

MEMORANDUM

Date: January 28, 2015

TO: Town Commission
FROM: Dave Bullock, Town Manager
SUBJECT: Consolidated Retirement System Board Update

Attached is a memo from the Chair of the Consolidated Retirement System Board, Steve Branham. The Consolidated Board has been busy since their appointment just four months ago. Ordinance 2014-26 (attached) which established the consolidated Board anticipated hiring a pension administrator and other services to oversee and coordinate the many activities of the Board. This is especially true of the first two years of the new consolidated Board. Mr. Branham's memo explains how the Board plans to handle administrative expenses.

The Ordinance also identifies the Town as the contracting agency for "actuarial, accounting, legal, administrative and other services as shall be required to transact the business of the system." The Ordinance does not specify who can execute such contracts. I am requesting that authorization to sign such contracts be assigned to the Town Manager with input from the Consolidated Board as set forth in 34.101.(I).

In future years I plan to bring you the administrative budget of the Consolidated Retirement System Board so you can see the overall picture but in this first year we will have several contracts for consideration. All contracts will go through the Town's competitive procurement process.

Please don't hesitate to contact me if you have any questions.

MEMORANDUM

Date: January 21, 2015

TO: Dave Bullock, Town Manager

FROM: Steve Branham, Chairman, Consolidated Retirement System Board

SUBJECT: Consolidated Retirement System Board Update

The newly established Consolidated Retirement System Board of Trustees (Board) is charged with the task of consolidating the three existing pension plans into one fund no later than October 1, 2015. The major tasks involved are issuing Request for Proposals (RFPs) for an attorney, financial advisors, custodian, actuary, and money managers. The process of writing the RFPs and setting up interviews will be a lengthy process requiring multiple meetings. In order to accomplish these tasks within that time frame, the Board has been meeting at least monthly instead of quarterly. Additionally, the investment policy sub-committee and the policy manual sub-committee have met several times since mid-December 2014. The administration, preparation, and execution support work has been provided by the Finance Director and Town Staff, in addition to their normal Town responsibilities. Since our meetings began, Finance Director Sue Smith, has devoted 15% of her time toward pension administrative tasks. She and her staff have done an outstanding job providing all manner of support to the Board! They have represented you and the Town well!

When the new Board was created, the Commission provided the option to include authority to outsource pension administration work. Given the increased amount of work required, especially in the first year or two, Town staff has taken steps to outsource administrative work required to ensure the excellence expected by the Town Commission, the Town Manager, and the Board of Trustees.

While Ms. Smith will remain actively involved in the oversight of providing administrative services to the Board, Town Staff has issued an RFP to select and hire a pension administrator to assist with these tasks. The Board will make a decision at their meeting on January 30, 2015 on whether or not to accept the recommendation to hire The Resource Center, Inc.

The Resource Center, Inc. proposed a two-phase fee schedule over the next 12 months. The proposed fee over the next eight months is slightly higher than the latter four months due to the expected workload. The total cost for the first twelve months is approximately \$38,000. The Resource Center, Inc. knows pension administration well. That has been their sole business service for over 20 years. All of their references that we contacted (3) gave them glowing endorsements. Town Staff has always managed and performed the administration work at no charge to the pension plan. Therefore, fees paid to The Resource Center, Inc. will be a new cost that will be charged to the pension plan as required in Ordinance 2014-26 **Section 34.101 (I)**:

(I) With input from the board, the Town shall engage such actuarial, accounting, legal, administrative and other services as shall be required to transact the business of the system. The Town shall consult with the Chair regarding the selection of professional services required by the fund. The compensation of all persons engaged by the Town and all other expenses necessary for the operation of the system shall be paid from the fund.

The Board plans to adopt a budget for investment and administrative expenses that will be brought to the Commission at a future meeting.

We are working on developing a new Investment Policy Statement and a new Policy Manual. I intend to present them to you, and the Town Commission, sometime in the not-too-distant future after we hire an attorney and an investment consultant and they have both provided their input to those draft documents.

I have attached a copy of Ordinance 2014-26 for your reference.

CONSOLIDATED RETIREMENT SYSTEM
TASK LIST

Items with strike through are complete.

