

**ROCKLEDGE FIRE EMPLOYEES' RETIREMENT BOARD
ROCKLEDGE GENERAL EMPLOYEES' RETIREMENT BOARD
ROCKLEDGE POLICE EMPLOYEES' RETIREMENT BOARD
JOINT QUARTERLY MEETING MINUTES**

Friday, May 21, 2021

CALL TO ORDER

The Rockledge General Employees' Retirement Board, Rockledge Fire Employees' Retirement Board, and Rockledge Police Employees' Retirement Board met in joint quarterly session on Friday, May 21, 2021 in the Council Chamber of Rockledge City Hall, 1600 Huntington Lane, Rockledge, Florida.

General Employees' Retirement Board

MEMBERS PRESENT: Brian Laughlin, Chairman/Resident Member
Tanya Molony, Fifth Member
Corey Harris, Participant Member
Carol King, Participant Member

*Note: There was a vacancy on the board for a resident member. (Position formerly held by Alexandra Bernard.)

Fire Employees' Retirement Board

MEMBERS PRESENT: Jephtha Sunday, Chairman/Fifth Member
Mike McCaleb, Fire Member
Ed Syfrett, Fire Member
Pat O'Neill, Resident Member

*Note: There was a vacancy on the board for a resident member. (Position formerly held by John Mulkey.)

Police Employees' Retirement Board

MEMBERS PRESENT: Rick Burke, Chairman/Resident Member
Joseph LaSata, Resident Member
Hal Burke, Fifth Member

MEMBERS ABSENT: Christopher Crawford, Police Member (Excused)
Patrick Kennedy, Police Member (Excused)

Staff/Consultants: Ken Harrison, Board Attorney – Sugarman & Susskind*
Tyler Grumbles, Investment Advisor – AndCo Consulting
Chad Little, Actuary – Freiman Little Actuaries
Karan Rounsavall, Retirement Plan Administrator
Brenda Fettrow, City Manager
Matthew Trine, Assistant City Manager/Finance Director

*Attorney Harrison attended the meeting remotely via video conferencing hosted by the City of Rockledge.

Chairman Laughlin called the General Employees' