

**TEQUESTA PUBLIC SAFETY OFFICERS' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
NOVEMBER 7, 2011**

I. Call To Order and Roll Call

The Regular Quarterly Board Meeting of the Tequesta Public Safety Officers' Pension Trust Fund Board of Trustees was held at the Tequesta Village Hall, 345 Tequesta Drive, Tequesta, Florida, on November 7, 2011. The meeting was called to order at 1:02 p.m.

A roll call was taken by Pension Administrators, Scott Baur, and Dixie Martinez. In attendance at the meeting were: Chair Frank D'Ambra, Secretary Ray Giblin, Board Member Dave Cooper, Board Member John Terzakis, and Board Member Robert Young.

Also in attendance were Attorney Bonni Jensen, Pension Administrators Dixie Martinez, Investment Monitor Dan Johnson, Actuary Steve Palmquist and Chief Weinand (2:00 p.m).

II. Approval of Agenda

Pension Administrator, Dixie Martinez, reported that Mr. Palmquist's presentation needed to be added to the Agenda. The Board agreed to add this item under the approval of the minutes.

MOTION:

Secretary Giblin made a motion to add Mr. Palmquist's presentation after the approval of the minutes. Board member Young seconded the motion, which carried by unanimous 5-0 vote.

Attorney Bonni Jensen suggested the Board move item number 10, Letter from GRS-Senate Bill 1128 Actuarial Disclosure Requirement approval of \$750.00 fee, under Mr. Palmquist's presentation. The Board agreed.

MOTION:

Board Member Young made a motion to move item number 10, Letter from GRS-Senate Bill 1128 Actuarial Disclosure Requirement approval of \$750.00 fee, under Mr. Palmquist's presentation and to accept the Agenda as amended. Secretary Giblin seconded the motion, which carried by unanimous 5-0 vote.

III. APPROVAL OF MINUTES

- 1. Quarterly Meeting Minutes- August 1, 2011.**
- 2. Special Meeting Minutes – October 11, 2011.**

Chair D'Ambra asked Ms. Martinez if the Lump Sum payment had been made to Chief Weinand. Ms. Martinez reported that the lump sum payment has not been made yet. She explained that she had forwarded Chief Weinand the final calculation of his benefit last week when it was received by her office. So far Chief Weinand has not returned his benefit election form but it is in his possession.

Chair D'Ambra made the following corrections to the October 11, 2011 Minutes; under item IV. Second sentence, add the word "monthly" before benefit; under item IV, fifth paragraph add "Chair D'Ambra believes that the control and maintenance of the systems really belong to Pension Resource Centers."

Chair D'Ambra made the following corrections to the August 1, 2011 Minutes; under item V. second paragraph, fourth sentence add the word "net" after return; under item V. Second paragraph, fifth sentence add the word "return" before assumption; under item VI. first paragraph after motion, seventh sentence add the word "lump sum" before payment; under item 16, third sentence the word "contribution" should be deleted and should be replaced by the word "benefit."

MOTION:

Board Member Young made a motion to accept the minutes of the regular quarterly meeting of August 1, 2011 as revised by Chair D'Ambra and the special meeting on October 11, 2011 as revised by Chair D'Ambra. Board member Terzakis seconded the motion, which carried by unanimous 5-0 vote.

IV. PRESENTATIONS

Discussion with actuary, Steve Palmquist, regarding changes to the assumed rate of investment return.

Actuary Steve Palmquist reported that at the last Pension Board meeting the Board had discussed possibly reducing the assumed rate of investment return from the current rate of 8% to some lower rate. At that meeting the Board had asked him to provide a rough estimate of what the effect would be of reducing the assumed rate of investment return from 8% to 7.75%. He reported that he had estimated an increase between 4% to 5% of payroll in the required Village's contributions. He noted that the last actuarial valuation report was done in 2009, at which time the covered payroll was \$2.2 million dollars. He explained that he does not have the updated payroll for this year but making a rough estimate he could say that the payroll may have increased to \$2.4 million. Therefore if they apply the 4% or 5% it would be an increase of about \$96, 000 to \$120,000 for the Village to pay if the change is made. Mr. Palmquist reported that his firm tries to keep track of what is going on around the country in different regards and they have created a list of large Plans which in most part are state wide retirement systems and what they have done to their assumed rate of investment return over the past few months. He reported that with the exception of one Plan, everyone on the list has reduced their assumed rate of investment return. Mr. Palmquist reviewed the changes made by the Plans listed on his report. Mr.

