

**TEQUESTA PUBLIC SAFETY OFFICERS' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES
FEBRUARY 25, 2015**

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 February 25, 2015. The meeting was called to order at 8:14 a.m.

A roll call was taken by Pension Administrator Scott Baur. 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 Scott Baur and Kerry Dutton, Investment Monitor Tyler Grumbles, Investment Manager John Hamlin, Custodian Brad Rinsem, Actuary Jeffrey Amrose, Village Council Michelle Gload and Jody Forsythe, along with members of the Plan.

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.

II. PUBLIC COMMENT

There was no public comment

III. ELECTION OF CHAIR

MOTION:

Board Member Giblin made a motion to nominate Board Member Ed Sabin as Chair. Board Member Terzakis seconded the motion, which carried by unanimous 3-0 vote.

IV. SALEM TRUST

Brad Rinsem introduced himself to the Board. Mr. Rinsem explained that Salem Trust had received an adverse opinion on their SSAE-16. He explained his background with Salem Trust and the process the SSAE-16 consisted of. He stated that Salem Trust has had 14 perfect SSAE-16 Reports in the 16 years they have been in business. He explained that all of Salem Trust's statements and benefit payments were inline. However the background documentation was not being done due to employees working 7 days a week and therefore was not able to be produced for the auditors. Mr. Rinsem explained that Salem Trust's operations were moved to the holding company level. He has since brought the control of the operations back down to the operation level. He explained that Salem Trust sends their custodial statements to the consultants, actuary, and the investment managers to allow for comparison. There was a lengthy discussion about the issues documented on the SSAE-16

and the corrective action that has been taken. He explained that his team has gone back to June 2014 and corrected the errors in documentation for the future audits. Mr. Rinsem explained that there were two issues that Salem faced with the fraud of \$177million and the adverse opinion of the SSAE-16. Mr. Sabin stated that would like to hear more background information from who deals directly with the custodian operation through the Village. He further explained that Salem is the custodian and only acts on the Board's direction. Village Finance Director, Jody Forsythe, addressed the Board. She explained that an extension is now required due to the dead line being March 31th which is now not feasible because of the adverse opinion of Salem's SSAE-16. She explained that now Marcum has to verify the fair market value of all assets with the individual investment managers since Salem's statements are not reliable. Mr. Forsythe explained the issues that have been seen in the finance department due to Salem's inconsistency with their statements. She stated examples of the issues to be unclear items of \$20,000 and end of the month balances not matching the beginning balance of the following month. She stated that it takes 2-3 weeks' time to have these types of issues resolved; however these issues are currently still outstanding. Ms. Forsythe informed the Board of a 3 month period lagging when the finance department could not retain statements from Salem. She then explained that once her department did receive the statements further problems then arose. She stated that she worked very close with Cindy Farrow and since Ms. Farrow's resignation she does not feel confident in Salem. There was a lengthy discussion about the past Village audit opinions and audit processes. Mr. Rinsem responded that The Village is not the only one that is in this situation. John Hamlin explained that Dana can produce all documentation required as an investment managing company. Mr. Grumbles stated that while Dana's portfolio is good others like EuroPacific do not have a 3rd party to verify the trading. He explained that because of this absence of a 3rd party he checks and tracks the purchases himself. There was a lengthy discussion about the fraudulent issue with Pennant. Ms. Jensen explained that a stand-alone audit may be beneficial to the Pension Plan. There was a brief discussion about the Board being informed and meeting for discussion for this issue before may other plans. Mr. Forsythe explained specifics of additional issues the Finance Department has been faced with while working with Salem. Mr. Rinsem suggested having all contact with him directly from this point forward. Ms. Jensen contacted Marcum's representative, Beila Sherman via phone. Ms. Jensen recapped the recent conversation information earlier in the meeting. Ms. Sherman stated furthering the audit starts with the investment managers. She explained that the extent of the involvement the managers have with monitoring may affect the time frame for resolving this audit process. She reviewed the standard audit deadline and timing of processes. She explained that due to the unexpected additional verification required to now be done with individual managers will extend to at least the end of April but truly depends on each manager. There was a lengthy discussion on the specifics of the detail verification that Marcum must now do with all investment managers individually due to Salem's documentation not being sufficient. Ms. Jensen explained that the auditors will take a closer look at the individual managers and investments. There was a lengthy discussion about service providers, and the Village relying on Salem's statements. She explained that the Village has Marcum as an audit which includes the Pension Plan, along with fiduciary liability insurance. Mr. Baur stated that Pension Resource Centers currently has 26 clients who have relationships with Salem. He stated his expectations of a subsequent number of Plans going out for RFP's. He reviewed the conversations taken place with other auditors since this information with Salem has been released. Mr. Baur stated his unaddressed question in regards to mutual funds specifically being verified by the auditors. Mr. Grumbles confirmed that there is no 3rd party to verify the market value of the funds. Ms. Jensen informed the Board that Mr. Baur

