

TEQUESTA PUBLIC SAFETY OFFICERSqPENSION TRUST FUND  
REGULAR BOARD MEETING MINUTES

February 11, 2019

CALL TO ORDER

The Regular Quarterly Board Meeting of the Tequesta Public Safety OfficersqPension Trust Fund Board of Trustees was held at the Village Hall Council Chambers, 345 Tequesta Drive, Tequesta, Florida, on February 11, 2019. The meeting was called to order at 8:31 a.m.

ROLL CALL

A roll call was taken by Pension Administrator Kerry Dutton. In attendance at the meeting were: Chairman Ed Sabin, Secretary John Terzakis, Board Member Ray Giblin, and Board Member Kyle Stone.

Also in attendance were Attorney Bonni Jensen, Pension Administrator Kerry Dutton and A.C. Lovingood, Investment Monitor Jennifer Gainfort, and Actuary Jeffery Amrose.

PUBLIC COMMENT

There was no public comment at this time.

APPROVAL OF MINUTES

1. Tequesta Public Safety OfficersqPension Trust Fund Board of Trustees Regular Quarterly Meeting Minutes . November 5, 2018

The Board reviewed the Quarterly Meeting Minutes for November 5, 2018.

**MOTION:**

Board Member Ray Giblin made a motion to approve the minutes from November 5, 2018. Board Member Kyle Stone seconded the motion, which carried by unanimous 4-0 vote.

PRESENTATIONS

2. **Actuarial Valuation Report** . Jeffrey Amrose

Mr. Amrose presented the Actuarial Valuation report reviewing the Pending Plan Ordinance that will re-open the Pension Plan to the Village of Tequesta Police Officers and that the 401(b) Plan balances would be transferred into the Pension Plan. He went on to explain the details of the Pending Ordinance and pointed out that the Plan would be eligible to receive future annual Chapter 185 revenue upon state approval. Attorney Bonni Jensen informed the Board that there is also an Ordinance that allows a one-time opt out election to participate back into the Pension Plan. Mr. Amrose stated that the employer contribution has been adjusted for interest on the basis that payments are made in equal installments at the ending of each month. The required employer contribution was also computed with the assumption that the amount to be received from the State on behalf of the police officers is \$88,336.00 for 2020, and on behalf of firefighters is \$156,518.00 in 2019 and 2020. In addition there is an estimated Chapter 185 Reserve balance of \$157,081.00 for 2020 that is assumed to be used towards the city's required employer contribution. The Employer and State contributions for police officers for the fiscal year end was \$175,116.00 and \$0.00, respectively, for a total of \$175,116.00, or 30.08% of payroll. The employer, State, and State reserve

contributions for firefighters for the fiscal year end was \$182,198.00, 156,518.00 and \$151,438.00, respectively for a total of \$490,154.00, or 32.52% of payroll. The overall experience since the last valuation was more favorable than expected, resulting in an actuarial gain of \$90,947.00 which is primarily due to the lower than expected pay increases and due to a slightly greater return on investments. Mr. Amrose continued and stated that the Plan's Funded Ratio is 98.2% and was 100.6% funded before the Plan Ordinance as compared to the previous year of 98.1%. The market value of assets is greater than the actuarial value of assets by \$363,380.00 as of the valuation date. This difference will be recognized over the next several years in the absence of offsetting losses. Mr. Amrose went on to review the GASB 67 report for the Village. There was a discussion on the allocation and rate of return policy for the share plan accounts and a brief discussion on the expected pay raises compared to the assumption. Chairman Ed Sabin reviewed a past discussion on reducing the expected rate of return and reviewed the 10 year asset class foreseeable return. Mr. Amrose stated that he is confident that the Police Officers would not cause an increase in Village contributions if the assumed rate of return is changed from 7.25% to 7%, however he stated that he is unsure of what the Firefighters impact would be if the assumed rate of return was reduced. Trustee Ray Giblin stated that he believes reducing the assumed rate of return while the plan is healthy would be good and Secretary John Terzakis stated that he is in favor of reducing the rate as well. Investment Monitor Jennifer Gainfort confirmed the decreases in equity returns and is seeing many other Pension Plans reducing their assumed rate of return to a more conservative expectation

**MOTION:**

Board Member John Terzakis made a motion to lower the expected rate of return for the Actuarial Valuation Report to 7%. Board Member Kyle Stone seconded the motion, which carried by unanimous 4-0 vote.

