

**MEETING MINUTES  
TOWN OF LONGBOAT KEY  
JOINT INVESTMENT ADVISORY COMMITTEE AND FINANCE COMMITTEE  
MEETING**

**8/28/15**

At 10:30 PM on Friday, August 28th, 2015, a public meeting of the Investment Advisory/ Finance Committee commenced in the PZB conference room located in Town Hall, 501 Bay Isles Road, Longboat Key, Florida.

Members attending: Lynn Larson, Phill Younger, Irwin Pastor and Armando Linde.

Also attending: Town Manager Dave Bullock, Finance Director Susan Smith, Doug Lozen, Actuary with Foster & Foster, Steve Branham, Pension Board Chairman, David Brenner, and Mike Wilkinson, Utility Billing Analyst.

- 1. PUBLIC COMMENT.** None.
- 2. APPROVAL OF MINUTES.** A motion was made and seconded to accept the minutes. The motion was passed.
- 3. DOUG LOZEN, TOWN ACTUARY.** Presentation on the Town's pension liability with a 10 year projection for the Town's required contribution and the impact of changes to the assumptions for mortality rates and expected return on investments. The main impact is the change to the mortality rate assumption as required by Florida legislation HB 1309. The legislation requires local governments to use mortality table methodologies consistent with the methodology used in actuarial valuations by FRS in the latest two published reports. Basically this means recognizing longer life expectancies and increases the local government's required annual contribution. Doug told the group that there are basically 3 things that can cause changes to the Town's required annual contribution. They are: a change in the mortality assumption, a change in the investment return assumption and turnover(e.g. someone retiring and requesting benefits sooner than expected). Armando Linde asked what the assumption is for life expectancy. Doug replied that it is between 80 and 85 years and could change over time. Phill Younger asked why the new figures for the Town's required annual contribution are higher. Doug replied that contributions are higher due to a longer life expectancy assumption and a reduced rate of return on investments assumption. Lynn Larson asked why certain years have a negative budgetary impact when the required contribution is higher every year with the new assumptions. Doug replied that it is due to the amortization methodology. Phill Younger commented that it does not make sense that the annual contribution goes

up but the budget impact goes down. He said that we need to show it in a way a layman can understand. Doug suggested that you could start fresh and take all the items we are amortizing over different periods, collapse them and just do straight line amortization over 15 years. Lynn Larson asked about the pending contribution of \$300,000 and Doug replied that the numbers on the charts reflect the contribution. Ms Larson added that she felt the Town should make an additional contribution due to money received from the BP settlement. Phill Younger commented that this would have to be approved by the commission as the money was paid as a beach impact settlement. Doug agreed to re-run the numbers and show a new amortization schedule with an additional contribution of 1.3 million from reserves. Armando Linde asked that if the actual rate of return on investments is less than the assumption would the Town's unfunded liability be increased. Doug replied that it would and the assumption is that the deficit would be paid over 10 years. Steve Branham commented that this would be the next issue for the board to tackle, what to do if the rate of return is less than expected. The impact of the assumption changes to mortality and rate of return is \$5,000,000 which represents an increase of 25%. Doug thinks there will be a push in the next legislative session to rescind the new mortality assumption which assumes an additional 5 years to life expectancy. Doug commented that even if the assumption is rescinded the Town may want to keep it since we have to pay based on reality not assumptions. Lynn Larson asked about the number of years to pay off the liability and Doug responded that this would be up to the pension board and the commission. Steve commented that this needs to be discussed with the joint board. Ms Larson commented that she is concerned about impact to new residents. She does not want a perception that they have to pay large fees for no benefit. Doug made the comment that he would need to know which fiscal year to apply the additional 1.3 million contribution to show that scenario. He was advised to use FY 2016. Steve asked if Doug could show 3 scenarios for amortizations of 10, 15 and 20 years and Doug agreed. Armando Linde asked if the Pension Board's decision regarding the number of years to pay the liability is binding regardless of the Town's budget impact. Steve replied that the short answer is yes but that board is very conscientious and would take that into account when making a decision. Dave Bullock commented that if a budgetary impact would result in a reduction of Town services that this may change the perspective as to the appropriate length of time pay off the liability. Phill Younger commented that the issue regarding an additional contribution to the pension fund from the BP money needs to be brought to the commission as soon as possible. Dave Bullock commented that there may be several priorities for the BP money and sited the undergrounding project as an example. He said that we cannot do anything regarding a budget amendment until the commission decides. Doug will do several scenarios for amortization regarding payoff time frames and will run them with and without the additional 1.3 million contribution. David Brenner asked if it would be possible to get a breakdown of the impact of the assumption changes regarding how much is due to the

change in the mortality assumption and how much is due to the change to the return on investment assumption. The group was in agreement that this would be helpful and Doug said he could supply the information.