has created a template for clients of PRC that request RFP's for custodians to help simplify the anticipated high number of responses. Mr. Baur further explained the details of the RFP process. He stated there have been roughly 5 plans that have already decided to go out for RFP's for a possible custodian change since the SSAE-16 has been release in the last 10 days.

MOTION:

Secretary Giblin made a motion to have Pension Resource Centers request Proposals for custodians. Board Member Terzakis seconded the motion, which carried by unanimous 3-0 vote.

VI. APPROVAL OF MINUTES

1. Minutes:
 - a. Quarterly Meeting – November 3, 2014

MOTION:

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

VII. PRESENTATIONS

2. Actuary Jeffrey, Gabriel, Roeder, Smith & Company
 - a. Actuarial Valuation Report 10/01/2014

Mr. Amrose presented to the Board the Actuarial Valuation Report as of October 1, 2013. Mr. Amrose reported that the Plan is in good shape. He reported that the required employer contribution as a percentage of payroll for fiscal year end September 30, 2016 is \$430,411 or 21.96% of covered payroll which has decreased by 1.97% (\$45,707) from fiscal year end September 30, 2015. He stated this Plan has one of the lowest payroll contributions among his Fire & Police plans. He reported that there was a net actuarial gain of \$419,437 for the year. He explained that the gain was primarily due to greater than expected investment gains and more than expected member contributions to two terminated vested members. He reported that the funded ratio is 94.4% this year compared to 89.6% last year. He stated that this results in a very healthy plan. Mr. Amrose reviewed the assumption used. He stated that the current Rate of Assumption to be at 7.5%. He reported that so far this first quarter the plan has done very well and places the plan in a very good position to start the year off. Village employee Michelle Gload informed the Board and Mr. Amrose that the Village had received the state supplemental check, and that the check will not show this fiscal year. Mr. Baur stated that the state supplemental check to be roughly \$63,000.00. He reported that the Market Value of Assets exceeds the Actuarial Value of Assets by \$234,216. He reviewed the "Summary of Valuation Results" for the Police Officers and Firefighters. Mr. Amrose reviewed the actuarial confirmation of the use of state chapter money. He reviewed the amortization schedule of the unfunded actuarial accrued liability for the Police Officers and Firefighters. He reviewed the reconciliation of Plan assets as of September 30, 2014. He explained the reduction of the assumed rate of returns caused the Village to contribution more money and with the returns as good as they were it resulted in a very healthy fund. Mr. Amrose reviewed the GASB 67 schedules.

MOTION:

Secretary Giblin made a motion to accept the Actuarial Valuation Report as of October 1, 2014. Board Member Terzakis seconded the motion, which carried by unanimous 3-0 vote.

a. GASB No. 68 Implementation Package

Mr. Amrose presented to the Board the GASB No. 68 Implementation Package. He reviewed the cost range to be \$1,500 to \$2,000. He stated that this is a standard fee cost for new requirements. Mr. Ambrose explained that this is a requirement that the Plan must comply with.

MOTION:

Board Member Terzakis made a motion to accept the GASB 68 implementation package with fees between \$1,500 to \$2,000. Secretary Giblin seconded the motion, which carried by unanimous 3-0 vote.