Chairman Ed Sabin requested that Michelle Gload notify the Village that the assumed rate of return is reduced to 7% for this evaluation.

There was a discussion on smoothing methods versus market value; Mr. Amrose stated that using the Market Value is not commonplace due to volatility which makes it very difficult for the municipality to forecast their costs associated with funding the Pension Plan. Mr. Amrose then reviewed the risks associated with measuring the accrued liability and actuarially determined contribution for the Plan and finally reviewed the GASB 67 reports. Attorney Bonni Jensen informed the Board that they would not be able to approve the Actuarial Valuation Report due to the Board's vote to change the expected rate of return in the report. Mr. Amrose stated that he will calculate the Firefighters contribution at a 7% rate of return.

**3. Quarterly Performance Report and Office Memoranda - Jennifer Gainfort, And Co Consulting**

Jennifer Gainfort started her presentation with an update on how AndCo is doing. She informed the Board that AndCo is now 89 employees strong with over \$90 Billion in client assets. Ms. Gainfort informed the Board that they should expect to receive a client survey from Hellcat Research on behalf of AndCo so that the company can obtain an accurate picture of how they are doing and where they can make improvements to meet their clients needs.

Ms. Gainfort reported that the stock market suffered losses for the 4<sup>th</sup> Quarter; this was due to the global growth slowing down, trade tensions between The United States and China, the midterm elections in Congress, the ongoing effects of monetary policy tightening by the Federal Reserve, Federal debt ceiling negotiations and the recent partial government shutdown. Ms. Gainfort then reviewed the Asset Allocation by Asset Class with the Board and stated that there is no need to rebalance at this time. The quarterly trailing returns were reviewed and Ms. Gainfort stated that a

manager search was brought along to possibly replace GAMCO due to its poor performance. There was also a mention that PrimeCap has an allocation to Nector, which is very volatile; however PrimeCap has started to decrease the allocation in Nector. The past quarter has been a troubling start to the fiscal year; however the market is up 5.87% thus far in the current quarter. A discussion continued on the allocation target and the details on the benchmarks used to compare the funds returns.

#### 4. **Small & Large Cap Value Equity Manager Analysis** - Jennifer Gainfort, And Co Consulting

Ms. Gainfort started her presentation for the Small & Large Cap Value Equity Manager Analysis by recommending an 80%-20% allocation due to the small cap being a little more volatile. She then reviewed the five investment options for the Large Cap evaluation report along with their management fees and investment minimums. Ms. Gainfort did point out that the Investment Minimum amount for the JPMorgan Equity Income R6 Mutual Fund was waived. She continued to discuss the Investment Option Comparisons, noting that all of the funds use a primary investment approach of Bottom-Up and that four of the five funds use a secondary fundamental investment approach. The only fund that uses a Quantitative secondary approach is DFA US Large Cap Value I. Ms. Gainfort reviewed the tracking error estimates on all five funds and stating that the Dodge & Cox Stock fund error estimate is closer to 5%, while the JPMorgan Equity Income I Fund's tracking error estimate is closer to 3%. The decision making structure was reviewed along with the number and names of the decision makers for each fund along with the portfolio construction and performance. Ms. Gainfort stated that JP Morgan has outperformed over the past several years and that JP Morgan has far less risk in the 10 year average, noting that this fund has the least amount of risk. Ms. Gainfort informed the Board that her recommendation is that the Plan goes with the JP Morgan Equity Income I Fund.

