

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

MINUTES: APRIL 24, 2015

1. 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 11:01 AM in the Conference Room at Town Hall, 501 Bay Isles Road, Longboat Key, Florida.

Those persons present included:

TRUSTEES

Steve Branham, Chair
Frank Cona, Vice-Chair
Bill Forcht
Jim Haas
Lou Levy
Nancy Woodley

OTHERS

Lee Dehner, Christiansen & Dehner
Scott Baur, Resource Centers
Doug Lozen, Actuary
Sue Smith, Finance Director

TRUSTEES ABSENT AND EXCUSED:

Sandy Henley
Judd Jensen
Anne Ross

All present recited the Pledge of Allegiance.

2. PUBLIC COMMENT

No members of the public were present to comment.

3. APPROVAL OF THE MINUTES

The Board reviewed draft minutes for the Special Meeting of January 30. Mr. Forcht asked counsel if the Board should require a second reading to approve the Valuation. He reasoned that the Valuation imposed budget requirements on the Town to fund the Retirement System, and any such budget matters by the Town required a first and second reading with public input. Mr. Forcht requested the Minutes for January 30 should indicate the reasons he voted against approval of the Valuation.

Mr. Dehner explained that the Board could approve the Valuation upon review without a second reading. The meeting, meanwhile, allowed properly for public comment if any. Since the Board minutes provide only a record of the discussion during each meeting, the current Minutes will therefore explain the reasons that Mr. Forcht voted against approval of the Valuation.

Jim Haas made a motion to approve the Minutes for the Special Meeting of January 30. Frank Cona seconded the motion, approved by the Trustees 6-0.

The Board reviewed requested changes and updates to the draft Minutes for the Quarterly Meeting of February 27.

Lou Levy made a motion to approve the minutes for the February 27 monthly meeting as amended. The motion was seconded by Frank Cona and approved by the Trustees 6-0.

In the discussion for the draft March 20 Minutes, the Board requested that staff determine whether the Town historically ever missed a contribution to any of the legacy Retirement Systems. Because the Town never skipped a required contribution, Mr. Forcht requested to change his vote against approval of the audited financial statement based on the content of information contained within the notes. Susan Smith, Finance Director for the Town of Longboat Key, stated that in her 10 years of service at the Town, the Town always made contributions as required to all of the Retirement Systems sponsored by the Town. Doug Lozen explained that the Division of Retirement in Florida monitors funding for the local retirement plans and does not allow cities or other sponsoring entities to skip contributions. Mr. Lozen noted that the Town might typically make the same required contributions for two consecutive years when switching to a projection method for funding the plans.

Mr. Dehner again advised that the Minutes must reflect the actual record of the discourse at the meeting. The current Minutes will therefore explain the additional reasons that Mr. Forcht did not vote to approve the audited financial statements for the period ending September 30, 2015.

Bill Forcht made a motion to approve the minutes for the Special Meeting of March 20 as amended. Nancy Woodley seconded the motion, passed by the Trustees 6-0.

4. REPORTS

Investment Return Study (Doug Lozen, Foster & Foster)

Mr. Lozen provided an investment return study to the Board that considered the impact to required contributions by the Town for lower the investment assumption rate by 50 bp and 100 bp. The legacy General Employees Retirement System last had an investment return assumption of 7%, while the Police and Fire Retirement Systems assumed 7.5%. Mr. Lozen reviewed the funded ratios for the plans in the different scenarios covered by the studies, as well as the Town contributions requirements. He explained that the Town must contribution more money to the Retirement System when the Board assumes the assets earn less on investments over time. In a similar fashion, a lower assumption will also lower the current funded status for the plan. Mr. Lozen advised that the Division of Retirement in Florida prefers that closed plans assume no more than 7% return on assets, and the State already indicated that 8% was too high for an assumption.

Because the legacy plan for the General Employees already assumed 7% for investment gains, Mr. Lozen believes the State will not easily accept an increase to the assumption for General to match the 7.5% for Police and Fire. Mr. Lozen also recommended that the investment consultant should provide some additional feedback on the assumption adopted by the Board to consider cash flows and liquidity requirements in the closed plan. The Trustees considered the reasonableness of assumptions at 7% and 7.5% based on the prior experience of the three closed component plans of the Consolidated Retirement System.

Mr. Forcht considered the projection method for funding the closed plan. Given the shorter time frames to amortize experience, along with fewer sources of gains and losses from year to year, Mr. Forcht suggested that the Board consider reverting back to current year funding of the Retirement System. Susan Smith, Finance Director for the Town, explained that current year funding would make budgets more difficult for the Town to project, although Mr. Forcht noted that the funding requirements should become increasingly consistent from year to year.

While Mr. Forcht suggested that only the variation from the prior year budget amount might impact the budget using current year funding, Susan Smith stated that the Town must separately approve any variation in a line item budget item. The Trustees considered the possible budget variations, and Doug Lozen advised that variations to annual contributions requirements would likely exceed the \$10,000 threshold that the Town Manager has discretion to approve.

Susan Smith summarized the potential budget impacts to the Town based on the cost studies for changing the investment return assumption provided by the actuary. The Trustees also considered a reserve fund held by the Town for pension liabilities. Chairman Branham asked about new disclosure requirements for the Retirement Plan. The plan administrator will post required documents to the website established by the administrator for the plan.

