

**TEQUESTA PUBLIC SAFETY OFFICERS' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
NOVEMBER 3, 2014**

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 Village Hall Council Chambers, 345 Tequesta Drive, Tequesta, Florida, on November 3, 2014. The meeting was called to order at 1:00 p.m.

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

Also in attendance were Attorney Bonni Jensen, Pension Administrators Dixie Martinez and Kerry Dutton, Investment Monitor Tyler Grumbles, and Investment Managers Judy McCoy, Jennifer Perkins, and Doug Baran.

II. Approval of Agenda

MOTION:

Board Member Sabin made a motion to approve the Agenda as presented. Board Member Terzakis seconded the motion, which carried by unanimous 3-0 vote

III. APPROVAL OF MINUTES

1. Minutes:

a. Quarterly Meeting- August 5, 2013.

MOTION:

Board Member Terzakis made a motion to accept the minutes of the regular quarterly meeting on August 4, 2014 as presented. Secretary Giblin seconded the motion, which carried by unanimous 3-0 vote.

IV. PRESENTATIONS

3. Investment Manager – Jennifer Perkins & Doug Baran, Principle Real Estate

Tyler Grumbles, Bogdahn Consulting, LLC gave a brief recap regarding the presentations and the background of managers.

Investment manager Doug Baran introduced himself and investment manager Jennifer Perkins to the board. Mr. Baran reviewed the total real estate assets that are under management to be \$54.3 billion. He explained that they focus on major cities all over the United States. He explained the 5 person portfolio management team focuses on core properties. Ms. Perkins explained why real estate investments generate income, diversification benefits, and potential hedge against unexpected inflation. She reviewed that

historically 70-80% of total return from core properties has been generated by current income. Ms. Perkins reviewed the private equity correlations in U.S. stocks to be at 20% and global stocks to be 18%. She explained that diversification benefits may be achieved when direct real estate is added to a multi-asset class portfolio which has a history of lower volatility relative to other asset classes. Ms. Perkins made note that real estate does very well in an increasing interest rate market. She reviewed the account overview which included inception date of January 1982, the gross asset value of \$6.72 billion, and the net asset value of \$5.29 billion. She continued to review the key statistics of 125 investments, the leverage ratio of 17.9% and the portfolio occupancy which is at 95%. She explained that capital call to liquidity takes roughly 7 weeks. Ms. Perkins continued on to explain the funds 2014 strategic themes that she stated do not change all that often. She reviewed that the strategic themes exclude suburban real estate, high-quality infill portfolio, seeks good risk-adjusted opportunities to fully utilize non-core allocation, along with selective portfolio pruning of non-strategic assets. She reviewed the characteristics of their investment profile. Ms. Perkins reviewed the firm's investment diversification which includes office, retail, multifamily and industrial properties. She explained in detail that the portfolio is over weighted in both office property types at 45% and industrial property types at 17% along with being underweighted in multifamily properties at 16%. She explained they are currently looking to add into the portfolio more multifamily properties and are continuing to look for opportunities that are at only 85% occupancy therefore having a lower purchase price and they can lease the remainder of the property themselves. Ms. Perkins reviewed the top ten assets along with their occupancy and gross real estate asset percentages. She briefly reviewed the leverage highlights which the cost of debt total obligation is at 3.63% interest rate. She briefly discussed the leverage ratio during the financial crisis. Ms. Perkins reviews the performance summary which showed the portfolio had beaten the benchmark for the 1 year, 3 year, 5 year and only lagged 4 basis points for the 10 year benchmark. Tyler explained the index Principle uses to compare their performance to the Board. Ms. Perkins reviewed the summary of the account and fee structure which has a \$1.0 million minimum investment and a maximum leverage of 33%. She also explained that the annual fee for up to \$10 million investment to be 110 basis points. Both Mr. Baran and Ms. Perkins thanked the Board for the invitation to present.