- 4. PENSION BOARD UPDATE.** The discussion was led by Steve Branham, Pension Board Chairman. Steve told the group that his purpose today was to update the committee on the recent activities of the Pension Board and some of the challenges it faces. Steve noted that the Board has some members whose terms are expiring soon. The Board will swear in Randy Thompson today. Steve told the group that the Board is well on the way to completing what it was charged with by the commission but will not meet the original deadline of October 1<sup>st</sup>. The Board has had to work through several issues, some requiring attorney involvement. He noted that the remaining tasks will be completed in the next few months. Steve mentioned that there was a concern by Board members regarding liability and making sure that Board members could not be held personally liable if any law suits are filed in the future in connection with the pension program. He said the issues have been worked through and he feels the Board is properly protected from liability. Steve briefly reviewed the process for hiring consultants. The Board reviews the RFP's from the potential vendors and initially narrows the field to 3. Ultimately one is recommended to the Town Manager who executes the contracting process. Steve directed the group's attention to page 4 of the presentation and noted that the number of Board meetings has quadrupled from previous years. Phill Younger asked a question regarding the time frame for picking an Actuary. Steve said he is working on the assumption that the current Actuary will be kept for now. He said he felt it is prudent to keep an anchor and not change all the vendors at once. He said the Board has selected Administrative services, a Custodian, will pick a Consultant today and then work on retaining an Attorney. Mr. Younger expressed that he was concerned with the fees associated with these services and would like to see an itemization to understand ongoing costs. Steve commented that the Board pays very close attention to fees for services and is very conscientious about making sure they are getting their money's worth and not paying for services that are not needed. Ms. Larson asked a question relating to the expiration of the terms of some of the Board members. She asked if the attendance record of each member was available and noted that she did not want to see anyone's term renewed that did not have a good attendance record. Steve replied that the records are available and commented that overall attendance has been very good. He noted that the couple of exceptions who could not attend regularly had dropped off so the Board could replace them. He added that he felt there was a very good Board in place and that everyone takes the responsibility very seriously. Steve informed the group that the Board had completed a new Investment Policy Statement which is simpler and more comprehensive than the previous one. He also noted that manual's have been consolidated from three separate plans into one. Steve noted that the Administrative Services resource that had been hired is worth every penny and is doing an excellent job.

His efforts take this burden off Town staff. Steve told the group that the selection of Money Managers for investment funds is the subject of an ordinance change and will follow the selection of the Consultant. He also informed the group that the Board would “shop out” attorney services. Steve mentioned that he and Sandi Henley had attended some training conducted by an organization dedicated to the Florida Public Pension System. He said that the training has helped to increase the Board’s overall knowledge on the subject. Steve directed the group’s attention to page 6 of the presentation regarding the number of pension participants. Armando Linde asked if most current employees are not participants based on the total of 43 active participants. Dave Bullock responded that prior to the end of 2013 all employees participated but that this changed with the employee elections regarding retirement funds options. Mr. Linde asked how many current employees the Town has and Dave responded there are 110 FTE’s plus some temporary resources. Steve turned the discussion to the subject of the rate of return assumption. He told the group that the State of Florida has a lot of influence on the assumption and if they do not like what a group uses they will kick it back for revision. Steve said Pension Boards have to deal with that in context of the reality of economic factors that impact the degree to which the assumption is realistic. Steve said that safeguarding the plan to make sure obligations are met is the main responsibility of the Board. Steve directed the group’s attention to pages 9 and 10 of the presentation and noted that there is a downward trend in the unfunded portion of the pension liability. He also noted that the Town’s contribution for the next couple of years will be in the 3 million dollar range.

**5. QUARTERLY REPORT FOR GENERAL FUND FOR JUNE 30, 2015.** The discussion was led by Sue Smith. Sue informed the group that the numbers on the report are off by about 957K due to a wire from BP for the beach impact settlement received yesterday. She covered the notable budget variances in revenues and expenditures on page 3 of the presentation. In addition to the items on page 3 Sue expects an additional surplus of 50K which was budgeted for red tide and is not likely to be used in Fiscal year 2015. The numbers will be updated in time for the budget adoption by the commission on 9/28/2015.

**6. NEXT MEETING.** The next meeting was scheduled for October 20, 2015 at 10:00 AM.

**ADJOURNMENT.** The meeting was adjourned at 12:00 PM.

Minutes Approved \_\_\_\_\_

\_\_\_\_\_  
Mike Wilkinson

\_\_\_\_\_  
Lynn Larson, Chair Person

