

**TEQUESTA PUBLIC SAFETY OFFICERS' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
MAY 7, 2012**

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 May 7, 2012. The meeting was called to order at 1:02 p.m.

A roll call was taken by Pension Administrator 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 Scott Baur and Dixie Martinez, Investment Monitor Dan Johnson, Investment Manager Chris Long and Gregory Woodard and Actuary Steve Palmquist.

II. Approval of Agenda

Chair Frank D'Ambra explained that Board Member Cooper had to leave at 3:00 pm. Therefore he moved item VIII. Payments to be reviewed and approved to first item on the Agenda.

Chair Frank D'Ambra announced that he has been elected to serve on the Village Council therefore he will be resigning from this Board as soon as a qualified replacement has been found. He reported that former Board Member Ed Sabin, in the mean time, has resolved the conflict that made him resign from this Board therefore he has expressed his willingness to serve on this Board again.

MOTION:

Secretary Giblin made a motion to approve the Agenda as amended. Board member Young seconded the motion, which carried by unanimous 5-0 vote

VIII. PAYMENTS TO BE REVIEWED AND APPROVED

Secretary Giblin reported that he had been advised that there was an error on the invoices for Ellen Schaffer's hourly rate. Mr. Baur explained that the hourly rate should be \$105.00 instead of \$115.00 as stated on Ms. Schaffer's last invoices. He reported that the overage will be reimbursed to the Pension Plan.

9. Pension Resource Center – Adm. Fees for February

\$ 950.00

- Pension Resource Center – Adm. Fees for March \$ 950.00
 - Pension Resource Center – Adm. Fees for April \$ 950.00
 - The Bogdahn Group – Consulting Fees 1st Q 2012 \$3,750.00
 - GRS- Actuarial Services through 02/29/12 \$2,976.00
 - GRS- Actuarial Services through 03/31/12 \$3,816.00
 - Perry & Jensen – Legal Services through 02/15/12 \$1,175.35
 - Perry & Jensen – Legal Services through 03/15/12 \$ 283.65
 - Perry & Jensen – Legal Services through 04/15/12 \$ 257.37
 - Manning & Napier – Invest. Mgmt Fee for 1st Q 2012 \$3,310.64
 - Rockwood Capital Mgmt – Invest. Mgmt Fee for 1st Q 2012 \$6,419.13
 - Tequesta General Employees' Pension Plan \$ 239.18
- Reimbursement for a portion of the Fiduciary Liability Insurance
Due to the approved updated percentage split of paid invoice.

MOTION:

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

III. APPROVAL OF MINUTES

1. Quarterly Meeting Minutes- February 2, 2012

MOTION:

Secretary Giblin made a motion to accept the minutes of the regular quarterly meeting of February 2, 2012 as presented. Board member Young seconded the motion, which carried by unanimous 5-0 vote.

IV. PRESENTATIONS

1. Actuarial Valuation Report 10/01/2011 – Steve Palmquist, Gabriel Roeder Smith

Steve Palmquist, Gabriel Roeder Smith, reported that the assumed rate of return was reduced from 8.0% to 7.5%, as directed by the Board of Trustees. This change has raised the required contribution by 4.62% of covered payroll. He reported that the overall experience since the last valuation has been unfavorable resulting in an actuarial loss of \$540,472. The loss is primarily due to a lower than expected investment return. The actuarial loss has caused the required contribution to increase by 2.4% of covered payroll. He reported that the funded ratio was 84.5% this year compared to 97.1% last valuation. He explained that the funded ratio before the assumption change was 90.6%. He reported that for Fiscal Year Ending September 30, 2012 the estimated employer required contribution for Police Officers is \$171,398 or 19.97% of payroll and the estimated employer required contribution for Firefighters is \$340,202 or 25.91% of payroll, which makes a total estimated employer contribution of \$511,600 or 23.56% of payroll. He reported that for Fiscal Year Ending September 30, 2013 the estimated employer required

contribution for Police Officers is \$179,595 or 20.12% of payroll and the estimated employer required contribution for Firefighters is \$356,686 or 26.12% of payroll, which makes a total estimated employer contribution of \$536,281. Mr. Palmquist reported that the base amount for the previous plan year of chapter revenue was \$103,585. The amount received for previous plan year was \$183,320. There was an excess of funds from chapter revenue for previous plan year of \$79,735. He reported that once minimums are met, any subsequent additional Chapter revenue must be used to provide extra benefits. As of the valuation date, all minimum requirements have been met. There is an accumulated excess as of valuation date of \$558,157. Mr. Palmquist reviewed the amortization schedule of the unfunded actuarial accrued liability. He reviewed the reconciliation of Plan assets. He reviewed pg. 31 of his report "FASB NO.35 Information." He reported that there was a typographical error. Therefore he will send a replacement page.