2. Investment Manager Presentation – Judy McCoy, ASB Real Estate

Mr. Grumbles bought Ms. McCoy in and introduced her to the Board. She informed the Board that she has been with ASB Real Estate Investments for 15 yrs. Ms. McCoy explained this is a co-mingled, Core fund that is purchased in units. She explained that there is \$5.4 billion gross assets under management with this fund. She reviewed the fund administrative components including number of employees, number of institutional investors, and the total assets as of September 30, 2014. Ms. McCoy explained that ASB Real Estate is an urban investor and stays away from suburban investments. She explained this is an open end fund and the monies invested are not locked up. She reviewed the annualized gross of fee total returns which she expects to be up to 12% by the end of the 10 year mark. She reviewed the quarterly returns which were at 3.85% versus 3.46% for NFI-ODCE. Also Ms. McCoy reviewed the year to date returns for the fund which are 9.53% versus 8.99% for NFI-ODCE. Ms. McCoy also reviewed the ten year analysis which showed an annualized outperformance at 2.52% which is less than the rest of the market. She also provided a comparative performance since inception which was at

8.12% versus the benchmark of 7.10%. Ms. McCoy summarized the fund as of September 30, 2014. She informed the Board of the portfolio size to be 11.9 million with net assets of \$3,781 million. She also reviewed the leverage to be at 19.4% as of the end of the quarter. Ms. McCoy reviewed and explained the target allocations which include ranges to be for office at 30%-40%, retail 20%-30%, residential 15%-20%, industrial 15%-20%, and land to be between 0%-2%. She also explained the property type distribution percentages currently for the Alliance Fund versus the benchmark. She explained they focus on high end retail with 89% occupancy or more. She then explained that the fund does not invest in the hotel market. Ms. McCoy explained briefly the investor base as of October 1, 2014. She explained that the fund has drawn \$1.7 billion from 126 new investors and 67 existing investors. She reviewed the ASB investment criteria and explained that they invest primarily in primary markets they know well. The board asked questions and Ms. McCoy responded. Ms. McCoy stated the debt equity ratio to be 80% to 20%, and the fund will not go over 40%. She informed the Board that ASB does not take money unless they need it. She informed the Board that the fund has never been sued or SCC and DOL investigated. Ms. McCoy reviewed the 2014 investment strategy, and states their top priorities are leasing vacancy, proactively sell assets that are likely to underperform, and deeper analysis into most attractive neighborhoods within the targeted markets. She stated that the fund has also never encountered any foreclosures, defaults or renegotiated debt covenants. She explained the risk management process. Ms. McCoy informed the Board that it is a \$1 million minimum investment. She reviewed that investors go in to the queue and it typically takes about 3-4 quarters before being invested. She then reviewed the fees briefly. She stated that the assets management fees are 125 basis points on the first \$5 million. She explained the index to the Board. There was a lengthy discussion between Ms. McCoy and the Board. Ms. McCoy thanked the Board for inviting her to the meeting.

Mr. Grumbles passed out a competitive performance report for both presenting managers. He explained that ASB historically has used leverage. Mr. Grumbles reviewed the 10 year trailing return comparison between Principle and ASB which ASB performed slightly better. He reviewed the comparison of ASB and Principle calendar returns for both 2008 and 2009 when the real estate market was having its downfall. Then Mr. Grumbles pointed out to the Board that in 2010 the calendar return comeback for ASB was greater. He reviewed the risk/return investment strategy as of June 30, 2014 which showed the Principle was slightly less volatility. Mr. Grumbles then reviewed the up and down market for the last 7 years for both managers showing that ASB has captured more of the up side of the market. The Board had a brief discussion regarding today's presentations and they expressed their thoughts and concerns. Mr. Grumbles informed the Board that as of September 30, 2014 the plan has 3,000,000 in fixed income therefore he recommended 10% of total fund to invest in either manager. Attorney Bonni Jensen reviewed the ordinance regarding this type of investment. Board Member Terzakis stated that he would choose ASB because he feels it is a much cleaner deal.

MOTION:

Board Member Sabin made a motion to approve the investment of \$1 million into the ASB Real Estate fund contingent upon the revising of the ordinance allowing to do such investment. Board Member Terzakis seconded the motion, which carried by unanimous 3-0 vote.

