

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

MINUTES: July 22, 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 1:35 pm in the Town Commission Chamber located at 501 Bay Isles Road, Longboat Key, Florida.

Those persons present included:

TRUSTEES

Steve Branham, Chair
Bill Forcht
Jim Haas
Sandi Henley (8:45am)
Nancy Woodley

OTHERS

Lee Dehner, Christiansen & Dehner
Scott Baur & Vanessa Rodriguez , Resource Centers
Sue Smith, Finance Director

TRUSTEES ABSENT AND EXCUSED:

Frank Cona, Anne Ross
Lou Levy, Randy Thompson

All present recited the Pledge of Allegiance.

2. PUBLIC COMMENT

No members of the public were present to comment.

3. APPROVAL OF THE MINUTES

Chair Steve Branham provided minor corrections for the Minutes of May 22, 2015.

Bill Forcht made a motion to approve Minutes for the Quarterly Meeting of May 22, 2015 as amended. Nancy Woodley seconded the motion, approved by the Trustees 5-0.

4. REPORTS

Administrator Report (Scott Baur)

Scott Baur briefly discussed the Benefit Verification process, to verify the frozen benefit amounts with active members of the Consolidated Retirement System. He will wait to implement this process pending a cash out offer to these members by the Town, since the process only has relevance if the member does not take a lump sum alternative if offered. He provided sample documents to Lee Dehner for consideration and review.

Mr. Baur then discussed the Fiduciary Liability Insurance Policy. He had previously inquired whether the company providing the current policy might add the "Town" as a named insured. After some time, the broker for the Policy found an alternative company at the same premium that would extend the coverage afforded by the Policy to the Town. Mr. Baur therefore recommended that the Board consider the alternative Policy and recommend replacement of the current Policy to the Town at renewal on September 30. Lee Dehner indicated that he would review the proposed Policy on behalf of the Board.

Sandi Henley made a motion to recommend to the Town that the alternative Fiduciary Liability Policy offered by Euclid, subject to review by Lee Dehner. Bill Forcht seconded the motion, approved by the Trustees 5-0.

Mr. Baur reviewed the website for the Consolidated Retirement System implemented by his office. The website includes contact information, forms, minutes, investment reports, and most importantly, documents recently mandated by the State for the Board to offer online to the public. The required documents include the 112.664 disclosures mandated by SB 534; the 2014 Valuation; the September 30, 2014 investment reports; links to plan Fact Sheets hosted by the Division of Management Services; and the audited financial statements. The Town will put the required documents on the Town website as well.

Mr. Baur provided an updated Trustee contact list to the Board.

Attorney Report (Lee Dehner)

Lee Dehner explained the new reporting requirements for the Board in further detail. Mr. Dehner stated that the actuary will update the 112.664 reports and the GASB 67 and GASB 68 audit note requirements annually.

Mr. Dehner reported that SB 242 will require the Consolidated Retirement System to adopt the same mortality used by the Florida Retirement System starting with the October 1, 2016 Valuation. The new mortality tables will likely increase the contribution to the Retirement System required by the Town. The Board can voluntarily choose to implement the new mortality with the October 1, 2015 Valuation; some Boards are choosing to implement the new requirements early while the plans have positive investment experience to offset the cost increases resulting from the mortality changes.

Bill Forcht reminded the Trustees that the Board must combine the investment earnings assumptions for the October 1, 2015 Valuation as well. Finally, Mr. Dehner stated that the Board must amend the ordinance for compliance with the IRS Code. His office will prepare the necessary amendments.

5. FINANCIAL REPORTS

The Board reviewed the Warrants for payment of invoices dated July 22, 2015, for the former General Employees, Police Officers, and Firefighters Retirement Systems.

Jim Haas made a motion to approve the Warrants dated July 22, 2015. Bill Forcht seconded the motion, approved by the Trustees 5-0.

Mr. Baur reviewed the Interim Plan Financial Statements for the three legacy plans, along with the combined financial statement for the Consolidated Retirement System. His office now maintains a General Ledger for the Consolidated Retirement System, further broken down into sub ledgers for each legacy plan. The interim financial statement will report the actual consolidation of plan assets in this manner. Bill Forcht inquired about the schedule of Town contributions and Sue Smith explained that the Town makes quarterly contributions to each of the three legacy plans. Mr. Baur reviewed the Town contributions on the Statement of Income and Expense for the Consolidated Retirement System.

The Board discussed the engagement for the 2015 Audit. The Trustees considered whether to engage a stand alone audit, as the Board did for September 30, 2014, or allow the Town to incorporate the 2015 Audit into the Town CAFR (Consolidated Annual Financial Report) as the Boards for the legacy plans previously allowed in prior years. Mr. Baur explained the levels of materiality between separate audit

engagements and the Town CAFR, but he recommended that the Board should reduce fees by allowing the Town to directly incorporate the Consolidated Retirement System. Sue Smith, Finance Director for the Town, described the process to allocate expenses to the three legacy plans.

Sandi Henley made a motion to have the Town Auditor complete the audit for the Consolidated Retirement System for the fiscal year ending September 30, 2015. Nancy Woodley seconded the motion, approved by the Trustees 5-0.

Bill Forcht asked about consolidation of the legacy plans by October 1, 2015. Mr. Baur briefly described the transition to consolidate custody of the plan assets. With the consolidated financial reports, however, he holds the view that the Consolidated Retirement System already consolidates the assets of the three legacy plans, albeit with still redundant accounts and service providers.

