

TEQUESTA PUBLIC SAFETY OFFICERS' PENSION TRUST FUND
REGULAR BOARD MEETING MINUTES

February 3, 2020

CALL TO ORDER

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 May 6, 2019. The meeting was called to order at 8:30 a.m.

ROLL CALL

A roll call was taken by Pension Administrator A.C. Lovingood. In attendance at the meeting were: Chairman Ed Sabin, Secretary John Terzakis, Trustee Kristopher Cowles, and Trustee Ray Giblin.

Also, in attendance were Attorney Bonni Jensen, Pension Administrators A.C. Lovingood and Scott Baur, Investment Monitor Jennifer Gainfort, and Actuary Jeffrey Amrose.

PUBLIC COMMENT

There was no public comment.

APPROVAL OF AGENDA

The Board reviewed the agenda and requested that the 401(a) Loan Update be added under Section 9, Legislative Update item D.

MOTION:

Trustee Ray Giblin made a motion to approve the Meeting Agenda as amended for November 4, 2019. Secretary John Terzakis seconded the motion, which carried by a 3-0 vote.

APPROVAL OF MINUTES

1. Tequesta Public Safety Officers' Pension Trust Fund Board of Trustees Regular Quarterly Meeting Minutes – November 4, 2019

The Board tabled the Quarterly Meeting Minutes dated November 4, 2019

PRESENTATION

2. Actuarial Valuation Report – Jeffrey Amrose, GRS

Jeffrey Amrose started his presentation by letting the Board know that the Pension Plan is 95.3% funded and the Village payroll percentage is lower than most Pension Plans at 26.02% for firefighters, the low volatility in payroll makes the plan in good shape. Chairman, Ed Sabin inquired if the five-year spread has part to do with the low volatility, which Mr. Amrose stated that the five-year spread does have part to do with it, however, the Plan also uses reasonable assumptions. Chairman Sabin then inquired to how many more years of reserves does the plan have left and why the State contributions for police is \$0. Mr. Amrose informed the Board that there is 3.5 years left in reserves and the State contributions for police went to the police reserve.

Mr. Amrose then reviewed the Actuarial Confirmation of the Use of State Chapter Money, noting that based on the mutual consent between the firefighters union and the Village, all annual Chapter 175 revenue is used as an offset to the required Village contribution and based on the mutual consent between the police officers union and the Village, all annual Chapter 185 revenue and the accumulated reserve are used as an offset to the required Village contribution. The Summary of Valuation Results for the firefighters was reviewed with the Board. Trustee, Ray Giblin inquired if the inactive member numbers were all in the DROP, Mr. Amrose stated that the inactive members includes DROP participants, retirees, and vested-differed members.

Mr. Amrose informed the Board that the cost for his actuarial services will be increasing. The average cost for other clients is \$14,000.00, compared to the \$7,036.75 that the Plan paid last year. Mr. Amrose stated that he did not think it was fair to double the fee and suggested that the fee be increased slowly over several years. Chairman, Ed Sabin thanked Mr. Amrose for this information and will advise when the proposal is submitted.

Attorney Bonni Jensen Reminded the Board that Florida State Law requires the Board to set the Assumed Rate of Return for the Pension Plan. Mr. Amrose stated that the current Assumed Rate of Return is currently at 7%. Jennifer Gainfort informed the Board that the 7% Assumed Rate of Return is reasonable.

MOTION:

Board John Terzakis made a motion based on the recommendation of the investment consultant, the Board expects to get a 7% return for the next year, the next several years, and for the long term thereafter. Board member Kristopher Cowles seconded the motion, which carried by a 4-0 vote.

3. Quarterly Performance Report as of December 31, 2019 - *Jennifer Gainfort, And Co Consulting*

Jennifer Gainfort started her presentation by reviewing the market environment with the Board. Broad asset class returns were positive during the 4th quarter of 2019 except for the US Government Bond Index. Both US and international equity markets benefited from positive developments concerning trade disruptions. Emerging markets significantly outperformed and the trade tensions between the US and China have eased. Ms. Gainfort noted that Tariffs went from 15% down to 7.5% with China agreeing to buy more US manufacturing goods. Monetary policy remained supportive with the Federal Reserve cutting rates once during the period in addition to providing liquidity to the market through security purchases. International equity market returns were strong during the quarter. Like US markets, international performance was impacted by continued monetary policy relief from the Bank of Japan and the European Central Bank, positive developments around global trade, and the likely resolution on Brexit. Fixed income index performance was muted during the 4th quarter. The broad market Bloomberg Barclays Aggregate Index managed to gain 0.2% as investors favored equities and interest rates were generally flat during the quarter as concerns over an immanent US recession eased. Investment grade corporate bonds delivered solid performance for the quarter, returning 1.2%, which outperformed Treasury and securitized issues.

