

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

**MINUTES: MARCH 20, 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 8:33 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  
Ann Ross, Secretary  
Bill Forcht  
Sandi Henley  
Lou Levy

OTHERS

Lee Dehner, Christiansen & Dehner  
Scott Baur, Resource Centers  
Wade Sansbury, Mauldin Jenkins  
Sue Smith, Finance Director

TRUSTEES ABSENT AND EXCUSED:

Jim Haas  
Judd Jensen  
Nancy Woodley

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 from recent meetings. The Trustees noted a change to Item 4 (e) of the December 18 minutes regarding Board actions that might set a precedent.

Bill Forcht made a motion to approve the minutes for the special meeting of December 18 as amended. The motion was seconded by Frank Cona and approved by the Trustees 6-0.

Frank Cona noted that the February 27 minutes should indicate that the Board requested Salem Trust to come back to the May quarterly meeting to provide an operational update related to issues with the SSAE-16 Audit opinion for that organization. The Trustees also noted that the "change of internal control" reported by the Bogdahn Group was really a "change of control". The Trustees made other minor revisions and indicated that the Minutes do not need the level of detail provided by the administrator.

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

The minutes for the meeting of January 30, 2015 were not yet available for review.

Finally, the Board indicated that the Policy Manual Subcommittee should approve the minutes for their last workshop. The Trustees briefly discussed the authority of the Board established by the Ordinance for the Consolidated Retirement System, including concerns about the process to engage legal counsel and other service providers.

#### 4. REPORTS

##### Audited Financial Statements (Wade Sansbury, Maulding Jenkins)

Mr. Sansbury reviewed the testing of asset values and transactions conducted by his firm for both Salem Trust and First State as part of the audit engagement. Because of the testing, the adverse service audit opinion for Salem Trust did not delay or create issues for the normal audit process. Mr. Sansbury reported that Maulding Jenkins does not rely exclusively on the reports provided by Salem Trust as the custodian. Maulding Jenkins issued unqualified opinions for all three component plans (General Employees, Police Officers, and Firefighters). Mr. Sansbury noted that the plans adopted the new GASB 67 standards, expanding the disclosures incorporated into the financial statements. GASB 68 will require the Town to include the pension liabilities on the Town CAFR (Consolidated Annual Financial Report) starting in 2015. Mr. Sansbury then reviewed the Management Discussion and Analysis for each plan. He reviewed the information included in the footnotes, and he noted the long-term sensitivity of the net pension liability to even small changes to the investment performance of the plan assets. The auditor did not report any control deficiencies or material weaknesses.

The Trustees questioned the ratings of bonds reported in the investment portfolio as part of the audit process, since the Investment Policies limit the plans to bond investments rated "A" or better by the rating agencies. The Trustees also noted a correction regarding the investment assumption for the General Employees' Retirement System reported by the auditor. Mr. Sansbury also stated that the Town maintained good interim plan financial statements, since the plans did not previously conduct separate audit engagements. With the separate audit engagements, Mr. Sansbury explained the material level changed and testing by his firm increased.

Bill Forcht questioned inquired about the Town contributions. He expressed concern that the Town may historically have skipped a contribution to the plan when changing to the projection method of funding; therefore, the audits should record an accrual. Staff confirmed that the Town never missed a contribution to any of the three component plans to the Consolidated Retirement System historically for any year. Bill Forcht also questioned the amortization of experience gains and losses.

Lou Levy made a motion to approve the audited financial statements, seconded by Frank Cona. The Trustees passed the motion 5-1 on a roll call vote with Bill Forcht voting against the motion.

##### Administrator Report (Scott Baur, Resource Centers)

Mr. Baur provided the Board with an update on the transition in plan administration. He stated that his office would mail letters to the members notifying them of the contact information for his office as he received that information from the Town. He also provided the Trustees with updated contact information for the Board. Finally, he briefly addressed both the website resources that his office would make available to the Board and to the members of the plan, as well as the meeting information typically available through the Town website.

The Board discussed the process to notify all of the members of the plan with frozen benefits still employed by the Town of Longboat Key. Mr. Baur recommended a process to notify all of the members of the plan due a future benefit, providing information regarding eligibility, calculation details, and benefit amounts. Any member with additional information to question the final benefit calculation should address the Board now rather than at some future date. Apparently Lisa Silvertooth, HR Director for the Town, initiated a similar process with members of the Firefighters Retirement System. Mr. Baur will begin the process for all members still employed by the Town in coordination with Ms. Silvertooth.

