

**TEQUESTA PUBLIC SAFETY OFFICERS' PENSION TRUST FUND
SPECIAL BOARD MEETING MINUTES
DECEMBER 7, 2012**

I. Call To Order and Roll Call

The Special 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 December 7, 2012. The meeting was called to order at 8:00 a.m.

A roll call was taken by Pension Administrator Dixie Martinez. In attendance at the meeting were: Chair Ed Sabin, Secretary Ray Giblin, Board Member Dave Cooper, Board Member Robert Young and Board Member John Terzakis.

Also in attendance were Attorney Bonni Jensen, Pension Administrator Dixie Martinez, Investment Monitor Dan Johnson and Tyler Grumbles.

II. Approval of Agenda

The Board added the following items to the Agenda; IV.5. Revised Investment Policy Statement Review; IV.6. Rockwood new fee structure update; IV.7. Member Question, Secretary Giblin.

MOTION:

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

III. PRESENTATIONS

- 1. Presentation by Monitor – Dan Johnson & Tyler Grumbles, Bogdahn Consulting.**
 - a. Domestic Equity – Manager Review**
 - b. Core Fixed Income – Manager Review**
 - c. Diversified Fixed Income – Asset Class**

Dan Johnson, Bogdahn Consulting, LLC reported that for the month of November the Plan was at 1.10% versus the benchmark at 0.64% and so far for the quarter the Plan was at 0.24% versus the benchmark at -0.17%. He reported that Apple stocks were down in September and November. However the Plans investment managers do not hold any Apple stocks. Mr. Johnson presented the Domestic Strategy Review. He explained Rockwood's investment strategy. He also explained the difference between Rockwood's and Manning & Napier investment strategies and fees: Rockwood's fees are 70 bps \$ 13,758 and Manning & Napier's fees are 73 bps \$14,348. He reviewed several alternate investment strategies and fees. Alternate strategy #1; Dana Large Cap Core & Vanguard Mid Cap

Index: Dana's fees are 75 bps \$14,741 and Vanguard's fees are 10 bps \$16,706; Alternate strategy #2 GAMCO All Cap Value & Brown large Cap Growth: GAMCO's fees are 75 bps \$14,741 and Brown's fees are 75 bps \$14,741. He reviewed the current as well as the alternate strategies 1 & 2 risk/return as of September 30, 2012. The Board members asked Mr. Johnson many questions to which he answered accordingly. Mr. Johnson reviewed the rolling excess returns by strategy from December 2005 through September 30, 2012. The Board discussed at length alternate strategy #2 GAMCO All Cap Value & Brown large Cap Growth. Mr. Johnson recommended that if the Board can understand through the dialogue that they just had that the Growth and Value manager complement, he does feel that it will provide extra returns over the long haul. However there will be faith in manager ability that at some periods may under perform but over a longer full business cycle if the Board can be patient with that their recommendation to utilize a change to the current portfolio to the Brown & GAMCO portfolio, with Brown being in their institutional mutual fund and GAMCO through the institutional arrangement that they have been able to negotiate with them. Mr. Johnson noted that patience will be a key element.

MOTION:

Board Member Terzakis made a motion to change the portfolio to the GAMCO/BROWN strategy change of portfolio manager with the understanding that the Plan will have some risk and volatility. Board member Cooper seconded the motion, which carried by unanimous 5-0 vote.

The Board had a brief discussion regarding the changes to the portfolio. Mr. Johnson explained the commission recapture process.

MOTION:

Secretary Giblin made a motion to authorize the Investment Consultant and the Attorney to send a letter to Convergenx to negotiate best price and best execution for commission recapture and to authorize two Board members to sign the documents. Board member Terzakis seconded the motion, which carried by unanimous 5-0 vote.

MOTION:

Board Member Cooper made a motion to terminate Rockwood and Manning & Napier upon completion of the contracts. Board member Terzakis seconded the motion, which carried by unanimous 5-0 vote.

MOTION:

Board Member Cooper made a motion to authorize Chair Sabin and Secretary Giblin to sign the new agreements and documents in between meetings. Board member Terzakis seconded the motion, which carried by unanimous 5-0 vote.

Mr. Johnson reported that in his opinion the biggest thread from here going forward are not stock market volatility but instead it is interest rates. He reported that 40% of the Plan's allocation is into bonds. Mr. Johnson reviewed the Domestic Fixed Income Manager Review as of September 30, 2012. He reviewed a list of managers; Rockwood-Intermediate Fixed Income, Agincourt – Intermediate Fixed Income, Bair Intermediate Bond Fund, and Garcia Hamilton – Intermediate Aggregate and PIMCO Moderate Duration Fund. He presented to the Board a graph which represented the growth of \$100 over time. He

reviewed the trailing returns in the last ten years and the credit ratings for the listed managers. He reviewed the fees; Rockwood- Intermediate Fixed Income 40 bps, Agincourt – Intermediate Fixed Income 25 bps, Bair Intermediate Bond Fund 30 bps, Garcia Hamilton – Intermediate Aggregate 30 bps and PIMCO Moderate Duration Fund 46 bps. The Board had a lengthy discussion regarding the information presented to them.

MOTION:

Board Member Terzakis made a motion to terminate Rockwood on the fixed income side and move the assets to the PIMCO Total Return Institutional Index Fund at Salem Trust. Secretary Giblin seconded the motion, which carried by unanimous 5-0 vote.