Ms. Gainfort then reported the performance of the Plan to the Board. On October 1, 2019 the Plan's assets were at \$16,370,561 and as of December 31, 2019 the assets grew to \$18,217,403. The asset allocations targets were reviewed with the Board and Ms. Gainfort stated that she does not see a need to rebalance the Plan at this time. For the fourth quarter of 2019, the Plan had a total of \$974,018 in contributions, \$86,390 in distributions, the total management fees for the quarter was \$6,320 and \$30,435 in other expenses. Income for the quarter was \$124,195 and the total capital gain for the quarter was \$871,773. For the fiscal year first quarter, the Plan earned

5.84%, compared to the benchmark of 6.14%. The one-year returns were 20.83% compared to the 21.56% benchmark, three-year returns were 10.62% versus the benchmark of 10.80%, five-year returns were 7.35% versus the 8.18% benchmark, and the total returns since inception was 7.01% versus the 7.17% benchmark. Ms. Gainfort then reviewed and commented on individual manager performance, stating that there are no recommendations at this time and that she does not see a need to rebalance the portfolio.

CONSENT AGENDA

4. Ratification of Invoices Paid Since Last Quarterly Meeting

VILLAGE OF TEQUESTA PUBLIC SAFETY PENSION FUND WARRANT - PAID INVOICES FEBRUARY 3RD, 2020				
TO:	Resource Centers, Plan Administrator			
FROM:	Board of Trustees			
Paid by Custodian:				\$
Fiduciary Trust International				2,671.90
Custodian Fees for QE 12/31/19 (3 Accounts)				
<u>Date</u>	<u>Payee/Description</u>	<u>Check Number</u>	<u>Amount</u>	
-			\$ -	
November 18, 2019	Pension Resource Center Administrative Fees- November 2019	1384	\$ 950.00	
November 18, 2019	Klausner Kaufman Jensen & Levinson Legal Services Rendered through 10/31/19	1385	\$ 1,378.00	
November 18, 2019	Garcia Hamilton & Associates L.P. Investment Management Fees for QE 09/30/19	1386	\$ 2,041.26	
November 18, 2019	Gabriel Roeder Smith & Company Actuarial Services Rendered through 09/30/19	1387	\$ 2,805.00	
November 18, 2019	AndCo Consulting Services Rendered for QE 03/31/19 Inv #30336	1388	\$ 4,500.00	
December 11, 2019	Pension Resource Center Administrative Fees- December 2019	1389	\$ 950.00	
December 11, 2019	Klausner Kaufman Jensen & Levinson Legal Services Rendered through 11/30/19	1390	\$ 1,813.00	
January 13, 2020	Pension Resource Center Administrative Fees- January 2020	1391	\$ 950.00	

January 13, 2020	Klausner Kaufman Jensen & Levinson Legal Services Rendered through 12/31/19	1392	\$ 53.00
January 13, 2020	AndCo Consulting Services Rendered for QE 12/31/19 Inv #34190	1393	\$ 4,500.00
TOTAL:			\$ 22,612.16

5. Reporting of New Applicants for Participation in the Pension Plan

There were no new applicants to report to the Board.

6. Approval of Withdrawal of Contributions

The Board reviewed the Refund of Contributions for Maximillian R. Lally.

7. Terminated Employees Who have Not Yet Taken Their Contributions

There were no new applicants to report to the Board.

8. Benefit Approvals for Retirements

There were no Benefit Approvals to report to the Board.

MOTION:

Trustee Ray Giblin made a motion to approve the Consent Agenda containing the Warrant dated November 4, 2019 and the Benefit Approval dated November 4, 2019 as presented. Secretary John Terzakis seconded the motion, which carried by a 4-0 vote.

NEW BUSINESS

9. **LEGISLATIVE UPDATE** – Attorney Bonni Jensen, Klausner, Kaufman, Jensen & Levinson

A. Jensen Memo – IRS Mileage Rate for 2020

Attorney Bonni Jensen informed the Board that the IRS has lowered the Mileage Rate for 2020 from \$0.58 per mile, down to \$0.575 per mile.

