

Town of Longboat Key Consolidated Retirement System
Board of Trustees
501 Bay Isles Road
Longboat Key, FL 34228

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Board of Trustees

RADM Steve Branham, Chair; Frank Cona, Vice-Chair;
Sandi Henley, Secretary; Lou Levy, Chief Pete Cumming, Joe
Fabrizio, Randy Thompson, Tom Batchelor, Trustees

June 27, 2016

TO: Town Commission, Town of Longboat Key
Town Manager, Town of Longboat Key

FROM: RADM Steve Branham, Chairman
Town of Longboat Key Consolidated Retirement System Board of Trustees

RE: Briefing to update the status of work to combine pension funds

Dear Commissioners and Town Manager:

On behalf of the Board of Trustees for the Town of Longboat Key Consolidated Retirement System, I am forwarding for your information a briefing that updates the Board's work to combine Longboat Key Town employees' pension funds into one consolidated fund.

Fiscal Year 2015 was a tough year for investments and our numbers reflect that fact. The good news is that for the most part our fund investments beat many of the market indexes. The bad news is that our investments did not meet our assumed rate of return assumption and therefore both the unfunded liability and the required contribution from the Town increased from 30 Sep 2014 to 30 Sep 2015 (FY15). FY16 through 31 May 2016 has been much better with our earnings registering in the 4.2 – 6.3% range (gross of fees). Fees run in the range of 0.5 - 0.75% and will be reduced when the funds are completely consolidated. The work to consolidate funds was completed today, so we can consider the consolidation to be complete and the Pension Fund to be operating as a fully consolidated fund.

The Commission originally established a desired completion date of 1 October 2015 for the consolidation. Clearly, that goal was not met. I believe that neither the Commission nor those of us who served as Trustees over the past 20 months had an accurate initial view of the time required and the complexity of the process to complete the consolidation. While it may seem simple on the surface, there were numerous procedural steps that must be done in order. The Trustees ensured that accuracy and thoroughness were paramount, but always with an eye for expediency. The assets were always managed with the same rigor and critical, close oversight regardless of where we were in the process.

However, there were some inordinate delays that were beyond the control of the Trustees. When I spoke with you last at the November 2, 2015 Regular Meeting, you asked for an anticipated date of completion of the consolidation. Expecting a timely contracting and legal review process by Town resources, I opined that another 6-8 weeks would be required. That did not occur. Referring to the details in slides 4 and 5 of the enclosed briefing, in fact, that process required in excess of 9 months for the Consultant's contract and 5 months for the Attorney's contract. Those delays cascaded into the subsequent steps of the consolidation process. Those sorts of inordinate periods were not expected in this effort; nor were they experienced before the new requirements for those functions were instated by the ordinance that directed the consolidation. Now that the bulk of the contracting of consultants is complete and with the designation of our Pension Board Attorney as an Assistant Town Attorney, I expect those types of processes to be completed in a more timely fashion.

On behalf of the Board of Trustees, I thank you for your guidance, candor, and trust as we worked through this process to consolidate funds and established a system that will enable even better stewardship of our retirees' benefits and taxpayers' funds.

I would be happy to discuss this report with you at a time and in a forum of your choice.

Sincerely,



Steve Branham
Rear Admiral, U. S. Coast Guard (retired)
Chairman, Town of Longboat Key Consolidated Retirement System Board of Trustees

Encl: Consolidated Retirement System Board of Trustees Brief dated 23 June 2016



CONSOLIDATED RETIREMENT SYSTEM BOARD OF TRUSTEES

JULY 5, 2016 REGULAR MEETING



DISCUSSION TOPICS

- Board of Trustees
- Milestones and Work Completed and pending action
- Latest Pension and Investment Information
 - Number of Current Participants
 - Rate of Return Assumptions
 - Investment Performance
 - Pension Liability at 9/30/15
 - Ten Year Trend - Annual Required Contribution (ARC)