The Board asked Mr. Palmquist to estimate the cost difference to have a valuation report done every year. Mr. Palmquist reported that on the off year there was a charge of about \$2,000.00. Therefore there would be an increase of about \$6,000.00 which is the same charge for this years report. The Board had a brief discussion regarding this matter. The Board agreed that they will stay the course.

MOTION:

Board member Young moved to approve the Actuarial Valuation Report as of October 1, 2011. Secretary Giblin seconded the motion, which carried by unanimous 5-0 vote.

The Board discussed what would be a reasonable assumed rate of return for the year. Mr. Johnson is comfortable with a 7.5% expected rate of return.

MOTION:

Board member Terzakis made a motion to set the expected rate of return at 7.5%. Secretary Giblin seconded the motion, which carried by 4-1 vote (Chair D'Ambra voted Nay)

3. Quarterly Performance by Investment Manager – Chris Long, Manning & Napier.

Chris Long, Manning & Napier, reported that economic news and data coming out of the U.S. were positive in the first quarter. However, unemployment, confidence, and sentiment measures remain well below historical averages. Additionally, large government debt burdens remain a significant headwind to growth. He reported that in other areas of the globe, the latest indications on growth suggested that most global economies continued to decelerate in the first quarter. He briefly reviewed his firm's strategy and what they are doing to move forward. He reported that his firm has over four decades of experience navigating difficult markets, and he believes that their disciplined active management approach positions them well for long-term. He reported that since inception they have a \$66,322 gain.

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

- a. Quarterly Performance Review**
- b. Diversified Bond Follow-Up Discussion**

Dan Johnson, Bogdahn Consulting, LLC briefly reviewed the market environment during this quarter. He noted that both domestic and non-US equity markets had double-digit returns but results were mixed in the fixed income markets. He reported that during this quarter International markets were up 11.0%, Emerging markets were up 14.1%, the S&P 500 was up 12.6%, the Russell MidCap was up 12.9%, the Russell 2000 was up 12.4% and the Barclays US Aggregate was up 0.3%, however the Barclay US Treasury Index return was down -1.3%. He reviewed the quarter's performance by sector. He noted that Financial were up 20.5%, Info Technology was up 21.2% and Utilities was down -1.6%. Mr. Johnson reviewed the financial reconciliation of the Fund as of March 31, 2012.

Mr. Johnson reported that for quarter ending March 31, 2012 the Plan's market value was \$7,557,147 and the asset allocations were Domestic Equity 44.4%, International Equity 9.8%, Fixed Income 39.3%, and Cash Equivalent 6.5%. The Plan Total Fund (Gross) was at 6.22% versus the benchmark at 7.60%. Total Equity was 10.40% versus the benchmark at 12.38%, Total Domestic Equity was 10.00% versus the benchmark at 12.87%, Total International Equity was at 12.38 versus the benchmark at 11.34%, and Total Fixed Income was at 0.97% versus the benchmark at 0.66%. Mr. Johnson reviewed the quarterly performance by manager. He reported that Rockwood Capital was at 9.37% versus the benchmark at 12.87%, Manning & Napier was at 10.63% versus the benchmark at 12.87%, Europacific was at 12.38% versus the benchmark at 11.34%, and Rockwood Fixed Income was at 0.97% versus the benchmark at 0.66%. He reported that the market is 2% down since last Friday. Board member Terzakis expressed his concerns regarding Manning & Napier. Mr. Johnson reported that the Board might want to consider making a modest adjustment to the index within the Investment Policy Statement at the next Pension Board meeting. He recommends introducing a passive Vanguard 500 index. He can bring a handout showing them Rockwood, Manning & Napier and an index fund to see what they look like.

Board member Cooper left the meeting.

Mr. Johnson followed up on the discussion that the Board had at the last meeting regarding a diversified Bond portfolio. Mr. Johnson suggested incorporating a minimum level of credit rating and no more than 5% of the total portfolio may be invested in securities that fall below these rating guidelines. He also suggested that all securities must maintain at least a "C" rating at the time of purchase by a nationally recognized rating organization. Also that the value of bonds issued by any single corporation shall not exceed 10% of the total fund and that the value of bonds denominated in US dollars that are issued by a foreign bank or corporation (Yankee Bonds) shall not exceed 5% of the total fund. Attorney Bonni Jensen can draft the language.

MOTION:

Secretary Giblin moved to authorize Bonni Jensen to draft the language as suggested by the Investment Consultant and send it to council. Board Member Terzakis seconded the motion, which carried by unanimous 4-0 vote.