Ms. Gainfort then went on to review the Small Cap Value Equity Manager Analysis starting off with reviewing the management fees for the three manager options noting that all three options have no minimum investment. All three funds have been around for a long time, noting that Dimensional Fund Advisors uses a quantitative secondary investment approach. Ms. Gainfort then reviewed the portfolio construction of the three investment manager options, noting that Wells Fargo Special Small Cap Value R6 fund is PM-Led by three CPAs and has 10 investment analysts assigned to the fund. She also noted that the typical number of holdings in the Wells Fargo Fund is 80-120 holdings, compared to 1,000-2,000 holdings at DFA, and 500-600 in American Beach Small Cap. Finally Ms. Gainfort reviewed the trailing performance of the three funds compared to the Russell 2000 pointing out that Wells Fargo has for the long haul always beat the benchmark when the markets have done well and with the exception of this past year, always beat the benchmark set in down markets. Ms. Gainfort stated that her recommendation is to go with the Wells Fargo Special Small Cap Value RS Fund due to its low volatility and stability.

Trustee Stone stated that he agrees with Ms. Gainfort's recommendation of 80% in Large Cap, Trustee Stone went on and stated that he thinks that the Plan should place 10% into Small Cap and 10% into EFT's as a means to lower the cost of the Plan and capture more of the S&P. Trustee John Terzakis gave a recommendation of rebalancing the Plan and place 80% of the Large Cap allocation into JP Morgan and add a stock picker. Trustee Terzakis stated that the Plan should enter into a defensive market and lean more towards value. A lengthy discussion ensued on pulling from growth and moves those funds into value.

#### **MOTION:**

Board Member Kyle Stone made a motion to liquidate Gamco and Primcap, and place 80% into the JP Morgan Equity Income I Fund, and 20% into the Wells Fargo Special Small Cap Value RS Fund. Board Member Ray Giblin seconded the motion, which carried by unanimous 4-0 vote.

## CONSENT AGENDA

### Ratification of Invoices Paid Since Last Quarterly Meeting

<u>Check #</u>	<u>Paid Date</u>	<u>Vendor / Description</u>	<u>Amount</u>
1345	11/12/2018	Pension Resource Center Administrative Fees- November 2018	950.00
1346	11/12/2018	Klausner, Kaufman, Jensen & Levinson Professional Services Rendered through 10/31/18	2,233.00
1347	11/12/2018	Gamco Investors Investment Management Fees- 3QTR18	3,563.00
1348	11/12/2018	Garcia Hamilton & Associates Statement of Management Fees-3QTR18	1669.66
1349	12/12/2018	Pension Resource Center Administrative Fee- December 2018	1,050.00
1350	12/12/2018	Klausner, Kaufman, Jensen & Levinson Professional Services Rendered through 11/29/18	1,442.00
1351	12/18/2018	FPPTA 2019 Annual Membership Fee . Cart #1527	1,442.00
1352	1/9/2019	Gabriel, Roeder, Smith & Company Services Rendered through 10/31/18	2,303.00
1353	1/9/2019	Pension Resource Centers Administrative Fee . January 2019	950.00
1354	1/9/2019	AndCo Consulting, Inc Consulting Service Fee For QE 12/31/18	4,500.00
<b>Total</b>			<b>\$19,260.66</b>
<b>Custodian</b>			
Fiduciary Trust International Invoices for QE 12/31/18 4 Accounts			2,042.51
<b>Total</b>			<b>\$21,303.17</b>

The Board reviewed the ratification of invoices paid since last quarterly meeting. The Board noted that there are two new hires for the Fire Department on 10/01/2018, Chris Chance and Zack Whitehurt. The Board also stated that there will also be a new hire on 03/01/2019 named Maximiliano Maravankin and it was noted that Firefighter John Cox will be coming in to fill out his retirement paperwork.

## MOTION:

Board Member Ray Giblin made a motion to approve the Consent Agenda. Board Member John Terzakis seconded the motion, which carried by unanimous 4-0 vote.