TRUSTEES

	<u>Term Expires</u>
• RADM Steve Branham – Chairman	30 Sep 2017
• Frank Cona – Vice Chairman	30 Sep 2016
• Sandi Henley – Secretary	30 Sep 2017
• Lou Levy	30 Sep 2018
• Chief Pete Cumming	30 Sep 2017
• Joe Fabrizio	30 Sep 2018
• Tom Batchelor	30 Sep 2016
• Randy Thompson	30 Sep 2018
• Vacant	30 Sep 2016



WORK COMPLETED

Since 9 Sep 2015

- Briefed Town Commission at regular meeting on 9 Sep 2015
- Consolidated Retirement System Board of Trustees (CRSB) met 7 times since 9 Sep 2105 - 3 regular quarterly, 4 special meetings.
- 3 contractor RFP review/selection meetings since Aug 2015
- 8 Oct 2015 - Assumed rate of return adjusted to 7% for all funds effective 1 Oct 2015.
- Updated Town Commission at workshop meeting on 19 Oct 2015 and regular meeting on 2 Nov 2015 as part of the IPS approval dialog.
- 18 Nov 2015 – CRSB Trustees approved changes to the IPS requested by the TC. IPS took effect 1 Dec 2015.



WORK COMPLETED

Since 9 Sep 2015

- RFP panel selected prospective Consultant during interviews on 13 & 27 Aug 2015 – Greystone Consulting. Town notified on 28 Aug 2015 after CRSB approved during scheduled meeting that day. Town contracting action and legal review ensued.
- RFP panel selected prospective CRSB attorney – Ron Cohen – during interviews on 8 Dec 2015. Town notified on 18 Dec after CRSB approved during scheduled meeting. Town contracting action and legal review ensued.
- 7 Mar 2015 – Ron Cohen attends his first CRSB meeting despite not under contract.
- 23 May 2015 - Contracts signed for both Greystone and Ron Cohen at CRSB regularly scheduled meeting.



MAJOR WORK PENDING

- Letters signed by the Chairman, CSRB on 13 June 2015 have been sent to all consultants, custodians, and money managers directing them to execute the merge of accounts.
- Work begins on 20 Jun 2015.
- Merge to be complete by 23 Jun 2015.



PENSION PARTICIPANTS

AS OF 1 JUNE 2016

	<u>DATE FROZEN</u>	<u>FIRE</u> 9/30/13	<u>GENERAL</u> 9/30/13	<u>POLICE</u> 2/1/14	<u>TOTAL</u>
Retired		35	40	1	96
Active Deferred		11	19	7	37
Terminated Deferred		3	13	1	17
Total		49	72	29	150



RATE OF RETURN ASSUMPTION

Revised as of 1 OCT 2015

General Employees	7.0% (was 7.0%)
Firefighters	7.0% (was 7.5)
Police	7.0% (was 7.5)



INVESTMENT PERFORMANCE

	FIRE	GENERAL	POLICE
Assumed Rate of Return	7.00%	7.00%	7.00%
Actual Rate of Return FY14	9.60%	9.53%	9.94%
Actual rate of return FY15	(2.53%)	(0.68%)	(3.07%)
Actual Rate of Return FY16 thru 31 May 16	6.32%	6.14%	4.17%