3. Investment Monitor - Tyler Grumbles, Bogdahn Consulting, LLC.
 - a. Quarterly Investment Report as of December 31, 2014

Tyler Grumbles, Bogdahn Consulting, LLC briefly reviewed the performance of the market environment for major market indexes as of December 31, 2014. Mr. Grumbles reported that for quarter ending December 31, 2014 the Plan's market value was \$11,373,610 and the asset allocations were Domestic Equity 54.3%, International Equity 10.6%, Fixed Income 5.3%, and Cash Equivalent 29.8%. He reported that for quarter ending December 31, 2014 the Plan's Total Fund (Gross) was at 3.61% versus the benchmark at 2.48%. Total Equity was 5.13% versus the benchmark at 3.11%, Total Domestic Equity was 6.49% versus the benchmark at 5.24%, Total International Equity was at -1.53% versus the benchmark at -3.81%, and Total Fixed Income was at 0.77% versus the benchmark at 1.31%. Mr. Grumbles explained that the negative return for International Equity was due to the depreciation of the foreign dollar and as a result of the US dollar appreciated. He reviewed the markets environment. Energy experienced a negative return this quarter. He reviewed the performance of each manager individually. Mr. Grumbles reviewed the financial reconciliation of the Fund as of December 31, 2014 as well as the compliance checklist.

b. Global Asset Allocation Discussion

Mr. Grumbles presented to the Board an Asset Allocation Study report as of December 31, 2014. The Board had a lengthy discussion with Mr. Grumbles regarding the Plan's asset allocation. Mr. Grumbles suggested rebalancing to more long term targeted assets. The Board had a lengthy discussion with Mr. Grumbles regarding Garcia Hamilton Fund. The Board expressed their thoughts and concerns.

MOTION:

Secretary Giblin made a motion to have Mr. Grumbles bring to the Board his assessment on the rebalance of long term targeted assets across all asset classes. Board Member Terzakis seconded the motion, which carried by unanimous 3-0 vote.

c. Change of Internal Control Notification

Mr. Grumbles explained the reason for the change in control of Bogdahn. He explained that the company has a total of 54 employees and Joe Bogdahn has been the majority equity owner since the company was started. He reviewed that Mike Walker and Dave West became equity partners in 2005 and 2006. Mr. Grumbles explained how this change of internal control cannot take place without the majority of the firm's clients approving this change.

MOTION:

Board Member Terzakis made a motion for approval of consent of the Bogdahn Change of Internal Control. Secretary Giblin seconded the motion, which carried by unanimous 3-0 vote.

d. New Fee Proposal

Mr. Grumbles informed the Board that the last fee increase took place in 2008. He stated that the Plan size has tripled over the last 3 years. He is requesting the fee be increased from \$10,500 to \$12,500 about 3% for each year roughly.

MOTION:

Board Member Terzakis made a motion to approve the fee increase for Bogdahn Group to \$12,500.00 with a guarantee for 3 years. Secretary Giblin seconded the motion, which carried by unanimous 3-0 vote.

Attorney Bonni Jensen stated that she has the ASB contract to be signed after the meeting as it has already been signed on the real estate side.

VIII. UNFINISHED BUSINESS

None

IX. STANDING REPORTS (INFORMATION ITEMS)

4. New applicants for participation in Pension Plan:

None

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

None

6. Terminated employees who have not taken their contributions:

None

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

7. Perry & Jensen Legal Services through 9/30/14	\$ 540.00
Perry & Jensen Legal Services through 10/15/14	\$ 22.65
Pension Resource Centers Administrative Fee- November 2014	\$ 950.00
Perry & Jensen Legal Services through 11/15/14	\$2,174.40
FPPTA Membership Fee- Year 2015	\$ 600.00
GRS Actuarial Services through 10/31/14	\$2,834.00
Pension Resource Centers Administrative Fee- December 2014	\$ 985.32
Perry & Jensen Legal Services through 12/15/14	\$2,154.45
The Bogdahn Group Performance Evaluation Fee for 9-30-14 Reports and Consulting Services through 12/31/14	\$3,750.00
Pension Resource Centers Administrative Fee- January 2015	\$1,037.89
Perry & Jensen Legal Services through 1/15/15	\$ 790.28
GRS Actuarial Services through 12/31/14	\$4,242.00
Gamco Asset Management Investment Management Fees for 3 rd . Q 2014	\$6,212.00

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 3-0 vote.

