

**TEQUESTA PUBLIC SAFETY OFFICERS' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
AUGUST 5, 2013**

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 Emergency Operation Center, 357 Tequesta Drive, Tequesta, Florida, on August 5, 2013. The meeting was called to order at 8:01 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 Robert Young, and Board Member John Terzakis.

Also in attendance were Attorney Bonni Jensen, Pension Administrators Scott Baur and Dixie Martinez, and Investment Monitor Tyler Grumbles.

II. Approval of Agenda

Administrator Dixie Martinez requested the addition to the Agenda of Item X.14. Public Records - Maintenance of Confidentiality for Police Officers & Firefighters.

MOTION:

Board Member Young made a motion to approve the Agenda as amended. Board Member Terzakis seconded the motion, which carried by unanimous 4-0 vote

III. APPROVAL OF MINUTES

1. Minutes:

a. Quarterly Meeting- May 6, 2013.

MOTION:

Board Member Young made a motion to accept the minutes of the regular quarterly meeting on May 6, 2013 as presented. Board Member Terzakis seconded the motion, which carried by unanimous 4-0 vote.

IV. PRESENTATIONS

2. Quarterly Presentation by Monitor – Tyler Grumbles, Bogdahn Consulting, LLC.

a. Quarterly Performance Report

Tyler Grumbles, Bogdahn Consulting, LLC briefly reviewed the performance of the market environment for major market indexes as of June 30, 2013. He reported that in the first half

of the period, the U.S. equity markets continued the strong run posted in the first quarter, which saw double digit returns across many U.S. indices. Equity markets were up 3-4% from the beginning of April through late May. However, this reversed in June as the S&P 500 declined 1.1% off its high. He reported that international stocks lagged during the second quarter evidenced by the MSCI EAFE Index's return of -0.7%. Emerging stocks fared even worse with the MSCI Emerging Markets Index down 8.0%. The U.S. bond market fell 2.3% in the second quarter of 2013. The 2.3% decline was the largest quarterly drop since the second quarter of 2004. Mr. Grumbles reported that for quarter ending June 30, 2013 the Plan's market value was \$8,917,312 and the asset allocations were Domestic Equity 48.9%, International Equity 10.2%, Fixed Income 36.1%, and Cash Equivalent 4.7%. Mr. Grumbles reviewed the financial reconciliation of the Fund as of June 30, 2013. He reported that for the quarter ending June 30, 2013 the Plan's Total Fund (Gross) was down -0.64% versus the benchmark at 0.34%. Total Equity was 0.90% versus the benchmark at 1.74%, Total Domestic Equity was 1.24% versus the benchmark at 2.69%, Total International Equity was down -0.73% versus the benchmark at -2.90%, and Total Fixed Income was at -3.17% versus the benchmark at -1.78%. He reported that the Plan is at 6.41% for fiscal year end. He reviewed the performance of each manager individually. He reviewed the Plan's return for the last year, 3 years, 5 years and 7 years. He reported that interest rates have gone up substantially over the last month and a half. He reviewed the individual performances by investment managers. He reported that Brown Advisory underperformed this quarter due to its underweight in consumer discretionary. He reported that as of last Friday the Plan's market value was \$9,267,312.00.

c. New IPS indicating change in asset allocation

Mr. Grumbles reviewed the changes to the Investment Policy Statement: US Equity target 50%, range 40% - 60%, benchmark index Russell 3000; Int'l Equity target 15%, range 10% - 25%, benchmark index MSCI AC World ex USA; Domestic Core Fixed Income target 30%, range 25% - 40%, benchmark index Barclays Aggregate; Diversified Fixed Income target 5% * with benchmark index Diversified Fixed Income Index ** (*benchmark will default to "domestic core fixed income" if this portfolio is not funded), (**Diversified Fixed Index: 33% JPM EMBI + |33% BC Corp HY| 33% Citigroup Non-US World Gov. Bond). Also the following language was added to item III.A.1. "...50% Russell 3000 Stock Index, 15% MSCI ACW ex. U.S., 30% Barclays Aggregate Bond Index, 5% Diversified Fixed Income Index **." And item III.C. "...86% of the Barclays Capital U.S. Aggregate and 14% of a Diversified Fixed Income Index **." Mr. Grumbles explained that the asset allocation had been approved by the Board at the last meeting. However the Board needs to approve the updated Investment Policy Statement.