Lisa Silvertooth, HR Manager for the Town, provided the Board of Trustees with a list of deferred retirees as of July 22, 2015. Ms. Silvertooth noted the Cola adjustments due to members as of 10/01/15, as well as scheduled reductions to the benefits for some members. Nancy Woodley asked Ms. Silvertooth to provide a summary which includes: current payments, vested deferred benefits (benefits due to members no longer employed), and active employees with frozen benefits. Ms. Silvertooth will check to see if the actuary can provide one such roster rather than annual updates.

Ms. Silvertooth provided Benefit Approvals for Chris and David Moreland, commencing benefits as of October 1, 2015. Both members, formerly members of the General Employee Retirement System, selected the optional form of benefit payment. Ms. Silvertooth indicated that Police and Fire members would receive a flat 3% cola as of October 1, 2015. Finally, she noted that members participating in the DROP can make a one-time change to the earnings election selected upon entry. One such member made a change to the method of earnings credit to the DROP Account effective as of July 1, 2015.

Sandi Henley made a motion to approve the Benefit Approvals for Chris Moreland and David Moreland dated July 22, 2015. Jim Haas seconded the motion, approved by the Trustees 5-0.

6. NEW BUSINESS

Scott Baur provided an overview of custodian Request for Proposal and Selection Committee. Chairman Braham reviewed the process for the Selection Committee to make a recommendation to the Board; the Board, in turn, will make a recommendation to the Town to engage the selected service provider. Per the Town Charter, Dave Bullock functions as the Town procurement official as the Town Manager. The Selection Committee recommended consolidation of the Retirement System assets under First State, replacing Salem Trust as the legacy custodian for both the former General Employees' and Police Officers' Retirement Systems.

Nancy Woodley made a motion to recommend First State to the Town subject as custodian for the Retirement System assets, contingent upon successful contract negotiations. Sandi Henley seconded the motion, approved by the Trustees 5-0.

Lee Dehner described some of the typical issues that he addresses with the review of such agreements. Mr. Baur discussed the timeline for transition of custody of assets. He then informed the Board that the Request for Proposal for Investment Consulting Services is due on July 30, 2015 through the Town procurement process. Chairman Braham explained the composition of the Selection Committee to review the proposals, which will include 4 Trustees and 1 Town member of Town staff. Sandi Henley nominated Frank Cona and Lou Levy due to their investment experience and knowledge. Jim Haas also volunteered to serve as the Selection Committee as a Trustee representing the plan members.

The Board considered the proposed cash payout to vested and vested deferred members of the Retirement System. Doug Lozen, actuary for the Retirement System, already provided a study to project the cash flow for the Retirement System in the worst case scenario where half the eligible members accepted the lump sum offer. Graystone also offered an opinion that the proposed cashout would not impact the assets or the investment management. Ms. Silvertooth estimated 1 Police Officer, 4 Firefighters, and no general employees might actually accept a cashout with no real impact to the Retirement System. The Board, by consensus of the Trustees, expressed no objection for the Town to move forward with a cash out offer to additional members of the Retirement System.

7. OLD BUSINESS

Chairman Branham updated the Trustees on his ongoing dialogue with Town regarding the procurement of service providers to the Board. Chairman Braham also reviewed his memo to the Town Commission, updating the Town on the consolidation process and timeline. He considered any personal liability to the Trustees serving on the Board as well. Given the layers of protection for the Trustees including the consultants, the fiduciary liability insurance, personal umbrella liability coverage, and finally indemnification of the Trustees by the Town, the possibility that the Trustees might incur any liability is actually very remote.

Chairman Branham addressed the procurement process. While the Town is unlikely to change the Charter, the current process through the Town is proceeding very smoothly. Sue Smith provided an update on the proposed ordinance to exempt the investment managers retained by the Board from the Town procurement process. As such, the Board will make the sole decisions on hiring and termination of managers. Sue Smith indicated that the proposed ordinance would not likely go before Council until September. The Board will finalize the proposed Operating Rules and Procedures once the Ordinance passes. The Trustees will finalize the proposed Investment Policy, meanwhile, with the input of the new Investment Consultant following completion of the current Request for Proposal now underway.

The Trustees considered the investment assumption for the Consolidated Retirement System. If the Board lowers the assumption rate, then the current unfunded liability will increase. The Board requested that Doug Lozen attend the next meeting to participate in the discussion regarding the investment return assumption. The Trustees considered any additional studies that might facilitate the discussion, but the Town already authorized a projection that includes funding \$300,000 to the Retirement System from reserves and setting the return assumption for the Retirement System to 7%.

8. BOARD COMMENTS

Chairman Branham will address his update memo to the Town Finance Committee on September 2. Bill Forcht noted that the Town must include the liabilities on the Town CAFR as of September 30, 2015, per the requirements of GASB 68. Mr. Baur reminded the Board to file the annual Form 1 Financial Disclosure if any Trustees had not already done so.

The Board briefly discussed upcoming conferences and other educational opportunities available to the Trustees. Lee Dehner explained the statutory requirements for continuing education, noting that Trustees should have some continuing education at least once every term. Mr. Baur briefly explained the process for the Trustees to attend local conferences, with the Florida Public Pension Trustee Association (FPPTA) fall Trustee school scheduled for October 4-7 in Naples. Nancy Woodley stated she planned to attend the scheduled FPPTA conference.

9. NEXT MEETING DATE:

The Board previously scheduled the next meeting for August 28, 2015 at 1:30 pm.

10. ADJOURNMENT

There being no further business, Chairman Branham adjourned the meeting at 3:43 pm.

Respectfully Submitted,

Ann Ross