follow their rules and not the rules

of the Pension Plan. There was a lengthy discussion regarding fiduciary responsibility and the Board determined that they need time to consider these alternative options.

MOTION:

Board Member Bernard Ward made a motion to accept the Large Growth Equity and Large Cap Equity Value Analysis as presented. Board member Jessie Oakley III seconded the motion, which carried by 5-0 vote.

CONSENT AGENDA

6. Ratification of invoices paid since last quarterly meeting

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

There were no new applicants at this time.

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

Brett Steele – Terminated 05/16/2014 (*4-24-17 First Notification Letter & 5-8-18 Second Notification Letter*)

Martin Meehan – Terminated 02/13/2016 (*4-24-17 First Notification Letter & 5-8-18 Second Notification Letter*)

Simon Jamason – Terminated 05/10/2016 (*4-24-17 First Notification Letter & 5-8-18 Second Notification Letter*)

Sam Heady – Terminated 01/09/2018 (*5-8-18 First Notification Letter & 10-29-18 Second Notification Letter*)

Alex Black – Terminated 01/05/2018 (*5-8-18 First Notification Letter & 10-29-18 Second Notification Letter*)

Terra Simon – Terminated 11/19/2018

9. Benefit Approvals:

No benefit approvals at this time.

END /OF CONSENT AGENDA

The Board reviewed the Consent Agenda. The Board asked that all the individuals listed on the Terminated Non-Vested list all have a notification letter sent. It was noted that Brett Steele has reached the five-year deadline to withdraw his funds and the Board requested that another notice be sent to him via Certified Mail along with the application or him to complete do withdraw his contributions from the plan. Trustee Michelle Gload noticed a charge in the amount of \$26.50 on the June 30, 2019 Klausner, Kaufman, Jensen & Levinson invoice #23973 with the description of "Review and Respond to email from Ray Giblin regarding SPD." She asked Ms. Jensen if that was a billing error, which Ms. Jensen confirmed as an error. Ms. Jensen stated that she would have her office credit the amount

MOTION:

Board Member Michelle Gload made a motion to approve the Consent Agenda, except for the Terminated Non-Vested Employees List. Board Member Dennis Rick second the motion, which carried by 5-0 vote.

OLD BUSINESS

10. JoAnn Forsythe 2017 Revised Calculation – A.C. Lovingood, Pension Resource Centers

A.C. Lovingood with the Resource Centers presenting the Board with the modified payroll history and revised GRS Benefit Calculation. Mr. Lovingood informed the Board that there were multiple anomalies that he and Scott Baur found in the payroll data that was provided from the Village, which resulted in a manual review of each pay period to ensure that the correct salary amounts and contribution amounts were used in the updated calculation. Mr. Lovingood asked Trustee, Michelle Gload if her payroll review is based on the Fiscal Year or Calendar Year because he and Scott Baur were unable to the payroll total that revised manual payroll review produced to match the payroll totals provided by Ms. Gload. Ms. Gload stated that she feels that from the term date back is a year. The Board was informed that they system calculation is done going 10 years back from each pay period. Ms. Gload stated that when she calculates the payroll data, she splits the payroll at Fiscal Year End, however she believes that vacation time numbers were not being captured correctly and she will look at her backing information to address the differences. Mr. Lovingood informed the Board that with the revised calculation, Ms. Forsythe has been receiving approximately \$100.00 more per month than she should be receiving.

Attorney Bonni Jensen asked the Board if it is positive that the amounts that are being excluded from the original payroll data were sick and vacation time that contributions were not take from and have not been reported as pensionable income for others previously. Ms. Gload explained that one time per year a member can sell back sick and vacation time. Attorney Jensen reviewed the description of pay. There was a discussion regarding the ordinance language needing to clarify the exclusion of lump sum payments, include the time sold, and working time. Ms. Jensen then reviewed the policy and ordinance regarding the recovery of owed funds. The Board has the authority under the ordinance to review benefit calculations for accuracy and has the obligation to treat everyone fairly. Ms. Jensen informed the Board that she wants to make sure that the accounting is correct and that no contributions were taken from the lump sum payments. Ms. Gload verified that she reviewed the payroll and found that Ms. Forsythe had been over reported.

Ms. Jensen stated that she will need to provide the member with the records and details reflecting the difference in her pension benefit recalculation. It was requested that Mr. Lovingood search the historical emails of the previous Pension Administrator for any sent messages to JoAnne Forsythe in order to see if she had been sent an original calculation with the payroll details. The next step would be to notify the member with the details and give her the opportunity to be heard before any changes are made. The Board indicated that they would like for the letter to come from The Resource Centers, with Ms. Jensen's assistance. The Board also requested that Mr. Lovingood provide Ms. Gload with the original and revised payroll data so that she can provide copies of paystubs of pay periods that had been included in the final average salary of the member's original benefit calculation, in addition to paystubs of pay periods where discrepancies were discovered.

Chairman Rhodes explained he wants the administrator to be responsible for the payroll reported by the Village. Mrs. McNeill explained that when payroll is consistent and clean, data issues are more easily identifiable; however the data being reported by the Village has not been consistent and there has been no way to determine accuracy therefore she did not feel the Resource Centers was responsible for the inconsistencies from the Village. Chairman Rhodes requested the administrator inquire into their fiduciary liability policy coverage regarding the matter.

11. Legislative Updates - Attorney Bonni Jensen, Klausner, Kaufman, Jensen & Levinson

A. Memo - Changes in Tax Rules for Alimony

Ms. Jensen Bonni Jensen presented a Memo to the Board regarding recent changes to how the Internal Revenue Service treats taxation of Alimony payments. Alimony and separate maintenance payments are no longer deductible for any divorce or separation agreement executed after December 31, 2019 and modified after that date. Ms. Jensen also informed the Board that the Plan is unable to comply with a Qualified Domestic Relations Order, commonly known as a QDRO, nor an Equitable Distribution Order. Ms. Jensen stated that the tax burden for the alimony payments cannot be passed off to the ex-spouse and suggested to the Board that this information be included in the Summary Plan Description.

B. Memo – Public Records Exemptions for Employees of a Law Enforcement Agency

Ms. Jensen presented a memo to the Board regarding the Statutory Death Benefits and Expanded Public Records Exemptions. There were two bills that were recently adopted by the Florida Legislature that relate to public safety officers. These two bills do not directly impact the police or firefighter pension plans, however both bills are relevant to public safety officers and plan administrators. Within Chapters 175 and 185, Florida law provides specified statutory death benefits that are required to be paid by cities/special districts. SB 7098 expands the coverage of statutory death benefits to include members of the U.S. Armed Forces, paramedics, and EMTs. SB 7098 also increases statutory death benefits that apply under three sets of circumstances. Accidental Death Benefit was increased to \$75,000.00, the Emergency Death Benefit was increased to \$150,000.00, and the Intentional Act Death Benefit was increased to \$225,000.00. In addition to the statutory death benefit increases, spouses and children are entitled to receive educational benefits, such as a waiver of tuition and educational expenses for a career certificate, undergraduate, and/or post graduate education at a state educational institution.

Ms. Jensen then reviewed SB 248 regarding the Public Records Exemptions Law. The records of current or former employees of a public safety agency, including civilian employees, spouses, and children will be exempt from disclosure. These records include home address, telephone number, date of birth, places of employment, and names and locations of schools and day care facilities for spouses and/or children. Ms. Jensen also informed the Board that the definition of “home address” was updated to include all descriptive property information, including but not limited to, GPS coordinates, neighborhood name and lot number, legal property description, parcel identification number, physical address, mailing address, and street address.

C. Summary Plan Description

Ms. Jensen provided the Board with the updated Summary Plan Description, noting that there are several options to verify that the SPD is understandable for the members. These options were reviewed with the Board and Ms. Jensen stated that the only item that needs to be added is the updated Rehire After Retirement Ordinance.

MOTION:

Board Member Dennis Rick made a motion to approve the Summary Plan Description with the addition of the Rehire After Retirement Ordinance update. Board Member Michelle Gload second the motion, which carried by 5-0 vote.

D. Administrative Rules

Ms. Jensen reviewed the Administrative Rules of the Plan with the Board of Trustees. Ms. Jensen recommended that the Board add the requirement of mailing out letters to non-vested terminated members informing them of the five year time limit of keeping their contributions in the Pension Plan along with instructions on how to roll those funds over into a qualified retirement account or request for a refund of contribution.

