

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

**MINUTES: March 7, 2016**

**1. CALL TO ORDER**

Chairman Steve Branham called a regular meeting of the Board of Trustees for the Town of Longboat Key Consolidated Retirement System to order at 9:00AM in the Town Commission Chamber located at 501 Bay Isles Road, Longboat Key, Florida.

Those persons present included:

TRUSTEES

Steve Branham, Chair  
Nancy Woodley  
Lou Levey  
Sandi Henley  
Chief Peter Cumming  
Joe Fabrizio  
Frank Cona  
Randy Thompson  
Thomas Batchelor

OTHERS

Ron Cohn, Rice ,Pugatch, Robinson , Storfer and Cohn  
Scott Baur & Amanda Kish , Resource Centers  
Sue Smith, Finance Director  
Charles Mulfinger & Scott Owens, Graystone Consulting  
Jo Ann Mixon, Deputy Town Clerk  
Kari Kennedy, Purchasing Manager

TRUSTEES ABSENT AND EXCUSED:

None.

All present recited the Pledge of Allegiance.

**2. OATH OF OFFICE**

Jo Ann Mixon administered the oath of office for Tom Batchelor. The firefighter members elected Mr. Batchelor to Seat 7 on the Board to fill the remainder of the term for Jim Haas ending on September 30, 2016.

**3. PUBLIC COMMENTS**

No members of the public were present to comment.

**4. APPROVAL OF THE MINUTES**

The Trustees reviewed the Minutes for the meeting of December 18, 2015.

**Nancy Woodley chair made a motion to approve Minutes for the Special Meeting of December 18, 2015 as amended. Joe Fabrizio seconded the motion, approved by the Trustees 9-0.**

## 6. REPORTS

### GW Capital Termination and Manager Replacement

Charles Mulfinger stated that the markets had one of the worst January months on record. He reported that GW Capital decided to close the firm as of March 31. Mr. Mulfinger suggested that the Board move the assets from the account managed by GW Capital as soon as possible. Mr. Baur, meanwhile, indicated that the agreements for both Graystone and First State were still pending. Mr. Mulfinger therefore recommended that the Board move the assets to the corresponding Vanguard ETF as a place holder for the asset class. Lou Levy also considered the relatively poor performance by HGK due to an overweight to energy. The Trustees considered the potential advantages and disadvantages to moving the assets to an index fund. Mr. Mulfinger assured the Board that the assets invested with GW Capital remained safe in the interim, since Morgan Stanley actually held the securities.

Frank Cona made a motion to terminate GW Capital and move the assets to the Vanguard ETF. Sandi Henley seconded the motion, approved by the Trustees 9-0.

The Board continued to discuss the situation at GW Capital. While the manager continued to have strong long-term performance, GW Capital may have lost some larger clients recently due to the short-term under performance. Given that the assets with HGK Capital will ultimately get reinvested in an ETF following consolidation of the assets, Lou Levy suggested that the Board also liquidate the HGK portfolio and immediately reinvest the proceeds in the corresponding ETF for the asset class.

Mr. Mulfinger reviewed performance for the legacy Police and Fire portfolios during the current quarter. Although the portfolio still had losses in the portfolio for the quarter as of the date of the meeting, the Retirement System could miss a rebound in the market in energy holdings by eliminating the managers with a heavy allocation to energy holdings. Mr. Mulfinger confirmed that the manager liquidations will have no cost impact since Morgan Stanley executes the trades at no cost to the plan.

Lou Levy made a motion to liquidate the HGK portfolio and reinvest the proceeds in the Vanguard large cap value ETF. Frank Cona seconded the motion, approved by the Trustees 9-0.

Mr. Owens provided an overview of the market and the economy for the quarter ending December 31. He explained that the current market volatility began with the devaluation of the currency by China. The Federal Reserve raised interest rates for the first time in many years as well. The Federal Reserve created some uncertainty about further rate increases, given the divergence in monetary policy globally between different markets. Finally, Mr. Owens explained that the oversupply of oil driven by OPEC caused problems with high yield debt resulting from bankruptcies among smaller producers. The US continues to see slower steady growth, higher wages, and low unemployment. Low energy prices should continue to drive consumer spending.

Large companies outperformed smaller issues, and value outperformed growth. The S&P 500 components all had gains for December 31, while bonds posted losses due to increasing interest rates. The portfolio for the Firefighters Retirement System had total assets of \$16,478,666.83 as of December 31, 2015. The portfolio gained 2.56% before fees and 2.36% net of fees, compared to a gain of 3.28% for the benchmark. For the 12 months ending December 31, the portfolio lost -3.17% net compared to a return of -0.3% for the benchmark. The Police Officers Retirement System had total assets of \$6,603,332.25 as of December 31, with net gains of 2.34% compared to 3.43% for the benchmark. For the trailing 12 months, the portfolio had a net return of -3.39% compared to 0.36% for the benchmark.

Mr. Mulfinger briefly reviewed the holdings and report for the legacy General Employees Retirement System provided by Bogdahn. The portfolio primarily holds index funds, with international equity investments through the EuroPacific Growth Fund. The fixed income portfolio finished ahead of the fixed income benchmark, so the overall portfolio finished slightly ahead of the portfolio benchmark as well.

