

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

MINUTES: August 28, 2015

1. CALL TO ORDER

Chairman Steve Branham called a quarterly meeting of the Board of Trustees for the Town of Longboat Key Consolidated Retirement System to order at 1:38pm in the Town Commission Chamber located at 501 Bay Isles Road, Longboat Key, Florida.

Those persons present included:

TRUSTEES

Steve Branham, Chair
Frank Cona, Vice-Chair
Anne Ross, Secretary
Bill Forcht
Randy Thompson
Sandi Henley
Lou Levy
Nancy Woodley

OTHERS

Lee Dehner, Christiansen & Dehner
Scott Baur & Vanessa Rodriguez , Resource Centers
John Thinnes, Bogdahn Consulting
Charles Mulfinger & David Wheeler, Graystone Consulting
Sue Smith, Finance Director
Doug Lozen, Actuary
Jo Ann Mixon, Deputy Town Clerk

TRUSTEES ABSENT AND EXCUSED:

Jim Haas

All present recited the Pledge of Allegiance.

2. OATH OF OFFICE

Randy Thompson (seat 8) was sworn in for both terms ending September 30, 2015 and September 30, 2018. Jo Ann Mixon informed the Board that seat 4 (Lou Levy) and seat 5 (Bill Forcht) will expire September 30, 2015. To continue serving on the Board, the Trustees must reapply to the Town if interested.

Bill Forcht explained that he did not plan to reapply for personal reasons.

3. PUBLIC COMMENTS

No members of the public were present to comment.

4. APPROVAL OF THE MINUTES

The Trustees reviewed the draft Minutes for the Special Meeting of July 22, 2015.

Sandi Henley made a motion to approve Minutes for Special Meeting of July 22, 2015. The motion was seconded by Bill Forcht and approved by the Trustees 8-0.

6. REPORTS

Foster & Foster (Doug Lozen)

Doug Lozen briefly discussed the funding projection for Town contributions to the Retirement System over the next 10 years. The projection used a 7% return assumption, reducing the current assumptions for the former Police and Fire plans from 7.5%. The lower return assumption increases the required Town contributions by an estimated \$250,000 annually. He then reviewed the projected funding requirement for the new mortality assumptions mandated by the State, which also increased projected contributions by the Town by another \$250,000 starting October 1, 2016. Each change increased the projected liabilities by about \$2.5 million as well.

The Town Finance Committee considered different payment periods to amortize the unfunded liabilities. Mr. Lozen compared 10, 15, and 20 year periods for the Town to pay the unfunded accrued actuarial liability (UAAL). Mr. Lozen stated, based on his discussion with the State actuary, that he does not believe the State will accept an investment return assumption for the Consolidated Retirement System above 7%. Frank Cona commented on the possible impact that different cash flow models may have on the investment asset allocation decisions by the Board.

Graystone (David Wheeler)

Dave Wheeler briefly reviewed the market and the economy for the quarter ending June 30, 2015. He reported that the GDP increased faster than expected, with decreasing unemployment and stronger payroll growth. The dollar gained about 18% against other currencies for the quarter, depressing returns on international investments in the portfolio.

The S&P 500 market index gained 0.28% for quarter ending June 30, 2015. The investment assets for the former Police Retirement System had a return of -0.22% net of fees for quarter ending June 30, 2015 compared to -0.13% for the benchmark. For the fiscal year to date, the assets gained 3.14% compared to 4.93% benchmark. The investment portfolio for the former Police Retirement System had assets of \$6,969,852.39 as of June 30, 2015. The investment portfolio for the former Firefighters Retirement System, meanwhile, returned -0.87% for the quarter ending June 30, 2015 compared to a return of -0.33% for the benchmark. For the fiscal year to date, the assets for the Firefighters Retirement System returned 2.37% compared to a return of 4.17% for the benchmark. The investment portfolio for the former Firefighters Retirement System had assets of \$15,339,592 as of June 30, 2015.

Charles Mulfinger stated that current assets met policy targets; therefore, he did not recommend any rebalancing of plan assets for either the former Police Retirement System or the Firefighters Retirement System. He further reviewed the performance of individual managers for the former Police Retirement System. Overall the Police portfolio had lower volatility due to the selection of more conservative managers. Mr. Mulfinger reviewed compliance with the Investment Policy, noting that the more conservative managers failed to keep up with their benchmarks in a rising market. He further reviewed recommendations for Morgan Stanley global investment committee; the committee foresees continued slow growth.

Mr. Mulfinger reported that the Fire plan is overweight to large cap value, although the allocation still remained within Policy target ranges. He recommended that the Board authorize rebalancing the assets to increase the current underweighted allocation to international value equities, which decreased due to energy holdings in the portfolio formerly managed by Wentworth Hauser. Mr. Mulfinger continued to review the performance for the individual managers for the Firefighters Retirement System. Lou Levy

asked about the manager selections made by the respective Boards for the former Retirement Systems. Mr. Mulfinger explained the Boards made very different strategic choices over time, leading to very different portfolios and results.

Lou Levy made a motion to authorize Graystone to rebalance assets for international value back to target range of 4.55% to 5% of Firefighter Retirement System plan assets. The motion was seconded by Frank Cona and approved by Trustees 8-0.