The Board stated that if the ordinance does not pass the Board would like to see other options or have a new discussion regarding options. Mr. Grumbles did not recommend REIT's.

Attorney Bonni Jensen explained that this policy will need to be amended to the changes highlighted in yellow. She explained that the policy needs to be amended before the Plan can invest in any real estate fund.

4. 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 September 30, 2014. Small caps experienced the worst quarter in three years. International stocks once again outperformed developed markets for the quarter. Mr. Grumbles reported that for quarter ending September 30, 2014 the Plan's market value was \$10,792,008 and the asset allocations were Domestic Equity 51.7%, International Equity 10.9%, Fixed Income 28.6%, Global Fixed Income 4.9% and Cash Equivalent 4.0%. Mr. Grumbles did recommend a portfolio rebalance at this time. He reviewed the financial reconciliation of the Fund as of September 30, 2014. Mr. Grumbles stated that overall the fund had a good fiscal year end. He reported that for fiscal year end the Plan's Total Fund (Gross) was 8.53% versus the benchmark at 11.01%, Total Equity was 11.53% versus the benchmark at 14.79%, Total Domestic Equity was 12.49% versus the benchmark at 17.76%, Total International Equity was at 6.99% versus the benchmark at 5.22%, and Total Fixed Income was at 3.42% versus the benchmark at 4.06%. Mr. Grumbles reported that for the quarter ending September 30, 2014 the Plan's Total Fund (Gross) was down -1.28% versus the benchmark at -0.87%. Total Equity was -1.75% versus the benchmark at -1.19%, Total Domestic Equity was -1.24% versus the benchmark at 0.01%, Total International Equity was at -4.21% versus the benchmark at -5.19%, and Total Fixed Income was at -0.42% versus the benchmark at -0.30%. He reviewed the performance of each manager individually. Mr. Grumbles reviewed the Plans asset allocation versus all Public Plans asset allocations. Mr. Grumbles reviewed with the board that he still has faith in Brown Advisory and does not recommend a change from them at this time.

b. PIMCO Total Return Discussion

Tyler Grumbles, Bogdahn Consulting, LLC explained the departure of Bill Gross from PIMCO. He explained to the Board that people have been hired to replace him and they are good. However Mr. Grumbles explained his concerns for PIMCO. He recommended terminating PIMCO and explained that he would prefer we not be the guinea pig. Mr. Grumbles continued on to recommend Garcia Hamilton as a replacement for PIMCO. He reviewed the max management fees for Garcia Hamilton to be 0.30%. Mr. Grumbles reviewed the credit quality which primary consists of AAA, AA, and A. He compared the fund to other options in the market as in PIMCO, Dodge & Cox Income, Barclays US Bonds, and Metropolitan West. In that comparison Mr. Grumbles explained that Metropolitan is not recommended due to the firm taking too much risk. He reviewed the

total returns for both the quarter as well as the 10 year measure, which Garcia Hamilton was 0.56% for the quarter and 6.46% for the 10 year measure. He continued to compare the returns for Garcia Hamilton to PIMCO at the down fall of the financial market in 2008 which showed PIMCO at 4.82% versus Garcia Hamilton at 5.86% and explained that Garcia Hamilton did a nice job because they were well positioned. Mr. Grumbles pointed out that all funds on comparison report have beaten the benchmark for the last 10 years. He reviews that Garcia Hamilton has out preformed other fund consistently since 2008. There was a lengthy discuss between the board. Mr. Grumbles informed the Board they need to decide whether they want to drop PIMCO and replace PIMCO with one of the managers listed on the fixed income evaluation report.

MOTION:

Board Member Terzakis made a motion to replace PIMCO with Garcia Hamilton. Board Member Sabin seconded the motion, which carried by unanimous 3-0 vote.

V. UNFINISHED BUSINESS

There was no unfinished business at this time.

VI. STANDING REPORTS (INFORMATION ITEMS)

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:

None

6. Terminated Employees who have not taken their contributions

None

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

8.	PRC – Administrative Fees for August 2014	\$ 950.00
•	GAMCO-Invest. Management Fees 2 nd . Q 2014	\$5,719.00
•	Perry & Jensen – Legal Services through 08/15/14	\$ 958.35
•	Gehring Group–Fiduciary Liability Insurance Renewal	\$3,356.53

VIII. PAYMENTS TO BE REVIEWED AND APPROVED

9.	PRC – Administrative Fees for September 2014	\$ 950.00
•	PRC – Administrative Fees for October 2014	\$ 950.00
•	The Bogdahn Group- Consulting Fees 3 rd . Q 2014	\$3,750.00
•	Perry & Jensen – Legal Services through 09/15/14	\$1,098.75
•	GAMCO-Invest. Management Fees 3 rd . Q 2014	\$5,594.00

MOTION:

Secretary Giblin made a motion to approve the payments to be ratified and payments to be approved as presented. Board Member Terzakis seconded the motion, which carried by unanimous 3-0 vote.

IX. BUDGET REPORT

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

Finance Staff was not available to review the budget report. Dixie briefly reviewed the fiscal year end comparison. She informed the Board that the 175 state monies totaled \$100,617.20 and was received 10/15/2014. She also informed the Board the supplemental money had also been received on 10/31/2014 and totaled \$33,969.67.

X. NEW BUSINESS

11. Ordinance Amendment- Update, Attorney Bonni Jensen

Attorney Bonni Jensen explained that the ordinance regarding the rehiring after retirement has not passed the Village's approval to her knowledge. She will however contact the Village to confirm.

12. Senate Bill 534 discussion, Attorney Bonni Jensen

Attorney Bonni Jensen advised the Board that this is a reporting requirement. She reviewed that the actuary has to submit five additional reports. She then explained that the Village must post the Actuarial Evaluation report within 60 days from receipt on to the Village website. Attorney Jensen has submitted paperwork to clarify the time frame that the verbiage refers to receipt.

13. Senate Bill 534 Implementation Letter from GRS, Attorney Bonni Jensen

Attorney Bonni Jensen reviewed the GRS Implementation Letter package and explained there is an additional fee to account for. She explained the fees range between \$2,500 to \$3,000 and are charged by the actuary.

MOTION:

Board Member Sabin moved to approve the GRS Implementation Letter. Board Secretary Giblin seconded the motion which carried by unanimous 3-0 vote.

14. Election Update on Gerald Pitocchelli retired 7-11-14, Administrator Dixie Martinez

Administrator Dixie Martinez explained to the Board that she had no responses to the first posting and will post a second notice in December.

15. Authorization Agreement request for Salem Trust re: new banking information, Administrator Dixie Martinez

Ms. Martinez gave a brief recap from last Pension Board meeting explaining the reason for the new documents due to the new bank name.

16. Retirement Application for Gerald Pitocchelli, Administrator Dixie Martinez

MOTION:

Board Member Terzakis moved to approve the retirement for Gerald Pitocchelli. Board Member Sabin seconded the motion which carried by unanimous 3-0 vote.

17. Salem Trust Class Action Report for Period 04-01-14 to 06-30-2014, Administrator Dixie Martinez

There were no class actions to report at this time.

18. Investment Policy Statement changes, Attorney Bonni Jensen

Attorney Bonni Jensen reviewed that she will submit revised language to the Village Council in order to allow real estate investments.

MOTION:

Secretary Giblin made a motion to approve the revised language of the Investment Policy Statement to allow real estate investments and to submit to the Village council. Board Member Sabin seconded the motion, which carried by unanimous 3-0 vote.

XI. ANY OTHER MATTERS

None

XII. COMMUNICATIONS FROM CITIZENS

There were no communications from citizens.

XIII. Adjournment

MOTION:

Secretary Giblin moved to adjourn. Board Member Sabin seconded the motion which carried by unanimous 3-0 vote.

There being no further business, the meeting was adjourned at 4:03 p.m.

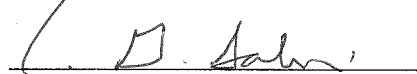
Respectfully submitted,



Kerry Dutton

Administrator

Village of Tequesta Public Safety Officers' Pension Plan



Board Member

Village of Tequesta Public Safety Officers' Pension Plan