~~1—Town manager selects 9th member~~

~~2—Set up email addresses, update contact list~~

~~3—Invite Members to Sunshine Law training—Mandatory 9/29 1:30-4:30~~

~~4—Set date for meeting and Swearing in~~

Agenda items for discussion:

- ~~a.— Selection of interim attorney until RFP process complete~~
- ~~b.— Discussion of scope of administrative duties
 - ~~i.— Issue RFP or solicit part time help?~~~~
- ~~c.— Create list of tasks to be done with a tentative timeline~~
- ~~d.— Discuss investment manager participation at quarterly meetings (shorten presentations?)~~
- ~~e.— Florida League of Cities presentation~~
- ~~f.— Order of RFPs: 1)lawyer 2)custodian and Investment advisor~~
- ~~g.— Retain actuary Doug Lozen (two years)~~
- ~~h.— Discuss with Dave on selection committee for RFPs~~
- ~~i.— Following a new investment advisor, asset allocation and investment policy~~
- ~~j.— Revise procedure manual and handbook~~
- ~~k.— Account signers updated~~
- ~~l.— Bills are now being paid directly out of the plan~~
- ~~m.— Trustee Filing Form 1~~
- ~~n.— GASB67/68 presentations including SB534~~
- ~~o.— Set Meeting Dates and Times~~
- ~~p.— Subcommittees established for investment policy revision and policy manual update~~

Scope of pension administration

1. Plan Consolidation Tasks

- a) Preparation of RFPs for legal counsel, investment advisors, custodian and actuaries as deemed necessary.
- b) Schedule interviews and oversee bidding and selection process in accordance with Town Ordinance, Town Purchasing Code and Procedures.
- c) Assist in reconciling plan asset transfers to custodians.
- d) Manage all money manager transitions and actions per Board direction
- e) Assist Board in the drafting and adoption of Pension Board Plan Documents and a Board Policy and Procedure manual.
- f) Compile and submit documents from the Board to Town Commission using Town systems.

The pension administrator will also assist with the scheduling and administration of meetings, provide general support and guidance through the process, provide regular reporting and monitor custodians.

ORDINANCE 2014-26

AN ORDINANCE OF THE TOWN OF LONGBOAT KEY, FLORIDA, CREATING A CONSOLIDATED RETIREMENT SYSTEM FOR EMPLOYEES OF THE TOWN OF LONGBOAT KEY WHO ARE MEMBERS, VESTED FORMER MEMBERS, RETIREES OR BENEFICIARIES OF THE POLICE OFFICERS' RETIREMENT SYSTEM, FIREFIGHTERS' RETIREMENT SYSTEM, AND GENERAL EMPLOYEES' RETIREMENT SYSTEM; CREATING A NEW SECTION 34.100, CONSOLIDATED RETIREMENT SYSTEM; CREATING A NEW SECTION 34.101, BOARD OF TRUSTEES; CREATING A NEW SECTION 34.102, CONSOLIDATED RETIREMENT SYSTEM; FINANCES AND FUND MANAGEMENT; PROVIDING FOR SEVERABILITY; REPEALING ALL ORDINANCES IN CONFLICT HEREWITH; PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE TOWN COMMISSION OF THE TOWN OF LONGBOAT KEY, FLORIDA, THAT:

SECTION 1. A new section 34.100, Consolidated Retirement System, is created to read as follows:

34.100. Consolidated Retirement System.

Effective October 1, 2014, a consolidated retirement system is created for the purpose of administering the police officers' retirement system, firefighters' retirement system and general employees' retirement system, with one board of trustees as set forth in section 34.101, and one trust fund as set forth in section 34.102. It is the intent of the Town Commission that the retirement benefits and plan provisions set forth in sections 34.12 through 34.41 (police officers' retirement system), sections 34.42 through 34.67 (firefighters' retirement system) and sections 34.72 through 34.98 (general employees' retirement system) be administered by the board of trustees created by section 34.101, except that sections 34.15, 34.16, 34.45, 34.46, 34.75 and 34.76, relating to the existing boards of trustees, finances and fund management, shall be repealed and replaced in operation by sections 34.101 and 34.102. The retirement benefits of all Town employees who, on the effective date of this ordinance, are members, vested former members, retirees or beneficiaries of the police officers' retirement system, firefighters' retirement system or general employees' retirement system, shall be administered by the board of trustees provided in section 34.101 on and after October 1, 2014; and such retirement benefits shall be funded as provided in section 34.102 on and after October 1, 2014. The term "system" as used in sections 34.101 and 34.102 refers to the consolidated retirement system created by this section.

SECTION 2. A new section 34.101, Board of Trustees, is created to read as follows:

34.101. Board of Trustees.

(A) A new board of trustees is hereby created to administer the consolidated retirement system. The members of the board of trustees shall be selected no later than September 19, 2014, and shall be sworn in on, or after, October 1, 2014. The existing

boards of trustees of the police officers', firefighters', and general employees' retirement systems shall continue to operate through September 30, 2014, for the primary purpose of facilitating the transfer of contracts, investment holdings, assets and liabilities of the existing police officers', firefighters' and general employees' retirement systems, as well as all documents and records of those plans, to the consolidated retirement system. The existing boards of trustees shall take all necessary and appropriate action to carry out this purpose in a timely manner.