MOTION:

Board Member Young made a motion to accept the updated Investment Policy Statement. Secretary Giblin seconded the motion, which carried by unanimous 4-0 vote.

b. Diversifying fixed income discussion

Mr. Grumbles presented to the Board a "Diversifying Fixed Income" report as of June 30, 2013. He reviewed several graphs which showed how interest rates impact bond prices.

He explained historically how interest rates have done. He explained the importance, risks, availability of diversifying the bond portfolio. He reviewed historical returns and risks of diversified bond investing. He explained the opportunities for bond markets versus an equity market diversification. He reviewed currency risks and explained that returns are negatively correlated to the U.S. dollar and that a strong dollar will create a drag on performance. However not all periods of a strengthening dollar have resulted in poor performance. He explained that based on historical results, it appears that there are greater diversification opportunities in bond markets. He presented an overview of three different strategies; PIMCO Diversified with fees of 75 basis points, Templeton Global Bond with fees of 65 basis points and Templeton Global Total Return with fees of 80 basis points. He reviewed the sector allocations for the three different strategies. He reviewed a chart that represented the trailing returns and peer group analysis for each investment strategy. Mr. Grumbles recommended taking 5% out of the PIMCO Total Return Fund and allocating it into the Templeton Global Total Return.

The Board asked several questions to which he responded accordingly. Mr. Grumbles reported that these investments would be a mutual fund investment vehicle. Ms. Jensen questioned how the Board can be assured that at the time of purchase the securities will have at least a "B" rating. Mr. Grumbles reported that he is not sure how they could define this. However he believes that 99.9% of the securities will have a rating of at least a "B" or better.

The Board had a lengthy discussion regarding the wording in the Ordinance versus the Investment Policy Statement. Ms. Jensen suggested that on page 4 of the Investment Policy Statement item. 4. Pooled Funds, the following language could be added "Pooled Funds are considered one investment", she believes that adding that language will clarify the Board's interpretation and to comply with the Ordinance. Chair Sabin suggested waiting until the next meeting to consider whether or not they believe the additional language needs to be added to the Investment Policy Statement. Mr. Grumbles will bring this back for the Board's review at the next Board meeting. The Board discussed the three different strategies presented by Mr. Grumbles at length. The Board asked several questions to which he responded accordingly. Mr. Grumbles reported that he would like to look at investing in Real Estate in the future.

MOTION:

Board Member Terzakis made a motion to take 5% from the investment in the Templeton Global Total Return Fund and invest it into the Templeton Global Total Return Fund. Board Member Young seconded the motion, which carried by unanimous 4-0 vote.

V. UNFINISHED BUSINESS

4. IRS Determination Letter (update), Attorney Bonni Jensen

Attorney Bonni Jensen reported that she had sent the letter to the IRS. A copy of the letter is included in the meeting packet. She reported that essentially the IRS idea in essence is that if the DROP Plan offers other than a fixed rate of return for example a variable rate of return it is considered to be a defined contribution Plan and it should be measured in that

way. She explained that one of the options presented in the letter from the IRS is to amend the Plan to provide for a fixed or stated rate. Her suggestion is to refer this matter to the Village of Tequesta and the Unions of the two affected bargaining units as required by Florida law. The Board had a lengthy discussion regarding this matter. Mr. Baur expressed his thoughts on the matter.

MOTION:

Secretary Giblin made a motion to direct Ms. Jensen to draft a letter to the Village and the Unions of the two affected bargaining units to inform them of this IRS matter. Board Member Young seconded the motion, which carried by unanimous 4-0 vote.

5. Council Request for quarterly updates alternating between Boards, Attorney Bonni Jensen.

Attorney Bonni Jensen reviewed the "Summary of Actions" for Quarter ending June 30, 2013. She explained that the return pages from the June 30, 2013 performance report will be attached to the Summary of Actions report. She will also note the 5% investment to Templeton Global Total Return Fund. The Board also suggested various updates to the report. Ms. Jensen will update the report with the changes suggested by the Board, she will also delete item # 6 from the report. The Board thanked Board Member Young for representing them before the Village Council.

VI. STANDING REPORTS (INFORMATION ITEMS)

5. New applicants for participation in Pension Plan:

None

6. Request for withdrawal of contributions (employees Terminating employment with Village of Tequesta) – Ratification of withdrawals made since the last meeting:

Charles Malley

\$15,737.38

7. Terminated Employees who have not taken their contributions

None

MOTION:

Board Member Young made a motion to approve Charles Malley's request for withdrawal of contributions. Secretary Giblin seconded the motion, which carried by unanimous 4-0 vote.