Attorney Bonni Jensen reported that she is comfortable that the Investment Policy Statement allows the Plan to do this.

Mr. Johnson pointed out that what they have accomplished today may be enough at this point because PIMCO uses global components within its portfolio. He believes they should continue with the changes that were just made. However he has the review of Global Fixed Income Review as of September 30, 2012. He reported that diversification within a fixed income portfolio can provide a number of advantages over a traditional broad market bond portfolio including: current income enhancement; potential total return enhancement and potential risk (volatility) reduction in the form of non-correlated returns patterns. Mr. Johnson reported that since the Board made changes to the portfolio he will leave this matter for now.

IV. NEW BUSINESS

2. Possibility of doing Actuarial Valuation for October 1, 2012, Secretary Ray Giblin.

Secretary Giblin reported that since the Police Plan will be closed for new members he believes the Actuarial Valuation should be done on an annual basis instead of semi annually. Ms. Martinez reported that the cost is \$6,000 annually in the odd years and \$2,000 in the even years. Therefore if done annually there would be a \$4,000 difference in cost per year. The Board had a lengthy discussion regarding this matter. Ms. Jensen reported that the Police Plan will receive the State 185 funds for one more year. Ms. Jensen reviewed the Impact Statement done by the actuary due to the Ordinance Amendment done by the Village. The Board members expressed their thoughts and concerns regarding this matter.

MOTION:

Secretary Giblin made a motion to approve having the Actuarial Valuation done on an annual basis instead of semi annually starting October 1, 2012. Board member Cooper seconded the motion, which carried by unanimous 5-0 vote.

3. Request from Village Council to Pension Board to offer quarterly reports during Council Meetings alternating with the General Employees Pension Board, Attorney Bonni Jensen.

Attorney Bonni Jensen reported that the Village Council sent an e-mail requesting the Board to present quarterly reports during Council Meetings alternating with the General Employees Pension Board. She explained that she could put together a report after the Pension meeting each quarter which is due the morning following the day the Board meets. She believes that the quarterly package will consist of the minutes of the prior meeting, the investment performance report, and a brief summary if there were any actions taken by the Board during the meeting. The Board had a lengthy discussion regarding this request. The Board asked Ms. Jensen to send a request to the Clerk's office asking that this item be placed early in the Village Council agenda. Ms. Jensen will work with Mr. Johnson and Ms. Martinez to gather the information needed to put the report together for the Board.

4. Resource Centers Summary SSAE 16 Report, Administrator Dixie Martinez.

Chair Sabin reported that he had asked Ms. Martinez to add this item to the Agenda so that the Board could formally accept the report.

MOTION:

Secretary Giblin made a motion to accept Resource Centers Summary SSAE 16 Report. Board member Cooper seconded the motion, which carried by unanimous 5-0 vote.

5. Revised Investment Policy Statement Review, Investment Consultant Dan Johnson.

Mr. Johnson reviewed the changes to the Investment Policy Statement; added for clarification to page 2 Total Equities target 60%, Range 50% to 70%, added Total Fixed Income target 40%, range 30% - 50%; page 4 item 2.a. deleted "*by a major rating service*" and added "*except that no more than 5% of the total portfolio may be invested in securities that fall below these rating guidelines but must maintain at least a "B" rating at the time of purchase by a nationally recognized rating service*"; added item 2.f. "*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*". The Board asked several questions to which Mr. Johnson answered accordingly.

MOTION:

Board member Young made a motion to accept the Investment Police Statement as amended. Secretary Giblin seconded the motion, which carried by unanimous 5-0 vote.

6. Rockwood new fee structure update, Investment Consultant Dan Johnson.

Mr. Johnson reported that the Rockwood's new fee structure has been negotiated retroactively to October 1, 2012. Mr. Johnson recommended that the Board approve it.

MOTION:

Board member Young made a motion to accept the new Rockwood fee structure. Secretary Giblin seconded the motion, which carried by unanimous 5-0 vote.

7. Membership question, Secretary Giblin.

Secretary Giblin asked Ms. Jensen about a member who will be soon turning 52 years old and he will have 27 years and 6 weeks of service when he reaches the age of 52. He believes this precludes him from entering the DROP Plan. Ms. Martinez reported that the member needs to meet normal retirement age to enter the DROP Plan. Ms. Jensen reported that he meets normal retirement 6 weeks after his 27 years of service and the Plan provisions state that election to participate in the DROP Plan should be forfeited if not exercised within the first 27 years of credited service. Therefore he will not be eligible to enter the DROP Plan.

Mr. Giblin reported that there is a firefighter who is getting close to retirement and he was on workers comp for a little while and he does not know if that will be factored into his final average salary. Ms. Jensen reported that workers comp at time of retirement definitely complicates things. Secretary Giblin believes that it was for only a few months. Ms. Jensen reported that the final average compensation is the best five years of the last ten years and a year is 12 consecutive months. She reported that his high year will most likely be before or post that time.

Mr. Cooper asked about the Plan's funding as of now. Ms. Jensen reported that she could let him know as of last year's valuation report. She reported that it was 84.5% funded as of October 1, 2011.

XII. Adjournment

MOTION:

Secretary Giblin moved to adjourn. Board Member Terzakis seconded the motion which carried by unanimous 5-0 vote.

There being no further business, the meeting was adjourned at 10:30 a.m.

Respectfully submitted,

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

Board Member
Village of Tequesta Public Safety Officers' Pension Plan