B. Jensen Memo – Secure Act and IRS Limits for 2020

Ms. Jensen reviewed the Secure Act that was signed into law on December 20, 2019. The new law is primarily intended to expand opportunities to increase individual retirement savings. Of most interest to governmental retirement systems is the Secure Act's new age 72 start date for the required minimum distributions. Under prior law, qualified pension plans, including traditional IRAs, 401(k) accounts, and SEP-IRAs were required to start minimum distributions by age 70.5. Effective 2020, the age limit has been increased to 72. This new amendment only applies to

individuals who reach 70.5 after 2020. The old age limit still applies to anyone who has reached 70.5 before January 1, 2020. The Secure Act also removes the 70.5 age limit on traditional IR contributions. The IRS also updated the benefit limits for qualified plans for 2020. Employees participating in 401(k), 457, and 403(b) plans, the contribution limit increased from \$19,000 to \$19,500. The annual IRA contribution limits remain unchanged at \$6,000, and the additional catch-up contribution limit for individuals aged 50 and over is also unchanged at \$1,000. Ms. Jensen noted that another change to Florida Law will allow for the use of electronic notarizations and that beneficiary designation changes will not have the ability to use the electronic option.

C. Jensen Memo – Annual Client Conference

Ms. Jensen informed the Board that her firm, Klausner, Kaufman, Jensen & Levinson will have their Annual Client Conference at the W Hotel in Fort Lauderdale Florida on May 27th through May 29th.

D. 401(a) Loans

Ms. Jensen informed the Board that The Village of Tequesta was able to work with Empower in servicing the three police officers existing 401(a) loans. The cost for Empower to manage these loans is \$200 per account.

E. Jensen Fee Increase

Ms. Jensen informed the Board that her fee will be increasing to \$300.00 an hour which is lower than the \$350.00 an hour that her firm charges new clients. One of the reasons for the fee increase is due to the costs related to using paralegals at the firm as their rate is \$125.00 an hour. Ms. Jensen did note that when her firm was hired by the Pension Plan, the rate was at \$250.00 an hour.

ADMINISTRATIVE REPORT

10. ADMINISTRATIVE REPORT – A.C. Lovingood, Resource Centers

A. Johnson, Aron 401(a) Transfer Issue

Mr. Lovingood informed the Board that he was contacted by Police Officer Aron Johnson with some questions regarding the rollover of funds from his 401(a) into the Pension Plan. Mr. Johnson stated that he was contributing 10% of his annual salary into the 401(a) and it was his understanding that the only funds that were to be withdrawn from his 401(a) were his required contribution percentage and the employer's match. Mr. Lovingood informed the Board that the member is upset that all the funds in his 401(a) Plan were rolled over into the Tequesta Public Safety Officers' Pension Plan. Attorney Bonni Jensen informed the Board that this situation affects Mr. Johnson and two other members of the Pension Plan. There are some questions that still need to be answered, such as how the earning on the funds in the 401(a) is allocated and where the members contributions above the 6% Pension Member Contribution Rate should be deposited. Mr. Amrose informed the Board that his firm had just completed an exhibiting showing the 401(a) Plan employees contributions compared to the 6% of pay pension member contributions for the 11 police officers who entered the Pension Plan in 2018.

B. Kostyo Military Buyback Calculation

Mr. Lovingood informed the Board that John Kostyo has requested the ability to have a Military Buyback Calculation done in order to determine if he wished to move forward with his case to the Village Council in having the Pension Plan Ordinance changed to allow members of the Pension Plan to purchase Military Service Time beyond the existing first six months of employment. Mr. Lovingood stated that Mr. Kostyo would pay the Actuarial Calculation Fee of \$400. Ms. Jensen informed the Board that they need to approve the request for the Calculation.

MOTION:

Trustee Ray Giblin made a motion to approve the Military Buyback Calculation for John Kostyo for informational purposes only. Trustee Kristopher Cowels seconded the motion, which carried by a 4-0 vote.

C. 2020 Conference List

Mr. Baur presented the Board with the 2020 Trustee Conference List. It was noted that not all available conferences are listed and that the list is only intended for informational purposes.

ANY OTHER MATTERS

A. GHA 4th Quarter Performance Letter

The GHA 4th Quarter Performance Letter was provided to the Board for informational purposes.

B. GHA 4th Quarter Performance Report

The GHA 4th Quarter Performance Report was provided to the Board for informational purposes.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:55 AM.

Respectfully submitted,

Board Member
Village of Tequesta Public Safety Officers' Pension Plan