(B) During the period prior to October 1, 2014, the boards of trustees of the existing police officers', firefighters', and general employees' retirement systems, shall take all necessary and appropriate action to ensure that the benefits due retired plan members and beneficiaries are not interrupted, and that any benefit applications submitted by plan members and beneficiaries are processed in a timely manner. Commencing October 1, 2014, the new board of trustees shall take all necessary and appropriate action to ensure that the benefits due retired plan members and beneficiaries are not interrupted, and that any benefit applications submitted by plan members and beneficiaries are processed in a timely manner.

(C) The new board of trustees shall be established in accordance with subsection (D) below. Effective October 1, 2014, the police officers' board of trustees, firefighters' board of trustees, and general employees' board of trustees shall be abolished, and the board of trustees established in accordance with subsection (D) below shall be responsible for administering the consolidated retirement system and investing all assets of the system in accordance with this section 34.101 and section 34.102, for the benefit of the members, vested former members, retirees, and beneficiaries of the system.

(D) The board of trustees ("board") shall consist of nine members selected as follows:

- (1) One police officer who is a current or vested former member of the police officers' retirement system, elected by the employee members of that plan.
- (2) One firefighter who is a current or vested former member of the firefighters' retirement system, elected by the employee members of that system.
- (3) One general employee who is a current or vested former member of the general employees' retirement system, elected by the employee members of that system.
- (4) Five residents of the town who are registered voters and not employees of the town, or members, vested former members, retirees, or beneficiaries of the retirement system, appointed by the Town Commission.
- (5) The Town Manager or designee, who shall serve as a voting ex-officio member.

(E) Trustees other than the Town Manager or designee shall serve staggered three-year terms, and may succeed themselves in office. To implement the staggered terms, the first elected employee trustee who is a police officer member shall serve a one-year term; the first elected employee trustee who is a firefighter member shall serve a two-year term; and the first elected employee trustee who is a general employee member shall serve a three-year term. The staggered terms for the appointed trustees shall be implemented as follows: two appointed trustees shall serve an initial term of one year; two appointed trustees shall serve an initial term of two years; and one appointed trustee shall serve an initial term of three years; as determined by the town commission. Trustees who are elected or appointed following the initial terms shall serve a term of three years.

(F) The board of trustees created by this section 34.101 shall be responsible for the administration and proper operation of the consolidated retirement system. The board is hereby designated as the plan administrator. The Town Commission shall designate one

of the trustees it appoints as chairman of the board and another trustee as vice chairman, and may change such designations from time to time. The Town Commission shall establish the nominating and election procedures for the election of employee trustees. The board shall meet at least quarterly each year. The board shall be a legal entity with, in addition to other powers and responsibilities contained herein, the power to bring and defend lawsuits of every kind, nature and description.

(G) The trustees shall, by a majority vote, elect a secretary. The secretary of the board shall keep a complete minute book of the actions, proceedings, or hearings of the board. The trustees shall not receive any compensation as such, but may receive expenses and per diem as provided by law.

(H) Each trustee shall be entitled to one vote on the board. Five affirmative votes shall be necessary for any decision by the trustees at any meeting of the board. A trustee shall abstain from voting as the result of a conflict of interest and shall comply with the provisions of F.S. § 112.3143.

(I) With input from the board, the Town shall engage such actuarial, accounting, legal, administrative and other services as shall be required to transact the business of the system. The Town shall consult with the Chair regarding the selection of professional services required by the fund. The compensation of all persons engaged by the Town and all other expenses necessary for the operation of the system shall be paid from the fund.

(J) The duties and responsibilities of the board shall include, but not necessarily be limited to the following:

- (1) To construe the provisions of the system and determine all questions arising thereunder.
- (2) To determine all questions relating to eligibility and membership.
- (3) To determine and certify the amount of all retirement allowances or other benefits hereunder.
- (4) To establish uniform rules and procedures to be followed for administrative purposes, benefit applications and all matters required to administer the system.
- (5) To distribute to members, at regular intervals, information concerning the system.
- (6) To receive and process all applications for benefits.
- (7) To authorize all payments whatsoever from the fund, and to notify the disbursing agent, in writing, of approved benefit payments and other expenditures arising through operation of the system and fund.
- (8) To have performed actuarial studies and valuations, at least as often as required by law, and make recommendations regarding changes to the provisions of the system.
- (9) To perform such other duties as are required to prudently administer the system.