#### Attorney Report (Lee Dehner, Christiansen & Dehner)

Lee Dehner provide the Board with a legislative update, noting that the current session had a bill pending to require the Retirement System to adopt the same mortality assumptions as the Florida Retirement System. He reminded the Trustees to file the annual Form 1 Financial Disclosure by July 1 in the County where each Trustee resides. Trustees must also file a final Form 1-b Financial Disclosure with 60 days from departing from the Board. Mr. Dehner then reviewed Sunshine Law requirements for the Board, as well as requirements to notice public meetings.

#### 5. RATIFYING OF INVOICES

The Trustees reviewed the invoices pending approval for payment.

Lou Levy made a motion to approve the Warrant dated March 20, 2015 for the General Employees; the Warrant dated March 20, 2015 for the Firefighters; and the Warrant dated March 20, 2015 for the Police. Frank Cona seconded the motion, approved by the Trustees 6-0.

#### 6. NEW BUSINESS

##### Operating Rules and Procedures

The Trustees considered the process by the Board to engage service providers, including the Town procurement guidelines and the execution of agreements on behalf of the Board. Lee Dehner addressed fiduciary standards for certain service providers with an acknowledged fiduciary to the Retirement System, along with the possible liability retained by the Town as a fiduciary to the plan. Chairman Branham stated that he continues to have discussions with the Town to clarify the procedures that apply to the Board. Lee Dehner requested that he have the opportunity to review any proposed ordinances to clarify the current ordinance language, as well as any draft Board policies, on behalf of the Board. The Board then directed Lee Dehner to continue to review all documents, policies, and agreements as needed.

##### Request for Proposal for Attorney

Mr. Baur addressed the draft Request for Proposal for Attorney included with the meeting packet. Since the Board has the authority to temporarily continue existing relationships with service providers through the transition period to consolidate the plans, the Trustees determined that continuity in legal counsel was important during the process. Noting that Mr. Dehner brought some continuity to the Board from the former Retirement Boards of Trustees in Longboat Key as well, the Trustees decided to continue to use the services of Mr. Dehner to provide counsel to the Board through the process to consolidate the plans. The Board therefore does not need to issue a formal Request for Proposal for legal services at this time.

September 30, 2015 Consolidation Timeline

Mr. Baur addressed the timeline for consolidation. He explained the timeline for the processes required to complete Requests for Proposals for the Investment Consultant and the Custodian; interview and contract service providers; finalize the new Investment Policy; and then review, hire, contract, and fund new investment managers. Mr. Baur indicated that for reporting purposes, however, the consolidation of Retirement Systems should be complete by the fiscal year end on September 30. The Board requested Mr. Baur to provide a proposed timeline with milestones and goals.

**7. OLD BUSINESS**

Salem Trust Relationship

Lee Dehner explained that many Boards served by his office were requesting proposals for custody and payment services. By obtaining the proposals in advance, the Board would not have to make a change in service providers while having options available if needed.

The Trustees considered the recent issues experienced by the Custodian. Salem Trust will report to the Board again at the May meeting to update the Trustees regarding progress on the deficiencies identified by their service audit. The Trustees also considered the fraud experienced by Pennant, an investment affiliate of Salem Trust owned by USFS, also the parent company to Salem Trust. Lee Dehner advised that possible legal issues related to Pennant would likely continue for some time. Scott Baur explained the process implemented by his office to obtain alternate proposals for master trust custody and payment services. Salem services approximately 235 Florida public plans, so he devised a streamlined process to obtain proposals from the other custodians in the market. Mr. Baur provided the template for the possible RFP to the Board, along with a list of alternate custodians. Lee Dehner reviewed the request template.

Frank Cona made a motion to direct the administrator to issue a Request for Proposal for custody services. Lou Levy seconded the motion, approved by the Trustees 6-0.

Senator Contact for SB 534 Dialogue

The Board deferred any further action on this item until June following the end of the current legislative session.

**8. BOARD COMMENTS**

The Trustees had additional comments beyond the topics already addressed at the meeting.

**9. ADJOURNMENT**

The Trustees set the next Special Meeting for Friday, April 24 at 11 AM, and the next quarterly meeting for Friday, May 22 at 8:30 AM.

There being no further business, Chairman Branham adjourned the meeting at 11:12 AM.

Respectfully Submitted,

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Ann Ross