VIII. PAYMENT TO BE REVIEWED AND APPROVED

8. Pension Resource Centers	\$986.89
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Adm. Fee February 2015

MOTION:

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

IX. BUDGET REPORT

9. 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.

X. NEW BUSINESS

10. Attorney Bonni Jensen, The Law Office of Klausner, Kaufman, Jensen & Levison
a. Summary of Actions

Attorney Bonni Jensen stated that the Summary of Action is to be presented to the Village Council on March 12, 2015. She explained that it is developed on this quarter versus the last quarter which creates a tight time frame. She explained that someone in representation of the Pension Board needs to present to the Village. Board Member John Terzakis volunteered to present to the Village on March 12, 2015.

- b. 2015 IRS Mileage Rate

Attorney Bonni Jensen reported that as of January 1, 2015 the IRS Standard Mileage Rate for 2015 is .575 cents per mile.

- c. 2015 Special tax Notice

Attorney Bonni Jensen explained the options and choices for refund of contributions to terminated members including early retirement penalties. She informed the Board that a recommendation of using this document provided by the IRS directly is suggested as it is very detailed in explaining the possible tax penalties that members may incur. She directed Pension Resource Centers to use this document going forward.

- d. IRS Determination Letter

Attorney Bonni Jensen reviewed the past action of the IRS Determination Letter. for information, Ms. Jensen stated that in January 2009 the Plan file and in two weeks she received a response requesting additional about the DROP Plan. This is one of the causes for the continued hold up in getting the final determination. She explained that the main issues the state perceived the DROP plan as a defined contribution plan and therefore should have to be limited to \$53,000 yearly. Ms. Jensen explained that the DROP Plan is not a defined contribution and therefore is not subjected to the yearly restriction. She stated that since her office has received requests asking for additional information on the formulas used to determine the DROP benefits. She explained that with all the questions asked by the state that all answers indicate that these DROP accounts can be definitely

determinable. There was a lengthy discussion about the IRS determination letters and process of the responses sent by Ms. Jensen.

e. Legislative Update on SB 242

Attorney Bonni Jensen Explained that this Senate Bill refers to the mortality table. She explained that SB 242 would require the Plan to change to the FRS blended table. Mr. Amrose stated that this would be a new mortality table that is being proposed.

f. IRS Memorandum on DROP 415(b)

Attorney Bonni Jensen explained the details that SB 175 includes. Mr. Amrose explained the impact of this bill on an actuarial aspect. He stated that if this bill was to pass it may cause an increase of contributions upfront however the Plan would pay less over the years. He explained that SB 242 is similar to SB 175 in how it states how to use the state money. He reviewed the details of the bill. There was a brief discussion. Secretary Giblin stated that there is discussion of a contract of the limitation of overtime hours to 300 hours per the ordinance.

The Board with input from Mr. Grumbles discussed the total expected annual rate of return for the fund. The Board agreed that it is reasonable to expect for the current year, the next several years, and the long-term thereafter, the Plan is likely to earn 7.5%, net of investment expenses.

MOTION:

Secretary Giblin made a motion to set the total expected annual rate of return at 7.5% for the fund for the current year, the next several years, and the long-term thereafter. Board Member Terzakis seconded the motion, which carried by unanimous 4-0 vote.

There was a lengthy discussion about the expected time length of the RFP responses. The Board suggested having a special meeting to discuss the responses from the RFP's. Mr. Baur explained that this process will take roughly 3 weeks therefore he suggested giving a deadline for all RFP responses a date of March 17, 2015.

Mr. Baur informed the Board that Pension Resource Centers SSAE-16 report had been received with a clean opinion and had been forwarded to the Board prior to the meeting for their review.

Attorney Bonni Jensen informed the Board of the pending disability case with Officer McLain as still pending. She stated that Ms. McLain had contacted Pension Resource Centers but has yet to supply the remaining documentation.

XI. ANY OTHER MATTER

XII. COMMUNICATIONS FROM CITIZENS

XIII. ADJOURNMENT

MOTION:

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

There being no further business, the meeting was adjourned at 10:58 a.m.

Respectfully submitted,



Kerry Dutton

Administrator

Village of Tequesta Public Safety Officers' Pension Plan



Board Member

Village of Tequesta Public Safety Officers' Pension Plan