

## M E M O R A N D U M

**To:** Tom Harmer, Town Manager  
Town Commissioners

**From:** Steve Branham, Rear Admiral, U. S. Coast Guard (retired), and  
Chair, Consolidated Retirement System Board of Trustees

**Report date:** September 23, 2020

**Meeting date:** October 5, 2020

**Subject:** Request for Concurrence with Minor Changes to the Consolidated  
Retirement System Investment Policy Statement

### **Recommended Action**

Approve proposed revisions to the Consolidated Retirement System Investment Policy Statement.

### **Background**

The Town of Longboat Key Ordinance 2014-26, Section 3, Paragraph G(1) stipulates “the Board shall adopt an investment policy in accordance with F.S. 112.661, and shall regularly review, evaluate, and, if deemed in the best interest of the retirement system, revise the investment policy, subject to the approval of the Town Commission.”

On behalf of the Consolidated Retirement System Board of Trustees I am forwarding for your consideration and approval a revised Investment Policy Statement (IPS) for the fund. With your approval and the passing of the required 31 day waiting period after filing with the Town, this document will be in effect as of October 30, 2020.

This document remains a very useful set of requirements that has heretofore resulted in excellent outcomes in maintaining and growing the fund toward our specified management and performance goals. We seek your approval on several minor changes, most importantly, and specifically, to the funding allocation targets and ranges shown on page 2 of the document (attached in its entirety for your review). The balance of the document is almost completely unchanged with the exception of a couple of minor changes on pages 5 and 7, which resulted from our routine annual review. The changes in allocation ranges and targets on page 2 will provide a bit more flexibility in balancing investment to focus on opportunities that have presented themselves in the very active market experienced over the past couple of years. Specifically, in the “Traditional Asset Classes”, the increased ranges in Large Cap Growth, Large Cap Value, and Large Cap Core (Covered Call) will allow us to better focus funds to take advantage of, or avoid, extremes in performance in those asset classes. In the “Fixed Income” section, our advisory recommends establishing a target and range for “Cash and Equivalents” to help ensure we remain positioned to have enough ready cash on-hand to meet payout requirements. This new allocation reflects what has been done in the practice since the inception of the consolidated fund. Finally, under “Alternate Asset

Classes”, master Limited Partnership (MLP) investments (focus has been on mid-stream energy sector transportation) have generally not performed to our expectations over the past couple of years, so to offset the new allocation for the Cash and Equivalents class, a reduction of the range and target for MLPs is appropriate while retaining the option to invest if performance indicates that to be a good choice.

On page 5, we have deleted the requirement to avoid being more than 10% invested in any one security at market. That situation is not possible given the size of our fund and the requirement in the previous paragraph on page 4 that the equity position in any one company shall not exceed 5% of the total portfolio at market. Regarding the change on page 7, we have increased the maximum weighting of fixed income in BBB ratings from 15% to 20%. In the current market, significant numbers of securities have been re-rated to BBB ratings (which are also investment grade securities). Increasing the percentage allows our advisors and managers to continue to invest in some of those high performing investment instruments without actually realizing additional risk.

During our August 19, 2020 Regular Quarterly Meeting, the Board voted 7-0 to approve. Trustees Cumming and Sawyer were not present. We seek your approval of our proposed revised IPS.

### **Board Chair Recommendation**

Approve proposed revisions to the Consolidated Retirement System Investment Policy Statement.

### **Attachments**

Investment Policy Statement is available upon request in the Town Clerk’s Office [tshinkle@longboatkey.org](mailto:tshinkle@longboatkey.org), or 941-316-1999, x 1310 (not available in ADA format to publish on web)

**End of Agenda Item**