Attorney Report (Lee Dehner, Christiansen & Dehner)

Mr. Dehner reported that proposed SB 242 will require local plans to adopt the same mortality assumptions used by the Florida Retirement System, which will in turn increase costs. Mr. Dehner also advised that his office will begin to review the ordinance for the Consolidated Retirement System for updated tax compliance.

The Board broke for a brief recess at 12:01 PM.

5. RATIFYING OF INVOICES

The Trustees resumed in session at 12:33 PM.

The Trustees reviewed the invoices pending approval for payment.

Jim Haas made a motion to approve the Warrant dated April 24, 2015 for the General Employees; the Warrant dated April 24, 2015 for the Firefighters; and the Warrant dated April 24, 2015 for the Police. Lou Levy seconded the motion, approved by the Trustees 6-0.

6. NEW BUSINESS

Request for Proposal: Custodian

Mr. Baur provided a brief overview of the responses received for the recently completed Request for Proposal for master trust custody and payment services. He explained that the RFP required companies submitting proposals to price the custody of assets separately from the payment of benefits and invoices. Lou Levy remarked on the volume of response for each proposal received by the plan administrator. Chairman Branham suggested that the Board appoint a committee comprised of Trustees and appropriate Town staff, to screen and rank the responses received. The Board considered the language in the current ordinance for the Board to procure necessary services. Chairman Branham indicated that he would make a recommendation to the Town to hire the company selected by the Board. The Board then appointed Chairman Branham, Susan Smith, and Lisa Sivertooth to the selection committee to review the proposals.

Mr. Baur explained the draft for the Request for Proposal for Investment Consulting Services that he provided to the Board. Mr. Levy asked for shorter format responses to the next RFP issued on behalf of the Board. He suggested a two-part process, using an initial submission by proposers to narrow the selection followed by a more complete submission by the finalists. Mr. Baur advised that any Request for Proposer

issued on behalf of the Board must conform to the Town procurement process, so he will have to determine if the Town guidelines will allow such a process.

7. OLD BUSINESS

The Trustees considered the process described in the ordinance for the Retirement System to select and contract service providers. Based on the provisions of the ordinance, the Board discussed the three classifications of service providers described by the ordinance: actuarial, accounting, legal, and administrative services; the investment consultant and the custodian of the plan assets; and the investment managers. The Board continues to retain legal counsel by Christiansen & Dehner through the transition period to consolidate the three legacy plans. Chair Branham reported to the Board on recent discussions with the Town. Since the legacy Police and Fire plans ceased to continue as local chapter plans governed by the provisions FS Chapters 175 and 185, the Town holds the position that the Town Charter and local law govern the Consolidated Retirement System. As such, the procurement provisions contained in the Town Charter apply to the Retirement System. These provisions describe and bestow the contracting authority for services required by the Town on the Town Manager or designee according to procurement procedures defined in the Town Code of Ordinances.

The Trustees considered these processes, the authority of the Board established by the current ordinance, and the authority of the Town. Chairman Branham reported that the circumstances governing the Retirement System in the Town of Longboat Key now appear fairly unique. He had discussions with the Bill Haynes, current administrator for the local retirement plans in the Town of Palm Beach, as well as the Finance Director for the Town of Palm Beach. The Trustees discussed the fiduciary obligation that each Trustee has to the participants and the beneficiaries of the Retirement System, along with the apparent fiduciary now retained by the Town owing to the responsibilities for administration of the Retirement System retained by the Town Manager and the Town Commission. Lee Dehner advised the Board of possible ethical issues or conflicts for legal counsel engaged by the Town to advise the Board of Trustees. He described the fiduciary obligation of the Trustees in detail, noting that Trustees have some protection from liability through their professional advisors, fiduciary liability insurance, and indemnification by the Town. Mr. Dehner continued to describe these matters as they apply to the more typical operation and administration of local retirement systems in Florida.

The Trustees discussed the impact of the timing that any ordinances to further clarify the authority of the Board would have on the consolidation of the legacy plans already in progress. As the Board continues to merge the operations and assets of the plans, the Town and the Trustees will necessarily need to engage the service providers that will continue to serve the Consolidated Retirement System. To pass an ordinance by summer, the Town Commission would need to have a first reading at the beginning of June with an ordinance to consider by May. The Trustees briefly discussing the current draft for the Board Operating Rules and Procedures, but the Board deferred any action on the guidelines until the Town has an ordinance for consideration addressing the retention of advisors for the Board. Mr. Forcht considered the need for first and second readings of the annual valuation. Lee Dener stated that the Board was not required to hold first and second readings for any matters before the Trustees. Mr. Dehner described the requirements for the Board to hold public meetings, and those meetings allow for public comment.

8. BOARD COMMENTS

The Trustees had no additional comments.

10. ADJOURNMENT

The Trustees set the date and time for the next Regular Quarterly Meeting of the Trustees on Friday, May 22 at 8:30 AM. The Trustees also set tentative dates and times for monthly Special Meetings on June 19 and July 22 at 9 AM.

There being no further business, Chairman Branham adjourned the meeting at 1:52 PM.

Respectfully Submitted,

Ann Ross