PENSION LIABILITY

SEPTEMBER 30, 2014

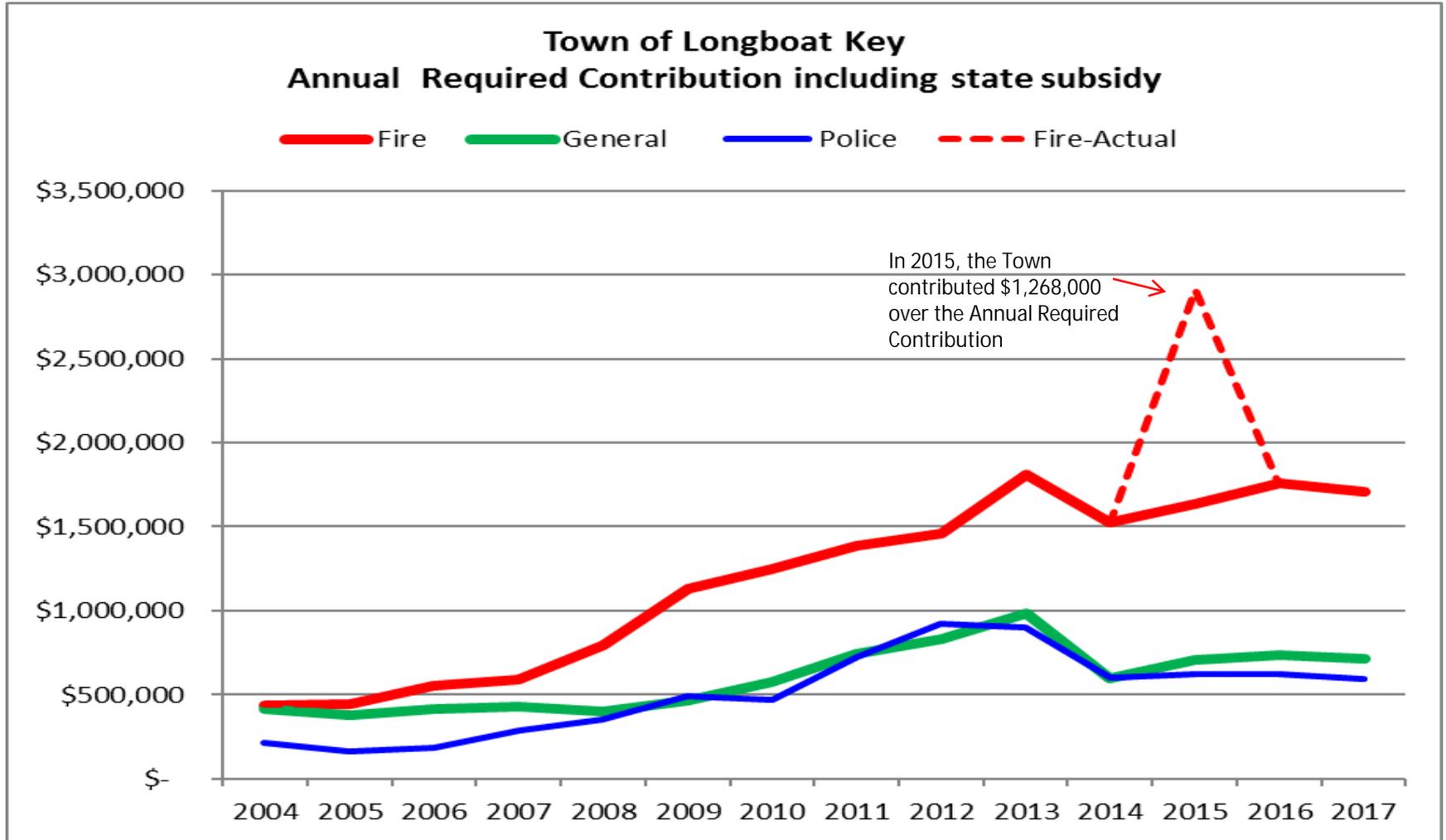
	FIRE	GENERAL	POLICE	TOTAL
Total Pension Liability	\$28.7M	\$14.8M	\$11.2M	\$54.7M
Fiduciary net position (Market value of assets)	<u>15.8M</u>	<u>10.2M</u>	<u>6.8M</u>	<u>32.8M</u>
Town net pension Liability	\$12.9M	\$4.7M	\$4.3M	\$21.9M
Percent Funded	54.8%	68.6%	61.4%	59.9%



PENSION LIABILITY – 30 SEP 2015

\$MILLION; % = CHANGE FROM 30 SEP 2014

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Total pension liability	\$ 14.98 1.20%	\$ 11.80 5.30%	\$ 30.80 7.30%	\$ 57.58 5.30%
Plan fiduciary net position	\$ <u>(9.83)</u> -3.60%	\$ <u>(6.47)</u> -4.80%	\$ <u>(16.44)</u> 4.00%	\$ <u>(32.74)</u> -0.20%
Town's net pension liability	\$ 5.16 9.80%	\$ 5.38 25.10%	\$ 14.43 11.90%	\$ 24.89 13.60%
Plan fiduciary net position as a % of Total pension liability	65.6% -3.00%	54.8% -6.60%	53.4% -1.40%	56.9% -3.00%





End of Agenda Item