E. Statement of Policy on Determining Average Final Compensation

Ms. Jensen presented the Board with the updated policy on determining the average final compensation to the Board. It was noted that update was done to review verbiage within the policy.

F. Cyber Security Insurance Coverage

Ms. Jensen provided the Board with a review of the recent cyber security concerns in the State of Florida, noting that the City of Riviera Beach was a victim of ransomware. Ms. Jensen stated that her concern is if there is sufficient cyber security coverage for the plan to cover the costs associated if the Pension Plan falls victim to a cyber security threat like Riviera Beach did. Trustee Michelle Gload informed the Board that the Village is adding Cyber Security Coverage to mitigate its costs in such an event. Ms. Jensen suggested that the Board request copies of all the service providers cyber security insurance coverage so that the Pension Plan can make a more sound decision on what additional coverage may be needed.

MOTION:

Board Member Bernard Ward made a motion to have Attorney Bonni Jensen obtain copies of all service providers Cyber Security Insurance Coverage. Board Member Michelle Gload second the motion, which carried by 5-0 vote.

ACCOUNTING REPORTS

12. Accounting Reports – Board Member, Michelle Gload, Finance Department

Board Member Michelle presented the Board with the Accounting Report which the Board reviewed. The Board reviewed the 2020 Pension Plan Budget, noting that legal costs were over the Plan's estimates. Ms. Jensen gave the board an update regarding the pending presentation of the Plan's Experience Study by GRS. Ms. Jensen informed the Board that Trisha Amrose with GRS had a health scare which delayed the completion of the study.

MOTION:

Board Member Jesse Oakley III made a motion to approve the 2020 Budget with revisions. Board Member Michelle Gload second the motion, which carried by 5-0 vote.

NEW BUSINESS

There was no new business to discuss

ADMINISTRATIVE REPORT

13. Fiduciary Liability Insurance Update - *Plan Administrator A.C. Lovingood, Pension Resource Centers*

A.C. Lovingood with The Resource Centers informed the Board that the plan's Fiduciary Liability Insurance is up for renewal and expires before the next Board Meeting. Mr. Lovingood noted that The Village of Tequesta General Employees' Pension Plan and The Village of Tequesta Public Safety Officers' Pension Plan both share the same Fiduciary Liability Insurance Policy. The Board discussed increasing the policy to \$2.5 Million in coverage and requested that Mr. Lovingood obtain quotes for the renewal of the policy at the current coverage in addition to what the cost would be to up the policy coverage to \$2.5. Mr. Lovingood suggested to the Board that they delegate the decision and approval of the new policy to one of the members so that Chairman Ed Sabin of the Public Safety Pension Plan can collaborate with General Employees' Pension Plan and agree upon the policy coverage and cost. The Board members agreed upon having the Chairman, Michael Rhodes as the designee to approve the Fiduciary Liability Insurance renewal with Chairman Ed Sabin of the Public Safety Officers' Pension Plan.

MOTION:

Bernard Ward made a motion to appoint Chairman Michael Rhodes to act on behalf of the Board for the renewal of the Fiduciary Liability Insurance Policy. Dennis Rick seconded the motion, which carried by unanimous 5-0 vote.

14. Ellen Schaffer Invoice #3103 - *Plan Administrator A.C. Lovingood, Pension Resource Centers*

Mr. Lovingood presented the Board with an invoice from Ellen Schaffer dated May 4, 2018 that had not been paid by the Pension Plan. Mr. Lovingood informed the Board that the invoice is in reference to removing three members of the Public Employees' Pension Plan from the General Employees' Pension Plan. The Board requested additional information regarding this invoice and wanted to know how those three individuals were added to the General Plan as the Board wishes to know if the error was the fault of the Village or The Resource Centers.

ANY OTHER MATTER

Mr. Lovingood informed the Board that the Board Meetings are only scheduled through the end of 2019 and that the 2020 meeting schedule should be done no later than the next Board Meeting.

ADJOURNMENT

There being no further business, the meeting was adjourned at 6 p.m.

Secretary
Village of Tequesta General Employees' Pension Plan