

TOWN OF LONGBOAT KEY CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES QUARTLY MEETING

MINUTES: NOVEMBER 18, 2015

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 1:30 PM in the Town Commission Chamber located at 501 Bay Isles Road, Longboat Key, Florida.

Those persons present included:

TRUSTEES

Steve Branham, Chair
Chief Peter Cumming
Joe Fabrizio
Sandi Henley
Lou Levy
Randy Thompson
Nancy Woodley

OTHERS

Scott Baur, Resource Centers
Charles Mulfinger & David Wheeler, Graystone Consulting
Sue Smith, Finance Director
Jo Anne Mixon, Deputy Town Clerk
Lisa Silvertooth, HR Director
Tanya Oliver and Dennis Silverio

TRUSTEES ABSENT AND EXCUSED:

Frank Cona
Jim Haas

Chair Branham stated that Frank Cona had an unforeseen emergency and could not attend the meeting.

All present recited the Pledge of Allegiance.

2. OATH OF OFFICE

Deputy Town Clerk Jo Anne Mixon administered the oath of office for Joe Fabrizio (Seat 5, Commission Appointee with term expiring September 30, 2018) and Police Chief Pete Cumming (Seat 9, Town Manager designee filling seat vacated by Anne Ross with term expiring September 30, 2017).

3. PUBLIC COMMENTS

Lt. Peter Callandra, a member of the Consolidated Retirement System from the Fire Department now participating in the DROP, addressed the Board. He asked for any insight relating to investment allocations maintained by members of the Retirement System in light of recent market volatility. With some discussion, the Board noted that individual tolerances for risk, investment objectives, and circumstances for members vary considerably. Members should therefore make such decisions based on their own individual risk profile and investment time frames.

4. MAYOR JACK DUNCAN

Chair Branham stated that the Mayor agreed to address the Board. He may join the meeting later on the Agenda.

5. NOMINATION OF SECRETARY

Chair Branham noted that the Town was still interviewing possible replacements for Anne Ross as Assistant Town Manager, with Chief Cummings as the current Trustee appointed by the Town Manager.

Randy Thompson nominated Sandy Henley as Secretary for the Board, seconded by Lou Levy. The Trustees approved the nomination 7-0.

6. APPROVAL OF THE MINUTES

Lou Levy asked to move approval of the Minutes until later on the Agenda, since he did not receive the draft Minutes for review until the meeting. The Trustees discussed email distribution of meeting materials and posting of those items to the Town website.

With consent of the Board, Chair Branham moved "Disability Application Processing" up on the Agenda from the "Administrator Report".

Scott Baur stated that the Retirement System received an application for disability benefits from Police member Dennis Silverio. He described the steps for the Board to process an application for disability benefits in detail. The administrator, on behalf of the Board, must first gather all medical records independently from all medical providers to Mr. Silverio. The administrator will also secure any pre-hire physicals or medical records if those records exist as well. Once his office has the medical records for Mr. Silverio, the Board must retain a physician to review the records. That physician may in turn examine Mr. Silverio or refer Mr. Silverio to a specialist for an examination. The physicians will provide the Board with written opinions, whereupon the Trustees can make a determination on the disability based upon the weight of the evidence at a preliminary disability hearing. If the Board does not believe sufficient evidence exists to grant Mr. Silverio a disability pension at the preliminary hearing, then Mr. Silverio can request a formal hearing to introduce additional evidence or witnesses to support the application. Since the medical records typically require months to gather with additional time for review and examination by Board physicians, Mr. Baur tried to set reasonable expectations for the entire process.

The Board must establish that Mr. Silverio incurred the disability in the performance of his duties; that the disability is total, preventing him from rendering useful and efficient service as a police officer in the Town of Longboat Key; and that the disability is permanent, with no expectation of recovery.

Chief Cumming stated that he may have a subsequent conflict during the process as Chief for the Department.

Tonya Oliver, counsel for Mr. Silverio, addressed the Board. She said that Mr. Dehner will often accept records provided by her office to expedite the process. Mr. Baur stated that his office typically relies only on records obtained directly from medical facilities and providers. He responded that he would consult with Mr. Dehner as his office begins to process the application. Ms. Oliver then asked to be excused.

7. REPORTS

Investment Reports

Mr. Wheeler reported increasing uncertainty in the recent markets. The S&P 500 market index retraced -6.43% for the quarter ending September 30, 2015, with a loss of -0.6% for the trailing 12 months. Every

domestic equity sector suffered losses for the quarter with the exception of utilities, while energy related issues posted particularly sharp declines.

The former Police Officers' Retirement System had assets of \$6,484,798.50 as of September 30, 2015. The portfolio lost -6.5% for the quarter net of fees and -3.5% net for the fiscal year, compared to the benchmark returns of -4.94% for the quarter and -0.25% for the fiscal year. Mr. Mulfinger recommended that the Board continue to maintain the current asset allocation and manager weightings. He also stated that he can provide interim flash reports for the former Firefighters Retirement System, since First State holds custody of those assets. Mr. Mulfinger then reviewed the individual manager performance. Mr. Levy expressed concern regarding the relative performance for many of the managers. Mr. Mulfinger explained that lower quality issues drove performance in recent years. In a slowing economy driven by fundamentals, active managers tend to outperform the respective market indices. Mr. Mulfinger reviewed the longer term risk and return characteristics of the portfolio and compliance with the Investment Policy.