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

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|-----------|--|-----------|
| 8. | PRC – Administrative Fees for April 2013 | \$ 950.00 |
| • | PRC – Administrative Fees for May 2013 | \$ 950.00 |

- Perry & Jensen – Legal Services through 05/15/13 \$1,148.06
- PRC – Administrative Fees June 2013 \$ 950.00
- Perry & Jensen- Legal Services through 06/15/13 \$ 110.18
- The Bogdahn Group- Consulting Fees 2nd Q 2013 \$3,750.00
- GAMCO–Invest. Management Fees 1st Q 2013 \$3,196.00

MOTION:

Secretary Giblin made a motion to approve the payments to be ratified as presented. Board Member Terzakis seconded the motion, which carried by unanimous 4-0 vote.

VIII. PAYMENTS TO BE REVIEWED AND APPROVED

- 9. PRC – Administrative Fees July 2013 \$1,000.88
- Perry & Jensen – Legal Services through 7/15/13 \$ 830.85

MOTION:

Board Member Young made a motion to approve the payments to be reviewed and approved as presented. Board Member Terzakis seconded the motion, which carried by unanimous 4-0 vote.

IX. BUDGET REPORT

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

Finance Staff was not available to review the budget report. The Board reviewed the Income and statement report as well as the Expenditure Report. Ms. Martinez presented to the Board a report which showed the September 30, 2012 total balances by account and compared it to the year to date balances by account for period October 1, 2012 through July 31, 2013.

X. NEW BUSINESS

11. Memorandum regarding Senate Bill 534, Attorney Bonni Jensen.

Attorney Bonni Jensen reported that on Friday, May 31, 2013, the Governor signed into law SB 534 providing for reporting requirements for Pension Funds. Ms. Jensen reviewed her memo in regard to the important pension disclosure amendments to Chapter 112 (SB 534). She explained the 3 additional reporting requirements that the Division of Retirement will start requesting effective October 1, 2014. She noted that the Plan's actuary will be working on a plan of action to implement the requirements of SB 534. She reviewed the requirements to post data and reports on-line. She reported that copies of the Plan's most recent financial statement, actuarial valuation, and a link to the Division of Retirement's fact sheet shall be posted on the Plan's and Plan sponsor's website.

12. Board Member David Cooper resignation from the Board of Trustees – Election Update.

Administrator Dixie Martinez reported that Board Member David Cooper had resigned from his position as the Police Officer representative on the Board of Trustees. She reported that a notice of candidacy had been posted June 14th requesting the submittal of letter of interest by July 1st, with no response. A second notice of candidacy has been posted requesting the submittal of letters of interest by August 13th so far no one has submitted a letter of interest. The Board discussed this matter. Secretary Giblin noted that he will see if he can find a volunteer for the open position on the Board of Trustees.

13. 2012 Annual Report, Administrator Dixie Martinez.

Administrator Dixie Martinez reported that 2012 annual report has been approved.

14. Public Records- Maintenance of Confidentiality for Police Officers' and Firefighters', Administrator Dixie Martinez.

Administrator Dixie Martinez reviewed the Division of Retirement's request. The Board suggested that the document be sent to Merlene Reid, Human Resource Director, for signature. Once the document has been signed Ms. Martinez should send it to the Division of Retirement.

XI. ANY OTHER MATTERS

Ms. Martinez reported that there is a member of the Plan who entered the DROP Plan effective December 10, 2012. However he has not elected the form of benefit. She explained that he did make an interim election. She further explained that until he makes his final form of benefit election his account can not be set up nor any DROP deposits can be made on his behalf. She reported that at the last meeting the Board had discussed requesting that this member make an election by year ending September 30, 2013. The Board had a brief discussion regarding this matter. The Board agreed that the member needs to make an election before the close of Fiscal Year End 2013. The Board instructed Ms. Martinez to send this member a letter requesting that he makes his Final Notification of Benefits payable as a Result of Participation in the DROP Plan by no later than September 1, 2013 and to let him know that if the document is not received by the due date his benefit will be treated as if he had selected the "Normal Form of Benefit" which is payable for life with 10 years certain, in other words, he will be guaranteed 120 monthly payments.

XII. COMMUNICATIONS FROM CITIZENS

There were no communications from citizens.

XIII. Adjournment

MOTION:

Board Member Young moved to adjourn. Board Member Terzakis seconded the motion which carried by unanimous 4-0 vote.

There being no further business, the meeting was adjourned at 10:07 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