

TOWN OF LONGBOAT KEY CONSOLIDATED RETIREMENT SYSTEM BOARD OF TRUSTEES QUARTERLY MEETING

MEETING MINUTES: FEBRUARY 16, 2023

CALL TO ORDER

Chairman Steve Branham called a meeting of the Board of Trustees for the Town of Longboat Key Consolidated Retirement System to order at 9:05 AM and called the roll.

Those persons present included:

TRUSTEES:

Steve Branham, Chair
Frank Cona, Vice-Chair
Rabbi Peter Kasdan, Secretary
Carolyn Brown
Mark Fultz
David Gutridge
Andy Sawyer
Steve Schield
Martin Sharkey

OTHERS:

David Wheeler & Theodore Loew,
Investment Consultant (Graystone Consulting)
Ron Cohen, Attorney (Lorium Law)
Scott Baur, Administrator (Resource Centers)
Sue Smith, Finance Director (Town of Longboat Key)
Kari Kennedy, Town Purchasing Manager

Absent:

None

All those present recited the Pledge of Allegiance.

1. Public Comment

No members of the public had any comment.

2. Approval of Minutes: November 17, 2023

The Trustees reviewed the draft minutes for the November 17, 2023 Quarterly Meeting.

Rabbi Kasdan made a motion to approve the minutes for the November 17, 2023 Quarterly Meeting as presented. The motion received a second from David Gutridge, approved by the Trustees 9-0.

3. Reports

Investment Consultant (David Wheeler & Theodore Loew, Graystone Consulting)

David Wheeler reported that inflation showed signs of moderating as of December 31, 2023, but the yield curve remains inverted – often a precursor to a recession. Equity markets, meanwhile, entered a new bull market. Mr. Wheeler showed historical returns for different asset mixes. He then reviewed market expectations going forward. Growth stocks have

become more expensive, and overall, stocks remain at higher values than historic norms. Growth issues outperformed value for 2023, with a small number of issues dominated benchmark returns.

The portfolio gained 8.02% for the December 31, 2023 quarter compared to 7.72% for the benchmark. The assets gained 14.03% for the 2023 calendar year to finish with \$44.6 million in total assets. Asset weightings remain in line with target allocations, but Mr. Wheeler recommended that the Board authorize rebalancing the assets to targets. Mr. Wheeler further reviewed individual manager performance. Real estate holdings in particular continue to struggle, although managers performed in line with expectations. Mr. Wheeler recommended that the Board raise \$500,000 from the Vanguard large cap value allocation, \$500,000 from the Conners covered call strategy, \$250,000 from Kennedy mid-cap value, and \$250,000 from Kayne Anderson small cap value portfolio. He recommended investing \$1 million of the proceeds in the Pacific fixed income fund and hold the remaining \$500,000 in cash. The Board considered the performance for the American Realty portfolio in further detail. While the core real estate holdings served the Retirement System well historically as a replacement for a portion of the fixed income assets, the real estate holdings likely have at least another quarter of write-downs likely on commercial property values. The Retirement System still has a \$1 million redemption request from American Realty in queue.

Rabbi Kasdan made a motion to approve the rebalance recommendation. The motion received a second from Frank Cona, approved by the Trustees 9-0.

Attorney Report (Ron Cohen, Lorium Law)

Ron Cohen addressed the possibility of payment of a COLA to the retired general employee members. He referenced Section 215.425 Florida Statutes, which prohibits the payment of additional compensation after services are rendered or a contract is made. He advised that the Town could grant a COLA to general employee members still employed by the Town. While the Division of Management Services has generally taken the position that 215.425 does not apply to local government pension plans as an inflation adjustment, relatively little case law exists that addresses the matter. The Board discussed precedents where local governments granted a COLA increase to retired employees.

Rabbi Kasdan noted that the benefits treat the retired employee groups differently for similar time in service to the Town. The general employee members already receive smaller pensions without the benefit of a cost-of-living adjustment, while bargaining units more effectively represented the interests of police officers and firefighters employed by the Town. As of October 1, 2023, the Retirement System had 69 general employee members in total, with 14 members still working for the Town, 44 retired, 3 beneficiaries, and 8 vested deferred members. Rabbi Kasdan advised that the Trustees have a fiduciary to members of the Retirement System, stating that pension differences were not equitable even if convenient.

The Board considered possible courses of action. Steve Branham suggested the Board engage the new Town Manager in a dialogue over the benefit differences. Ultimately the Board

would need to obtain a cost estimate from the actuary to understand the impact of granting an additional benefit to the general employee members.

Ron Cohen reviewed the process that Trustees must now follow to file the annual Form 1 financial disclosure electronically with the Commission on Ethics by July 1.

Administrator Report (Scott Baur, Resource Centers)

Mr. Baur reported that his office filed the Comprehensive Report required for compliance with HB 3. He also reviewed a memo that detailed the latest SOC 1 Type 2 audit report completed by his firm, an audit of the internal controls and procedures in place in the organization. The administrator has completed a SOC 1 audit report now for 15 years with no exceptions noted.

4. Plan Financials

Interim Financial Statement

The Board received and reviewed the interim financial statement through December 31, 2023.

Warrant: Approval Expenses

The Board reviewed the Warrant for payment of expenses dated February 16, 2024.

Rabbi Kasdan made a motion to approve the Warrant dated February 16, 2024, for payment of expenses. The motion received a second from Andy Sawyer, approved by the Trustees 9-0.

Benefit Approvals

The Board had no benefits for approval at this meeting.

5. New Business

Doug Lozen, actuary for Foster and Foster, will present the annual valuation report at the next meeting scheduled for May 17.

Kari Kennedy joined the meeting to review the current service provider agreements. She reported that the agreement for legal services with Ron Cohen expires in November 2024 with 2 1-year extensions available. The Board already approved the final extension through January 2026 for the agreement with the actuary, now ready for Town execution. The agreement for the Resource Centers as the administrator expires in October 2024. Ms. Kennedy discussed options for the Town to piggyback the administrator agreement for a similar and recent request for proposal issued by another local government, if the Board wanted to make such a recommendation to the Town. Steve Branham asked to include the matter for further discussion on the next regular meeting agenda.

The Board called a brief recess.

6. Old Business

The Board reviewed an addendum to the Kessler Topaz agreement for filing class action matters on behalf of the Board.

Rabbi Kasdan made a motion to approve the addendum to the Kessler Topaz agreement. The motion received a second from Frank Cona, approved by the Trustees 9-0.

7. Board Comments

Martin Sharkey completed his CPPT (Certified Public Pension Trustee) certification. Chair Steve Branham and Board Secretary Rabbi Peter Kasdan also previously completed the certification. Board policy supports continuing education for trustees. The Boards considered options for trustees to receive education.

Mr. Sharkey requested to attend the August meeting electronically if allowed. Town policy previously limited electronic participation in meetings. Trustees joining the meeting electronically were not permitted to vote on motions, and the Board must have a physical quorum present to meet.

Mr. Sharkey addressed the change to the joint beneficiary requested by a retired member who switched the annuitant to an older person, but the benefit did not increase. The same member then switched the joint annuitant to a younger person, and the benefit decreased substantially. The administrator will work with Mr. Sharkey to research the changes.

8. Additional Reports

Mr. Baur included additional reports from managers of the Retirement System assets in the meeting materials for informational purposes.

9. Next Meeting

The Board previously scheduled the next quarterly meeting for Friday, May 17, 2024 at 9:00 AM.

10. Adjournment

There being no further business, Chairman Branham adjourned the meeting at 11:17 AM.

Respectfully Submitted,

Rabbi Kasdan, Board Secretary