Palmquist reported that they had also gathered the forward looking capital assumptions for eight different consulting firms to see what they are coming up with as far as their expectations for Plans with a similar asset allocation as this Plan. He reported that on this report they show the most optimistic and most pessimistic assumptions. Chair D'Ambra asked Mr. Palmquist if he had any specific recommendations that he would like to make. Mr. Palmquist reported that his recommendation would be to lower the assumed rate of investment return no higher than 7.5% but he believes 7.25% would be better. He explained that the reason that this matter is coming up now is because this year they will be doing their bi-annual actuarial valuation report. The Board had a lengthy discussion regarding possibly lowering the assumed investment rate of return. The Board agreed to lower the assumed investment rate of return from 8% to 7.50%.

MOTION:

Board Member Young moved to lower the assumed investment rate of return to 7.50%. Board Member Cooper seconded the motion, which carried by unanimous 5-0 vote.

10. Letter from GRS – Senate Bill 1128 Actuarial Disclosure Requirement approval of \$750.00 fee.

Mr. Palmquist reported that this change has to do with Senate Bill 1128. He explained that in order to compare the funded status of the Pension Plans around the state to the Florida Retirement System (FRS), they will now have to show on their reporting the Plan's assumed investment rate of return which now will be 7.50% as well as FRS's assumed rate of return which is 7.75%. Since this requires additional work they have estimated the cost to be \$750.00.

MOTION:

Board Member Young moved to approve the \$750.00 fee. Board Member Cooper seconded the motion, which carried by unanimous 5-0 vote.

3. Quarterly Presentation by Monitor – Dan Johnson, Bogdahn Consulting, LLC.

Dan Johnson, Bogdahn Consulting, LLC reported that during quarter ending September 30, 2011 there were still concerns regarding the European debt. He reported that during this quarter International stocks were negative -19.8%; Emerging markets were down -22.5%, the S&P 500 was down -13.9% and the Russell 2000 was down -21.9%. He reported that during the quarter Bonds were strongly positive. He explained that Bonds turn positive when interest rates fall. He reported that the highest quality asset class was US Governmental Bonds at 5.8%. Energy was down -20.6%, the only positive sector was utilities at 0.2%. He noted that developed countries did much better compared to Emerging Markets. Mr. Johnson reported that the Federal Reserve had announced "Operation Twist."

Mr. Johnson reported that for quarter ending September 30, 2011 the Plan's market value is \$6,683,647 and the asset allocations are Domestic Equity 41.7%, International Equity 9.4%, Fixed Income 42.8%, and Cash Equivalent 6.1%. The Plan's Total Fund Gross was at -10.06% versus the benchmark at 8.89%. Total Equity was down -19.33% versus the benchmark at -15.91%, Total Domestic Equity was down -19.05% versus the benchmark at -15.28%, Total International Equity was down -20.57% versus the benchmark at -18.95%, and Total Fixed Income was up 2.83% versus the benchmark at 2.30%.

Mr. Johnson reported that for fiscal year end September 30, 2011 the Plan's Total Fund Gross was at 0.23% versus the benchmark at 1.32%, Total Equity was down -3.81% versus the benchmark at -1.09%, Total Domestic Equity was down -2.0% versus the benchmark at 0.55%, Total International Equity was down -12.08% versus the benchmark at -8.94%, and Total Fixed Income was up 4.51% versus the benchmark at 4.22%.

Mr. Johnson reviewed the asset allocation by manager. He reviewed the performance by manager for quarter ending September 30, 2011. Rockwood Equity was down -21.52% versus the benchmark at -15.28%; Manning & Napier was down -16.41% versus the benchmark at -15.28%; Europacific was down -20.80% versus the benchmark at -18.95%; Rockwood Fixed Income was up 2.83% versus the benchmark at 2.30%. He reviewed some of the different holdings by managers. He noted that Rockwood had been very overweighted in midcap's this quarter which was a major detractor. Mr. Johnson reported that the EAFE index is a developed market index and it is very well recognized in the industry in measuring International Stocks but it does include some Emerging Markets. The Europacific Fund does use some Emerging Markets capability to add return over the long term but during this quarter this hurt them. He reported that the Pension Plan's portfolio is well structured. He reviewed the Rockwood Fixed Income portfolio. He reported that he will be suggesting the Fixed Income Manager attend the next time Rockwood comes and presents. He briefly reviewed different options of investments in convertible bonds and preferred stocks but he noted that he prefers Treasury Inflation-Protected Securities (TIPS) instead. He reported that at the next Pension Board meeting he will bring for the Boards discussion information regarding the diversification of the Fixed Income portfolio.