Mr. Johnson briefly discussed the Salem Trust Collective Platform Trust. He will bring more information as soon as it is available.

V. UNFINISHED BUSINESS

5. Lump Sum Policy, Attorney Bonni Jensen.

Attorney Bonni Jensen reviewed the Lump Sum Policy. She reported that as per the Board's direction at the last Pension Board meeting she had removed the good health condition.

MOTION:

Secretary Giblin moved to accept the Lump Sum Policy as amended. Board Member Young seconded the motion, which carried by unanimous 4-0 vote

VI. STANDING REPORTS (INFORMATION ITEMS)

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

6. New applicants for participation in Pension Plan:

None

7. 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

8. Terminated Employees who have not taken their contributions

None

IX. BUDGET REPORT

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

Chair D'Ambra stepped out of the meeting for a moment.

Michelle Gload reviewed the Budget Report with the Board. She reported that she had compared the 2010 and 2011 actual expenditures and revenue of the Plan. For fiscal year end 2012 she filled in the expected contributions on projected payroll and used the new rates as per the 2011 actuarial valuation. She included any expenditure that she knew of but the Board will have to determine how much they would like to estimate for each account. She explained that at the bottom of the report she made notes of any items that she was aware of.

Chair D'Ambra returned to the meeting.

Chair D'Ambra explained that he likes to see the report separated by Police and Firefighter's but he feels that report should be consolidated. The Board reviewed the report; they agreed that they have to have a consolidated report. Mr. D'Ambra reported that he believes the core expenses like Pension Administration can be split 50/50 and for example legal expenses which may be more specific to either Plan can be allocated as it is incurred. Ms. Gload reported that she will be consolidating the report and will present it to the Board for their review. She commented that it may be a good idea to start looking at next year's as well.

X. NEW BUSINESS

11. Palm Beach County Commission on Ethics Clarification of RQO 11-060, Attorney Bonni Jensen.

Attorney Bonni Jensen reported that the Palm Beach County Commission on Ethics has issued an Opinion Clarification regarding Pension Trustees. She reported that in response to a request from the Boca Police and Firefighters Retirement System Board of Trustees, the letter clarifies 5 issues related to Pension Fund Trustees. She explained that they reiterated that Appointed Pension Trustees are "officials" under the Palm Beach County Ethics law. The financial misuse of office and the prohibited contractual relationship sections of the law don't affect the mere status of a relationship between a Trustee and a person or entity enumerated in the law. Provisions prohibiting the acceptance of travel expenses may be waived by the governing body. The prohibition against soliciting or accepting gifts from vendors only applies to Advisory Board members. The appointed trustees who are officials are volunteer officials and not Advisory Board members. However, these Board members must still follow state law reporting requirements of Form 9 and file the Form 9 with the PBC Commission. She explained that these clarifications apply only to Non-Employee Trustees.

12. Summary Plan Description, Attorney Bonni Jensen

Attorney Bonni Jensen briefly reviewed all of the changes included in the updated Summary Plan Description.

MOTION:

Board member Young moved to approve the updated Summary Plan Description. Secretary Giblin seconded the motion which carried by unanimous 4-0 vote.

13. State & Tax Law Updates, Attorney Bonni Jensen

Attorney Bonni Jensen reported that there are a couple of things that happened during this legislative session which are not pension related but it will impact them because they are a Governmental entity. She explained that there have been revisions to Exemptions from Public Records. She reported that a new provision of the law defines "telephone numbers" (which were already exempt) to include: the numbers associated with the home phone, personal cell, personal pagers and other telephone numbers associated with personal communication devices. Also now the date of birth is exempt for those confidential type of employees. She will coordinate distribution through the Village, using e-mail with return receipt. She recommends that the "Request for Confidentiality" form be included as part of the retirement package when members retire.