(K) The boards of trustees for the existing police officers', firefighters', and general employees' retirement systems shall continue to operate through September 30, 2014, for the primary purpose of facilitating the transfer of contracts, investment holdings, assets and liabilities of the police officers', firefighters', and general employees' retirement systems, as well as all documents and records of those plans, to the new board of trustees established pursuant to subsections (C and D E) above. During the period prior to October 1, 2014, the boards of trustees for the police officers', firefighters', and general employees' retirement systems shall continue to perform their duties as set forth in sections 34.15, 34.45, and 34.75.

SECTION 3. A new section 34.102, Consolidated retirement fund; finances and fund management, is created to read as follows:

34.102. Consolidated retirement system; finances and fund management.

(A) Effective October 1, 2014, as part of the consolidated retirement system, there is hereby established a consolidated retirement trust fund, into which shall be deposited all of the contributions and assets whatsoever attributable to the system, including all assets of the police officers', firefighters', and general employees' retirement systems.

(B) All existing contracts, investment holdings, assets and liabilities of the existing police officers', firefighters', and general employees' retirement systems shall be transferred to and become contracts, investment holdings, assets and liabilities of the consolidated retirement system on October 1, 2014, or as soon thereafter as administratively possible. The existing police officers', firefighters', and general employees' retirement funds may be separately managed by the new board of trustees for up to twelve months following October 1, 2014, until such time as the new board of trustees determines that it is prudent to consolidate one or more of the funds. The existing police officers', firefighters', and general employees' retirement funds shall be consolidated into one consolidated retirement fund on or before October 1, 2015. Notwithstanding the consolidation of the retirement funds, the new board of trustees shall provide for a separate accounting of the assets and liabilities attributable to the police officers, firefighters, and general employee groups, and all actuarial valuations and studies performed on and after October 1, 2014 shall include a separate accounting of the assets and liabilities attributable to the police officers, firefighters, and general employee groups. The plan actuary shall prepare separate valuations for the existing police officers', firefighters', and general employees' retirement systems for the plan year ending September 30, 2014, and one valuation for the consolidated retirement system covering the three employee groups for plan years ending on and after September 30, 2015.

(C) The actual custody and supervision of the fund shall be vested in the board of trustees created by section 34.101. Payment of benefits and disbursements from the fund shall be made by the disbursing agent but only upon written authorization of the board.

(D) All funds of the retirement system may be deposited by the board with the finance director of the town, acting in a ministerial capacity only, who shall be liable in the same manner and to the same extent as he is liable for the safekeeping of funds for the town. However, any funds so deposited with the finance director of the town shall be kept in a separate fund by the finance director or clearly identified as such funds of the retirement system. In lieu thereof, the board shall deposit the funds of the retirement system in a qualified public depository as defined in F.S. § 280.02, which depository with regard to such funds shall conform to and be bound by all of the provisions of Chapter 280, F.S.. In order to fulfill its investment responsibilities as set forth herein, the board may retain the services of a custodian bank, an investment advisor registered under the Investment Advisors Act of 1940, or otherwise exempt from such required registration, an insurance company, or a combination of these, for the purposes of maintaining custody of the fund or any portion thereof, and to advise the board on investments.

(E) All funds and securities of the system may be commingled in the fund, provided that accurate records are maintained at all times reflecting the financial composition of the fund, including accurate current accounts and entries as regards the following:

- (1) Current amounts of accumulated contributions of members on both an individual and aggregate account basis; and

- (2) Receipts and disbursements; and
- (3) Benefit payments; and
- (4) Current amounts clearly reflecting all monies, funds and assets whatsoever attributable to contributions and deposits from the town; and
- (5) All interest, dividends and gains (or losses) whatsoever; and
- (6) Such other entries as may be properly required so as to reflect a clear and complete financial report of the fund.

(F) An audit shall be performed annually by a certified public accountant for the most recent fiscal year of the system showing a detailed listing of assets and a statement of all income and disbursements during the year. Such income and disbursements must be reconciled with the assets at the beginning and end of the year. Such report shall reflect a complete evaluation of assets on both a cost and market basis, as well as other items normally included in a certified audit.