Mr. Mulfinger attributes the under performance in the Police portfolio due to over weights to energy and materials. The large cap managers also did not hold the "FANG" (Facebook/ Amazon/ Netflix/ Google) stocks that drove the majority of the index returns for the quarter. While the managers had lower returns than the benchmarks, the portfolio also had lower volatility. The large cap managers still generated negative alpha, a measure of risk adjusted performance relative to the market. Accordingly, the Board previously chose to index the large cap allocations following the ultimate consolidation of Retirement System assets.

Mr. Mulfinger reviewed manager performance and asset allocation for the Firefighters Retirement System next. Similar to HGK, Wedgewood also performed under the benchmark due to over weights to energy and materials. Wedgewood generated substantial returns at times historically, but as a contrarian manager, the portfolio has a low correlation to the market. Since the Board already made the decision to invest the large cap assets in index funds, Lou Levy indicated the Board should also reinvest the Wedgewood portfolio in the corresponding index rather than try to time the market.

Lou Levy made a motion to move the Wedgewood allocation to the Vanguard Growth Index ETF. Joe Fabrizio seconded the motion, approved by the Trustees 9-0.

The Board briefly considered the allocation of additional contributions by the Town to the plans. Mr. Mulfinger reported that the funds were added to bring the portfolio weightings back to the target allocations in the Investment Policy.

Chief Cummings departed at 10:35 A.M.

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

Mr. Baur provided the Board with an update on the processing of the disability application by Dennis Silverio. After some initial delay, the physician for Mr. Silverio provided an opinion stating that Mr. Silverio was totally and permanently disabled. The administrator continues to gather the medical records. Mr. Baur explained that once the Retirement System had all the relevant records, a physician selected by the Board must complete an independent medical evaluation (IME). In addition to the process to evaluate the application for Mr. Silverio, the Trustees inquired about any process to monitor other members of the Consolidated Retirement System with a disability pension.

Joe Fabrizio made a motion for the Board to retain a physician to review the disability pension application by Dennis Silverio and advise the Trustees. Randy Thompson seconded the motion, approved by the Trustees 8-0.

Mr. Baur informed the Board that the Trustees needed to update signature authorizations on file with Salem Trust for Sandi Henley, since the assets had not yet consolidated at Morgan Stanley.

Frank Cona made a motion to update signature authorizations for First State and Salem Trust. Lou Levy seconded the motion, approved by the Trustee 8-0.

Attorney Report (Ron Cohn)

The Board welcomed Ron Cohen as the new counsel for the Retirement System. Mr. Cohen introduced himself to the Trustees, and he provided some background regarding his experience working with both public pension plans and plans with similar circumstances. Even though he will have a retainer agreement with the Town, the Board is his client; the duty and loyalty under the law is clearly to the Board. He reported that he received word that the Town approved his retainer agreement, although that agreement had not been executed as of the meeting. Mr. Cohen explained the fiduciary requirements to the Trustees. Mr. Cohen stated that he shares a similar duty to the Board, the Retirement System, and its members. He also explained the obligation of the Town to fund the benefits accrued by the members, and those benefits cannot change once a member retires.

**7. PLAN FINANCIALS**Interim Financial Statement

Mr. Baur reviewed the interim financial statements. The Board requested that the interim financial statements monthly by email.

Ratification of Warrants

Mr. Baur explained the processing of invoices through his office and addressed recent delays in payment of some invoices. His office will normally process all accounts payable at least once each month. The Trustees discussed payment of the invoice for GW Capital. Since the invoice covered services in arrears already rendered, Mr. Cohen and Mr. Mulfinger recommended payment of the invoice. The Board requested that the administrator bring any further invoices for review prior to payment.

The Board reviewed the Warrants for payment of invoices dated January 15, 2016 and February 25, 2016, already paid. The Trustees also reviewed the pending Warrants dated March 7, 2016, for the three legacy Retirement Systems.

Randy Thompson made a motion to ratify all Warrants for the quarterly meeting to include January 15, 2016; February 25, 2016; and March 7, 2016. Joe Fabrizio seconded the motion, approved by the Trustees 8-0.

Benefit Approvals

The Board had no current benefits for approval.

**8. OLD BUSINESS**

The Board had no Old Business for discussion.

**9. NEW BUSINESS**

The Trustees briefly revisited the status of the pending agreements for Graystone (including Morgan Stanley) and First State. Kari Kennedy addressed the Board regarding a provision of the Morgan Stanley agreement requiring the Trustees to attest to provisions of the Patriot Act. Under the proposed agreement, Trustees must disclose if they are or were a politically exposed person, or had any close associates or family members acting as senior political figures in any foreign jurisdiction. Mr. Cohen will continue to review the provisions with the Town Attorney and Morgan Stanley.

The Trustees then set the next meeting date for Monday, May 23 at 1 PM.

Randy Thompson announced that he had taken a position with the Manatee County Sheriff's Office, and he did not yet know if his new schedule would ultimately permit him to continue on the Board. Ms. Henley expressed concerns about possible difficulties filling vacancies on the Board representing the employee group for each legacy Retirement System. Given the importance for the members to have proper representation on the Board, she suggested that the Town consider opening the member seats on the Board to all employee groups.

Scot Baur reminded Joe Fabrizio, Chief Peter Cummings and Thomas Batchelor of the Town requirement to complete the Sunshine Law training through the office of the Town Clerk. Ron Cohen provided the Board with a brief overview of the Sunshine Law requirements.

#### 10. ADJOURNMENT

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

Respectfully Submitted,

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Sandi Henley