Mr. Johnson reported that as of Friday night the Plan's market value was \$7,175,303. He reported that he would like to have a systematic way to keep cash flow into the R&D account held at Salem Trust. He believes \$100,000 would be a reasonable target to keep in this account. He explained that he will provide a standard letter with instructions to Salem Trust. He explained that at the end of every calendar quarter if the account balance is over \$100,000 Salem Trust will have standing instructions to allocate to the targeted weights and if at the end of any calendar quarter the account balance is lower than \$100,000 Salem Trust will fund the accounts as per the standing instructions of the letter.

VI. UNFINISHED BUSINESS

None

VII. STANDING REPORTS (INFORMATION ITEMS)

There were no questions or comments regarding the information items below.

4. New applicants for participation in Pension Plan:

None

5. Request for withdrawal of contributions (employees Terminating employment with Village of Tequesta) – Ratification of withdrawals made since the last meeting on two signature basis:

None

6. Terminated Employees who have not taken their contributions

None

VIII. PAYMENTS TO BE RATIFIED (PAYMENTS MADE SINCE LAST MEETING)

7. Perry & Jensen, LLC Legal Services 5/15/2011	\$3,776.07
Pension Resource Centers Adm. Fee August 2011	\$950.00
Manning & Napier Investment Manager Fees 4-1-11 to 6-30-11	\$3,065.63
Gehring Group Public Safety Portion- Fiduciary Liability Insurance Period 10-1-11 to 10-1-12	\$3,223.71
Pension Resource Centers Adm. Fee September 2011	\$950.00
The Bogdahn Group Performance Monitoring fees 3 rd Quarter 2011	\$3,750.00
Gabriel Roeder Smith & Company Actuarial Service fees through 8/31/11	\$5,320.00

Ms. Martinez reported that the invoice from the Gehring Group needs to be removed from the items to be approved. She explained that the General Employees' Pension Board had questioned regarding the breakdown of the invoice between the two Plans. She explained that she is asking for approval on all of the other invoices as listed with the exception of the Gehring Group invoice.

MOTION:

Board member Young moved to approve the ratification of payments made since the last meeting with the exception of the Gehring Group invoice. Board Member Cooper seconded the motion, which carried by unanimous 5-0 vote

VIII. PAYMENTS TO BE REVIEWED AND APPROVED

8. Pension Resource Centers Adm. Fee October 2011	\$950.00
Perry & Jensen, LLC Legal Services 10/15/11	\$630.15
Manning & Napier Investment Manager Fees 7-1-11 to 9-30-11	\$2,767.23

MOTION:

Board member Young moved to approve the payment of invoices as presented. Board Member Cooper seconded the motion, which carried by unanimous 5-0 vote

X. BUDGET REPORT

9. Quarterly Budget Report – Income Statement & Expenditure Report, Finance Director Forsythe.

Ms. Martinez left the meeting to find Finance Director Forsythe. Ms. Martinez came back into the meeting. She reported that Finance Director Forsythe will be available to review the reports shortly.

XI. NEW BUSINESS

11. Lump Sum Policy, Attorney Bonni Jensen.

Attorney Bonni Jensen reported that there were questions from the Plan's actuary about how to calculate the supplemental benefit when calculating a partial lump sum payment. The question is whether the supplemental benefit should be included as part of the calculation in the lump sum or whether it should be treated as a separate benefit, independent of the monthly benefit. Ms. Jensen reported that the benefit is reduced in accordance with the optional forms of payment as it was costed in the original actuarial impact statement and the past practice of the Board. The Board had a lengthy discussion regarding the payment of the supplemental benefit.

Chief Weinand reported that he does not believe that the supplemental benefit was calculated on the calculation he had received from the Administrator. Chief Weinand explained to the Board how he thought the different forms of optional benefits were calculated. He stated that he had the impression that the Ten Year Certain Form of Benefit

was the value of his pension paid within 10 years. The Board explained that the Ten Year Certain and Life Thereafter Form of Benefit provides for a monthly benefit for his lifetime. If the retiree dies before 120 payments have been made, then the pension payments will continue to the beneficiary until a total of 120 payments have been made to the retiree and beneficiary combined. Chair D'Ambra asked the administrator to make payment to Chief Weinand based on the calculation that they had received from the Plan's actuary. Once the calculation is revised to include the supplemental benefit the administrator will need to pay Chief Weinand for the difference.