The portfolio for the Firefighters' Retirement system over weighted the allocation to equities, driving lower returns for the portfolio. The former Firefighters' Retirement System had assets of \$19,485,890.47 for the quarter ending September 30, 2015, with a net return of -5.59%, compared to a return of -4.93% for the benchmark. For the fiscal year, the portfolio returned -3.34% compared to -0.97% for the benchmark. Even though the portfolio had losses due to the allocation to equities, the overall portfolio still had positive alpha with less risk or volatility in the portfolio compared to the returns on assets. Mr. Mulfinger reviewed the performance for the former Firefighters' Retirement System since September 30, 2015. Morgan Stanley expects the economy to continue growing slowly with modest inflation.

Mr. Mulfinger reviewed minor updates to the Investment Policy.

The Board took a brief recess at 2:45 PM.

David Wheeler briefly reviewed the performance report for the former General Employees' Retirement System provided by Bogdahn Consulting. The portfolio had a slight overweight to domestic equities, but the allocations for all three former Retirement System portfolios fell within target allocation ranges established by each Investment Policy.

Administrator Report

Mr. Baur previously reported on the processing of disability applications on the Agenda.

Attorney Report

Lee Dehner could not attend the meeting due to a schedule conflict.

8. PLAN FINANCIALS

Interim Financial Statements

Mr. Baur reported that he would distribute the September 30 interim financial statements following the meeting.

Ratification of Warrants

The Board reviewed the Warrants for payment of invoices dated November 18, 2015, for the former General Employees, Police Officers, and Firefighters Retirement Systems. Mr. Baur noted the fee reduction for his firm beginning in November 2015, per the terms of the original Agreement with the Town.

Sandi Henley made a motion to approve the Warrants dated November 18, 2015, seconded by Nancy Woodley and approved by the Trustees 7-0.

Benefit Approvals

The Board had no benefits to approve for the meeting.

9. MINUTES

The Board reviewed the Minutes for the meeting of October 8, 2015.

Nancy Woodley made a motion to approve the Minutes for October 8, 2015. Randy Thompson seconded the motion, passed by the Trustees 7-0.

10. NEW BUSINESS

Custodian Transition and Asset Consolidation Update

Kari Kennedy, purchasing manager for the Town, provided a memo to update the Board regarding the status of the review for the new custodian and investment consultant agreements. The Town attorneys began their review of the proposed Agreements as well. Depending on the timing of the final review and execution of those Agreements, Mr. Baur reported that he still hoped to transfer assets from Salem Trust to Morgan Stanley in December with First State making all January 1 benefit payments.

Attorney Request for Proposal

The Town received three proposals in response to the Request for Proposal for the Board Attorney. Lee Dehner chose not to submit a proposal to the Town in response to the RFP. The Board recommended the Town should therefore invite all three law firms submitting proposals to make a presentation to the Town Selection Committee. The Town invited the Board to appoint four members to the Selection Committee, with one possible additional appointment by the Town. The Trustees decided that Chair Branham, Secretary Sandi Henley, Randy Thompson, and Nancy Woodley should serve on the Selection Committee on behalf of the Board. The Town set the date for the presentations on December 8 at 10 AM.

11. OLD BUSINESS

Chair Branham reported on the review of the Investment Policy Statement by the Town Commission in two workshops. The Town Commission considered the allocation of assets to equities, the classification of any real estate holdings, and possible future allocations to other alternative asset classes. The Board and the Town Commission will mutually agree to the target allocations for assets. The Town Commission also considered the need for Trustees to obtain education or continuing education. Board members are authorized to attend conferences or seminars in-state within the allocated budget. David Wheeler will make the revisions to the Investment Policy based on the additional input from the Town.

Sandi Henley made a motion to accept the modifications to the Investment Policy. Nancy Woodley seconded the motion, approved by the Trustees 7-0.

12. BOARD COMMENTS

Lou Levy expressed concern that he did not receive all emails with meeting materials. Scott Baur will send an additional test email to all Trustees to confirm receipt.

13. MAYOR JACK DUNCAN

Mayor Duncan joined the meeting at 3:37 PM to address the Board. He expressed his appreciation to the Board as a Commissioner for the time and work invested by the Trustees to consolidate the Retirement Systems for the Town. He assured the Board that the Town Commission does not have a desire to administer the Consolidated Retirement System. Given the process underway, the Commission had many questions due to the ultimate liability to the Town. Chair Branham and the Mayor commented on the high level of detail and involvement that the consolidation required. The Mayor thanked the Board for the opportunity to address the Trustees, and he thanked the Trustees again for their effort.

14. ADJOURNMENT

There being no further business and the next special meeting having previously been scheduled for Friday, December 18 at 9:00 AM, Chairman Branham adjourned the meeting at 3:50 PM.

Respectfully Submitted,

Sandi Henley, Secretary