

**MINUTES
FIREFIGHTERS' RETIREMENT SYSTEM
BOARD OF TRUSTEES SPECIAL MEETING
JULY 12, 2013**

Present: Chairman Gerald Feder, Vice Chairman Armando Linde, Trustees Shannon Gault, James Pappas, Lee Riley, Matt Taylor

Also Present: Deputy Town Clerk Jo Ann Mixon

Absent: Trustees James Pappas and Keith Tanner

1. Call to Order

Chairman Feder called the Firefighters' Retirement System Board of Trustees Special Meeting to order at 10:12 a.m. in the Town Commission Chamber, 501 Bay Isles Road, Longboat Key, Florida.

Trustee Taylor objected to the convening of this meeting referencing a letter from the State of Florida, Bureau of Local Retirement Systems, Division of Retirement, Chief Keith Brinkman dated May 16, 2013, that expressed concerns with violations of Florida Statutes (F.S.) Chapter 175.061(1)(b) and 175.121(2).

Following comments regarding his previously proposed questions regarding the plan freeze, and the absence of Attorney Robert Sugarman, Trustee Taylor left the meeting at 10:18 a.m.

Attorney James Linn advised the Town received a letter from the State of Florida, Division of Retirement, questioning changes to the Longboat Key pension plan, and a response to the State's letter was issued on May 24, 2013, from the law firm of Lewis, Longman, and Walker, P.A. (response distributed to the Trustees) identifying the recent changes to the Longboat Key Firefighters' Retirement System Plan with no additional response from the State.

Attorney Linn suggested the Trustees pass a motion to ratify the previous actions taken at the Firefighters' Retirement System Quarterly Meeting held on May 15, 2013.

2. Approval of Minutes

Trustee Gault moved to approve the May 15, 2013, Quarterly Meeting minutes, as submitted. The motion, seconded by Trustee Linde, carried unanimously on a voice vote.

3. Reports

a. Carter Hester Group/Graystone Consulting - Asset Allocation Analysis/Discussion on the Financial Outlook of the Plan Freeze

Graystone Consulting Representative Charles Mulfinger reviewed the Asset Allocations highlighting plan changes, economic view, trade-offs (target return vs. acceptable risk), and a historical asset allocation study.

Discussions were held on the following topics/issues:

3. Reports - Continued

a. Carter Hester Group/Graystone Consulting - Asset Allocation Analysis/Discussion - Continued

- seven-year interest rate projection/historical interest rate decline
- lowering the rate of return over time
- staying in the market and reducing volatility
- asset allocation alternatives.

Mr. Mulfinger identified the following two recommendations for asset allocation:

- Mix 3 - Equity: add Covered Calls by 10%; reduce Large Capitalization by 10%
Fixed Income: add Hedge Funds by 10%; reduce Fixed Income by 10%
- Mix 4 - Equity: add Covered Calls by 10%; reduce Large Capitalization by 10%
Equity: add Hedge Funds by 5%; reduce Equity by 5%
Fixed Income: add Hedge Funds by 5%; reduce Fixed Income by 5%.

Discussions were held on the following topics/issued:

- fees based on performance
- hedge fund management
- performance fees
- private equity fees
- hedge fund volatility
- fund withdrawal rate
- percentage of funds going to retirees
- portfolio structure (heavy in the US Market).

Foster and Foster, Inc. Representative Doug Lozen reviewed the net cash flow out of the plan, compared the outgoing cash flow to plan income, and suggested performing a cash flow analysis.

Mr. Mulfinger reviewed Hedge Funds risk/return over three-year, five-year, and seven-year periods, and recommended interviewing/adding the following managers:

- Equity (Covered Calls): Connors Investor Services
- Fixed Income Equity (Hedge Funds): Private Advisors & Pine Grove.

RECESS: 11:54 a.m. – 12:13 p.m.

3. Reports - Continued

a. Carter Hester Group/Graystone Consulting - Asset Allocation Analysis/Discussion - Continued

Graystone Consulting Representative David Wheeler reviewed the recent manager search, recommended replacing Large Capitalization Manager Eaton Vance, provided information on MFS, BlackRock, HGK, and NFJ Managers, and recommended merging the Eaton Vance portion of the portfolio into MFS.

3. Reports - Continued

a. Carter Hester Group/Graystone Consulting - Asset Allocation Analysis/Discussion - Continued

Discussions were held on holding interviews at the August 28, 2013, Quarterly meeting and due diligence required.

Following discussion, there was consensus to hold interviews with Managers MFS and BlackRock at the August 28, 2013, Quarterly Meeting.

Mr. Wheeler suggested replacing Large Capitalization Manager Neuberger Berman, and presented information on Managers Columbia Select, Jennison, and Wedgewood.

Discussions were held on the period of time Neuberger Berman was in the portfolio (2011) and under performance by the firm.

Following discussion, there was consensus to interview Manager Wedgewood at the August 28, 2013, Quarterly Meeting.