MOTION:

Secretary Giblin moved to include the supplemental benefit when calculating a lump sum payment. Board Member Young seconded the motion which carried by unanimous 5-0 vote.

MOTION:

Secretary Giblin moved to make payment to Chief Weinand and, once his benefit is recalculated to include the supplemental benefit to paid Chief Weinand the difference. Board Member Young seconded the motion which carried by unanimous 5-0 vote.

Attorney Bonni Jensen will revise the Lump Sum Policy.

14. Legislative Update – House Bill 365, Attorney Bonni Jensen

Attorney Bonni Jensen reviewed the suggested changes to 112.18. She explained that this has to do with the presumptions with respect to disability for firefighters, law enforcement officers, and correctional officers. She reported that essentially no one who is older than 37 years old would be able to apply for a disability retirement or if they have less than 5 years of service. She reported that as far as she knows the task force study has not been completed. She explained that the rest of the changes have to do with Chapters 175/185. She reported that another change is that the Pension Plan will have to create a budget.

15. Commission on Ethics, Attorney Bonni Jensen

a. Memorandum Form 1 Reporting

b. CEO 11-11

c. Form 1

Attorney Bonni Jensen reported that the Commission on Ethics opinion clarified what intangible property is. Essentially what they've decided is if assets are held in an IRA, a 401K Plan, the State investment Plan or in a 457 Plan, the Trustees don't need to report the item as a whole but will need to report the component parts. They will need to report each individual holding in their IRA or other Plan. December 31 is the reporting date, so what ever holdings were on that day is what needs to be reported. Also pre-paid college plans need to be reported if they exceed the threshold reporting requirement which is \$10,000, if they have a dollar value or 10% of net assets ,or if reporting on percentage value. DROP plans are also reportable. Ms. Jensen reported that Form 1X needs to be

completed if the person feels that they have substantially under reported on Form 1 to correct that section. If you feel you have properly reported you do not need to complete. There is no deadline to file form 1X. Form 1 is due annually on July 1.

16. Ordinance 14-11, Attorney Bonni Jensen

Attorney Bonni Jensen reported that they had gone through the process of getting the Plan amended to comply with the agreement that the Village had with the collective bargaining unit to close the Pension Plan to new members in the Police department. Last week, the Village decided that they will delay the implementation of closing the Pension Plan and they will allow new Police Officers to participate in the Pension Plan. The Village may implement the closing of the Pension Plan next year.

17. Class Action Reports for periods 4-1-11 to 6-30-11 & 7-1-11 to 9-30-11, Administrator Dixie Martinez

Administrator Dixie Martinez reported that there has been no class actions filed on the Plan's behalf in the last two quarters.

XI. ANY OTHER MATTERS

Investment Monitor Dan Johnson asked the Board if they would like to take action in regards to the standing instruction letter to Salem Trust so that they can have a systematic way to keep cash flow into the R&D account held at Salem Trust. The Board agreed that \$50,000 will be a reasonable target to keep in this account.

MOTION:

Secretary Giblin moved to send the standing letter of instructions to Salem Trust and to keep a balance of \$50,000 in the R&D account. Board Member Young seconded the motion which carried by unanimous 5-0 vote.

Finance Director Forsythe reported that the Pension Plan currently does not have a budget report. Chair D'Ambra asked Ms. Forsythe if she could create a budget report for the next Pension Board meeting. Ms. Forsythe agreed to do so.

Secretary Ray Giblin asked Mr. Baur when the DROP statement will be sent to Mr. Burnsed. Mr. Baur reported that in order to process the DROP statement he needs to have Bogdahn's return for the quarter. Since he now has the report he will be able to process Mr. Burnsed's DROP statement. Mr. Dan Johnson reported that he will start sending Mr. Baur the return for the quarter as soon as it is available each quarter.

XII. COMMUNICATIONS FROM CITIZENS

There were no communications from citizens.

XIII. Adjournment

There being no further business, the meeting was adjourned at 2:55 p.m.

Respectfully submitted,

Dixie Martinez

Administrator

Village of Tequesta Public Safety Officers' Pension Plan