Ms. Bonni Jensen reported that HB 401 is effective July 1, 2012. It provides that dissolution or annulment of marriage voids the election of a former spouse as a designated beneficiary/joint annuitant as of the date of the divorce. She reported that in her opinion what this does is change the responsibility from the participant of having to come to the Pension Plan and change their beneficiary. Instead the Pension Plan will have to look at someone's death and see what happened during their lifetime, to see if they got divorced or if they were married to the Designated Beneficiary on their date of death. The laws provides that what should be done is that at time of death the death certificate should be reviewed to see if they were divorced or married at the time of death. She reported that the review of the Death Certificate is the Pension Plan's immunity from liability. If the Plan makes a missed payment by relying on the Death Certificate, the State Statute says that we are not responsible for it. In the absence of the Death Certificate giving that particular information, there are two affidavits that the law created. One for the Primary Beneficiary to complete where they will need to state that the person was married to the retiree on whatever date and that they were still married at the time of death in order to make the payment. The second affidavit might apply primarily for a refund of contributions type of situation. For someone who has a Primary and a Contingent Beneficiary, where the Contingent Beneficiary could say that the participant was divorced on such and such date therefore they are now the Primary Beneficiary. She recommends that the two affidavits be put into place as a standard process of the Pension Plan, even if we do not need it and can look at the Death Certificate. She reported that there are 10 exemptions where this law does not apply. For example if the retiree remarries the spouse after they divorce the spouse. It does not apply if the final judgement of dissolution requires the retiree to keep the former spouse as the Designated Beneficiary, a fact that the Pension Plan would not know unless they can review the divorce decree. It does not apply to the Florida Retirement system. It does not apply if the retiree renames the former spouse as the Designated Beneficiary. She reported that she recommends that the plan of action should be to renew efforts to make sure that all beneficiary designations are up to date. To Implement use of the affidavits for payment of all death benefits effective July 1, 2012. To develop procedures for gathering records to determine participant's marital status on date of death. To ensure that the City and all

service providers are aware of the new law. To follow up on regulations interpreting the statute, if any. She reported that she will contact the Village to make them aware of this law.

Attorney Bonni Jensen reported that the IRS has issued a private ruling on Retire/Rehire policies and is addressing the Normal Retirement Age issue again. In its ongoing review of Normal Retirement Age in the governmental sector. The IRS clarification that governmental plans which do not offer in-service distributions do not need to have a definition of normal retirement age and do not need to have a definition referencing specifically age.

Attorney Bonni Jensen reported that in a Private Letter Ruling ("PLR"), the IRS determined that if an employee "retires" in order to qualify for a benefit, with the explicit understanding with the employer that the employee is not separating from service, then the employee is not legitimately retired. Municipalities and Pension Plans need to be very careful about this process and make sure that it truly is a retirement and a considered rehired decision if they plan to bring someone back into employment. One of the ways that the Plan can operate with that rehire is to provide for in service distributions. She explained that in 2006 with the Pension Protection Act, the IRS code was amended to allow for people to remain employed and actually collect their pension. They would have to be at normal retirement age, which the IRS code states is age 62 but there are some exceptions. Public Safety Officers is age 50. There is some ability to have a retirement between age 55 and 62 which requires a little bit of work but the Plan can implement this type of process therefore allowing somebody to be re-employed.

14. Memorandum Regarding Annual Form 1 Filing, Attorney Bonni Jensen

Attorney Bonni Jensen reminded the Board that Form 1 is due July 1, 2012. She explained on this form they need to disclose the financial information for year ending December 31, 2011. She reported that it is important that they timely file this form because the penalty for failure to timely file is \$25.00 per day, to a maximum of \$1,500.00. She reminded the Board that last year the State Commission on Ethics issued a letter which was a clarification on how they need to complete the intangible part of the report. At that time they indicated that Trustees need to list the holdings that are invested which are more than the threshold, which is either anything over \$10,000 for the dollar value or if using a percentage it is 10% of your net worth. She reported that DROP accounts have to be reported if they have more than \$10,000 value and Florida Pre-Paid program has to be reported. Also, she recommended filing it in a way that they can prove that the form has been filed.

15. Payment of Insurance Premiums and Reporting, Secretary Ray Giblin.

Secretary Ray Giblin inquired about the \$3,000 exemption for medical insurance. Ms. Bonni Jensen reported that this exemption is not made on a pre tax basis. She explained that the member receives a 1099-R which includes the \$3,000. They have the opportunity on their tax return to claim it but the insurance premium has to be deducted and paid directly from the Pension Plan. Mr. Baur reported that for this Plan Salem Trust makes the payments to

retired members. The Board asked if the administrator to find out if Salem Trust charges a fee for providing this service.

16. Sick & Vacation Buyback, Secretary Ray Giblin

Secretary Ray Giblin indicated that this issue may be a collective bargaining issue.

17. Class Action Reports for periods 01-01-12 to 03-31-12, Administrator Dixie Martinez

Administrator Dixie Martinez reported that there have been no class actions filed on the Plan's behalf during the last quarter.

XI. ANY OTHER MATTERS

There were no other matters.

XII. COMMUNICATIONS FROM CITIZENS

There were no communications from citizens.

XIII. Adjournment

MOTION:

Secretary Giblin moved to adjourn. Board member Young seconded the motion which carried by unanimous 4-0 vote.

There being no further business, the meeting was adjourned at 4:22 p.m.

Respectfully submitted,

Dixie Martinez
Administrator
Village of Tequesta Public Safety Officers' Pension Plan

Board Member
Village of Tequesta Public Safety Officers' Pension Plan