Bogdahn Consulting (John Thinnies)

John Thinnies reported that the former General Employees Retirement System had fiscal year returns to date of 5.61% as of July 31, 2015 with assets of \$10,533,563. He noted that the Chinese market had a rapid ascent during the same period, so that market still had gains for the year even after the recent losses. The bond portfolio had losses for the quarter on expectations that the Federal Reserve Board would raise interest rates. As of June 30, the plan had assets of \$10,506,662. The portfolio gained 4.62% net of fees for the fiscal year through June 30, 2015 compared to a gain of 4.09% for the benchmark. Mr. Thinnies reviewed the cash flow for the quarter and the current asset allocation. He does not recommend any rebalancing of assets given then imminent consolidation of assets for the Consolidated Retirement System. The plan pays approximately 17-18 bp in overall management fees with the index allocations, helping the relative performance. The Board briefly considered the value added by the passive components to the overall performance, as well as expectations based on current market conditions. Mr. Thinnies further reviewed the Alpha and Sharpe ratios for 3 and 5 years. He noted that delivers only modest performance for fixed income portfolio due to credit quality restrictions on the holdings.

Administrator Report (Scott Baur)

Scott Baur noted that Jo Ann Mixon addressed the Trustee Terms at the beginning of the meeting. He also shared with the Board that Frank Cona and Nancy Woodley registered for the Fall FPPTA School, and he asked any other Trustees planning to attend to contact him regarding arrangements as soon as possible.

Attorney Report (Lee Dehner)

Lee Dehner said that the proposed agreements provided by First State will require some changes, but he has agreements for First State with other Boards that he has already reviewed. Mr. Dehner also reported that he had no concerns with the specimen policy that he reviewed for Euclid, a proposed replacement for the current fiduciary liability policy.

Chairman Steve Branham addressed the option to implement the State mandated changes to mortality before the October 1, 2016 valuation. Doug Lozen recommended that the Board not implement the changes early, since the State still had unanswered questions regarding the mortality and the plan no longer had offsetting gains in the 4-year smoothing after the recent market volatility during August.

The Board took a brief recess.

8. PLAN FINANCIALS

Interim Financial Statements

Mr. Baur briefly reviewed the interim financial statements for the three former plans.

Ratification of Warrants

The Board reviewed the Warrants for payment of invoices dated August 28, 2015, for the former General Employees, Police Officers, and Firefighters Retirement Systems.

Sandi Henley made a motion to approve the Warrants dated August 28, 2015, seconded by Frank Cona and approved by the Trustees 8-0.

Benefit Approvals

Scott Baur presented a Benefit Approval for Marilyn Dzikas.

Lou Levy made a motion to approve the Benefit Approval for Marilyn Dzikas, seconded by Nancy Woodley, and approved by the Trustees 8-0.

Bill Forcht had questions on procedures related to Benefit Approvals. The Board requested that the Resource Centers provide the actuary calculation with future benefit approvals.

9. OLD BUSINESS

The Board had no old business to discuss.

10. NEW BUSINESS

Town Finance Committee Update

Chairman Steve Branham provided the Town Finance Committee with a report on progress with consolidation of the plans. He also addressed questions related to the fiduciary liability by the Town for the Consolidated Retirement System. Sue Smith, Town Finance Director, provided graphics on funding trends through 2014. The briefing is available on the Town website.

Investment Consultant Selection Committee Update

Chairman Steve Branham informed the Board the Selection Committee received 8 responses to the Request for Proposal for Investment Consulting Services, then short listed to 3 consultants. The Consultants made presentations to the Selection Committee on August 27, 2015. Prior to starting quarterly meeting on August 28, 2015, the Selection Committee met to further discuss the presentations and ranking of the proposals. The Selection Committee included 4 members. All 3 short listed Consultants made very strong presentations. The Consultants interviewed including the Bogdahn Group, Graystone Consulting, and Burgess Chambers & Associates.

Mr. Branham stated the Selection Committee recommended Graystone Consulting. The Board will make a recommendation to the Town for the Town to engage the provider. Chairman Steve Branham further summarized the process and reasons the Selection Committee recommended Graystone. Frank Cona

explained Selection Committee favored the investment manager wrap approach proposed by Graystone, which lowers overall fees, streamlines legal review of manager agreements, and increases opportunities to diversify plan assets. While the Selection Committee recommends the Investment Consultant to the Town, the Board will oversee the asset allocation along with the selection and retention of investment managers. Chairman Branham thanked John Thinnis and the Bogdahn Group for their service to the Board. Charles Mulfinger also thanked the Board.

11. BOARD COMMENTS

The Board discussed the appropriate date to finalize the investment return assumption for the Consolidated Retirement System. Lou Levy stated that the Board must address the Request for Proposal for legal services next. Scott Baur will begin that process with Kari Kennedy, the purchasing manager for the Town.

The Board set the next meeting date for October 9, 2015 at 9:00 AM. Lee Dehner, Doug Lozen, and Charles Mulfinger were all asked to attend the next meeting of the Board.

12. ADJOURNMENT

There being no further business, Chairman Branham adjourned the meeting at 3:50 PM.

Respectfully Submitted,

Anne Ross