(G) The board shall have the following investment powers and authority:

- (1) The board shall adopt an investment policy in accordance with F.S. § 112.661, and shall regularly review, evaluate and, if deemed in the best interest of the retirement system, revise the investment policy, subject to the approval of the town commission.
- (2) In exercising its discretionary authority with respect to the management of the moneys and assets of the retirement system, the board shall exercise the care, skill, prudence and diligence under the circumstances then prevailing, that a person of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims.
- (3) The board shall have full power and authority to invest and reinvest the moneys and assets held for the benefit of the members, retirees and beneficiaries of the system, subject to all terms, conditions, limitations and restrictions imposed by law on the investments of public employee retirement system assets, and subject to investment policy adopted by the board.
- (4) The board may invest in securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 USC 80A-1 et seq., and in such other investments authorized by law and by the board's investment policy, including alternative investments.
- (5) The board shall retain an independent consultant professionally qualified to advise the board on all investment matters and evaluate the performance of professional money managers. The independent consultant shall assist the board in developing and revising its investment policy, and make recommendations regarding the selection of money managers.
- (6) The board may retain in cash and keep unproductive of income such amount of the fund as it may deem advisable, having regard for the cash requirements of the system.
- (7) Neither the board, nor any trustee shall be liable for the making, retention or sale of any investment or reinvestment made as herein provided, nor for any loss or diminishment of the fund, except that due to his or its own negligence, willful misconduct or lack of good faith.
- (8) The board may cause any investment in securities held by it to be registered in or transferred into its name as trustee or into the name of such nominee as it may direct, or it may retain them unregistered and in form permitting

transferability, but the books and records shall at all times show that all investments are part of the fund.

- (9) The board is empowered, but is not required, to vote upon any stocks, bonds or securities of any corporation, association or trust and to give general or specific proxies or powers of attorney with or without power of substitution; to participate in mergers, reorganizations, recapitalizations, consolidations, and similar transactions with respect to such securities; to deposit such stock or other securities in any voting trust or any protective or like committee with the trustees or with depositories designated thereby; to amortize or fail to amortize any part or all of the premium or discount resulting from the acquisition or disposition of assets; and generally to exercise any of the powers of an owner with respect to stocks, bonds, or other investments comprising the fund which it may deem to be to the best interest of the fund to exercise.
- (10) Any overpayments or underpayments from the fund to a member, retiree or beneficiary caused by errors of computation shall be adjusted with interest at a rate per annum approved by the board in such a manner that the actuarial equivalent of the benefit to which the member, retiree or beneficiary was correctly entitled, shall be paid. Overpayments shall be charged against payments next succeeding the correction or collected in another manner if prudent. Underpayments shall be made up from the fund in a prudent manner.
- (11) The board shall sustain no liability whatsoever for the sufficiency of the fund to meet the payments and benefits provided for herein.
- (12) In any application to or proceeding or action in the courts, only the board shall be a necessary party, and no member or other person having an interest in the fund shall be entitled to any notice or service of process. Any judgment entered in such a proceeding or action shall be conclusive upon all persons.
- (13) Any of the foregoing powers and functions reposed in the board may be performed or carried out by the board through duly authorized agents, provided that the board at all times maintains continuous supervision over the acts of any such agent; provided further, that legal title to said fund shall always remain in the board.

SECTION 4. Sections 34.15, 34.16, 34.45, 34.46, 34.75, and 34.76 of the Code of Ordinances of the Town of Longboat Key are repealed effective October 1, 2014.

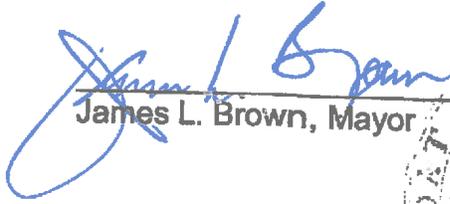
SECTION 5. All other ordinances of the Town of Longboat Key, Florida, or parts thereof which conflict with this or any part of this Ordinance are hereby repealed.

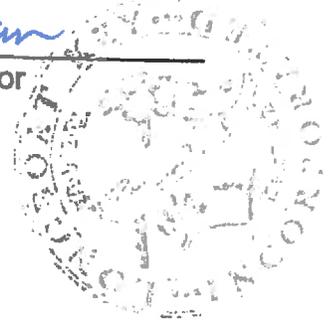
SECTION 6. If any section, subsection, sentence, clause, phrase of this ordinance, or the particular application thereof shall be held invalid by any court, administrative agency, or other body with appropriate jurisdiction, the remaining section, subsection, sentences, clauses, or phrase under application shall not be affected thereby.

SECTION 7. This Ordinance shall take effect upon adoption.

Passed on the first reading and public hearing the 7th day of July, 2014.

Adopted on the second reading and public hearing the 8th day of September, 2014.


James L. Brown, Mayor



ATTEST:


Trish Granger, Town Clerk



End of Agenda Item