## NEW BUSINESS

### 5. Legislative Update . Attorney Bonni Jensen, Klausner, Kaufman, Jensen & Levinson

#### House Bill 265

Ms. Jensen reported on the proposed House Bill 265, which would amend Florida's Open Meetings Law and impose additional procedural requirements. Ms. Jensen stated that HB 265 would require Boards to publish their agenda and any materials or attachments which would be distributed at the meeting at least three days in advance of the meeting, that at least two copies of the agenda and any materials to be distributed at the meeting must be made available for public inspection at the meeting location, and that emergency meetings must have a minimum 24 hour advance notice to the public. The proposed bill also addresses public participation which states that at least three minutes shall be available to each member of the public that wishes to speak as either the first or last item on the agenda. Ms. Jensen made note that the bill also states that if there are more than twenty people who wish to speak that the time can be limited to one minute per person and groups can allow one individual to speak on behalf of the group, thus allowing the group to pool their time together. Ms. Jensen expressed her concern regarding the requirement of posting materials and attachments for Board Meetings that address a disability determination due to the sensitive medical information that her office has to request from the members' physicians. She stated that her office requests a large amount of medical information that once it is reviewed may not have any impact on the disability determination and questions how this information would be handled if this bill is passed. There was a discussion on when a Shade Meeting would be allowed, prompting Ms. Jensen to review Shade Meeting rules. Ms. Jensen stated that everything discussed in a Shade Meeting will become public record due to Florida State Law

#### Florida's Public Records Law

Ms. Jensen presented a list of items that are exempt from public inspection that must be removed prior to a public records release. Ms. Jensen also made mention to the amendment of the public records law which now includes the removal the address of a victim of an incident of mass violence; and the removal of any portion of a meeting revealing fire safety system plans.

#### Power of Attorney

Ms. Jensen presented a memorandum to the board regarding Florida Statute 709, Power of Attorney. The reason for bringing this information to the board had to do with a recent Power of Attorney that Ms. Jensen's office received that did not meet the requirements set forth in Florida Statute 709 and New York State Law where the Power of Attorney was established. Ms. Jensen reviewed the information provided in the memorandum and expressed that the Board is required by law to reject a Power of Attorney or Durable Power of Attorney within a reasonable time if it deems that the Power of Attorney is not compliant with Florida State Law in addition to if the Power of Attorney or Durable Power of Attorney is from another state, that it is in compliance with that state's laws as well. She went on to say that a reasonable time is not statutorily defined within the law; however the Board should have its validity confirmed within a month's time, whenever possible.

#### Status Update on Proposed Ordinance No. 2-19

Ms. Jensen provided the Board with an Amendment to the Fiduciary Trust Agreement, which is requesting Cyber Liability Insurance along with specific language to align with Sunshine Law verbiage and update an address.

MOTION:

Board Member Ray Giblin made a motion to execute the Amended Fiduciary Trust Agreement. Board Member Kyle Stone seconded the motion, which carried by unanimous 4-0 vote.

ADMINISTRATIVE REPORT

6. Ellen Schaffer Computer Programmer Invoice-- Plan Administrator Kerry Dutton, Pension Resource Centers

Ms. Kerry Dutton supplied the Board with supporting documentation as to the reason for the invoice and cost per the Board's request regarding the Ellen Schafer Programming Invoice to correct the data errors that caused incorrect calculations for several retiree pension payments.

MOTION:

Board Member Kyle Stone made a motion to pay the Ellen Schaffer Computer Programmer Invoice. Board Member John Terzakis seconded the motion, which carried by unanimous 4-0 vote.

Ms. Dutton informed the Board that she will be leaving The Resource Centers and that Scott Baur and Denise McNeill will be taking the Pension Plan over.

ADJOURNMENT

There being no further business, the meeting was adjourned at.

Respectfully submitted,



Board Member

Village of Tequesta Public Safety Officers' Pension Plan