Mr. Wheeler distributed a revised Investment Policy Statement to the Board of Trustees for review and approval at the August 28, 2013, Quarterly Meeting.

b. Foster & Foster, Inc. - Actuarial Impact Statement regarding the Plan Freeze/Actuarial Impact Statement for Ordinance 2013-13

Discussions were held on the following topics/issues:

- pension cost /unfunded liability/2012 Valuation Report
- assumptions/gains/losses (future experience)
- floating a bond to cover the unfunded liability (\$13.2 million or higher).

Mr. Lozen reviewed the following topics/issues:

- impact statement
- estimated liabilities
- freezing the accrued benefits (all plan members 100% vested)
- Florida Retirement System (FRS) Program membership
- current plan member contributions ending
- plan membership elections of accumulated contributions
- Deferred Retirement Option Plan (DROP) participation
- lump sum distribution
- finalization of the Impact statement for Ordinance 2013-13 in October 2013, once the plan closed.

Discussions were held on the following topics/issues:

- assets/lump sum distributions/monthly benefits
- future monthly benefit eligibility/distribution
- unfunded liability payment with a pension obligation bond.

3. Reports - Continued

b. Foster & Foster, Inc. - Actuarial Impact Statement regarding the Plan Freeze/Actuarial Impact Statement for Ordinance 2013-13 - Continued

Mr. Lozen reviewed the assumption and methods identified in the Impact Statement for Ordinance 2013-13, and noted the Town's anticipated/recommended funding amount would be approximately \$1,526,725.00 as of October 1, 2013.

4. Chairman's Report

a. Ratification of Board Actions

Chairman Feder reviewed the request from Attorney James Linn to ratify previous actions of this Board. (See Item 1 earlier this meeting.)

Trustee Gault moved to ratify the May 15, 2013, Firefighters' Retirement System Board of Trustees' actions. The motion, seconded by Trustee Riley, carried unanimously on a voice vote.

b. Update and Discussion on the Request for Proposals (RFP) for Legal and Actuarial Services

Chairman Feder announced that he briefly reviewed the RFP received for Legal and Actuarial Services and suggested creating a subcommittee (consisting of Trustees) to review the proposals and make a recommendation at the August 28, 2013, Quarterly Meeting.

Town Attorney Maggie Mooney-Portale offered assistance to the Board of Trustees or an established subcommittee relating to the RFP process/responses, identified the parameters established in the RFP, the criteria utilized to review and score the proposals, and reminded the Board that the Sunshine Laws were applicable to a subcommittee.

Discussions were held on the following topics/issues:

- creating a subcommittee to review the proposals
- Town Manager appointed Trustee (nonparticipation/nonattendance)
- authorizing a subcommittee to identify the firms to be interviewed
- providing the proposals and RFP documents to a subcommittee.

Town Manager Dave Bullock explained an e-mail was sent on July 12, 2013, to Trustees Tanner and Taylor requesting confirmation on their participation as Trustees on the Board or a request to submit a resignation by July 19, 2013; noting that if the seated Trustees elected to resign, new appointments by the Town Manager would be made for the seats.

Attorney Mooney-Portale suggested the subcommittee receive the RFP documents prior to reviewing and scoring the proposals.

Trustee Riley moved to appoint a subcommittee consisting of Trustees Linde, Feder, Gault, and Riley, to review and score RFP 12-216 proposals received for Legal Council Services, and for the subcommittee to make a recommendation to the Board of Trustees at the August 28, 2013, Quarterly Meeting. The motion, seconded by Trustee Gault, carried unanimously on a voice vote.

4. Chairman's Report - Continued

b. Update and Discussion on the Request for Proposals (RFP) for Legal and Actuarial Services – Continued

Trustee Gault moved to defer a decision regarding the received proposals from RFP 12-017, Actuarial Services, to a future date to be set by the Board of Trustees. The motion, seconded by Trustee Riley, carried unanimously on a voice vote.

5. Public to be Heard – No items were presented.

6. New Business – No items were presented.

7. Old Business

Individual Plan Member Calculations

Finance Department Accountant II Sharon Johnson requested Board authorization for Human Resources Manager Lisa Silvertooth to work with Foster & Foster, Inc. to initiate the process to provide individual calculations to the active Firefighters' Retirement System plan members.

There was consensus for Ms. Silvertooth and Foster & Foster, Inc. to provide individual calculations to the active plan members, and to include actuarial values for those plan members with less than ten years of service.

8. Attorney Comments – No attorneys were in attendance.

9. Board Comments

Chairman Feder announced the next meeting would be held at 1:30 p.m. on August 28, 2013.

4. Chairman's Report – Continued

b. Update and Discussion on the Request for Proposals (RFP) for Legal and Actuarial Services - Continued

Following discussion, there was consensus to schedule a Firefighters Retirement System Subcommittee meeting on August 8, 2013, at 1:30 p.m. in the Commission Chamber.

10. Adjournment

Chairman Feder adjourned the Firefighters' Retirement System Board of Trustees meeting at 1:35 p.m.

/s/Jo Ann Mixon

Jo Ann Mixon, Deputy Town Clerk
Minutes Approved: August 28, 2013

/s/Gerald Feder

Gerald Feder, Chairman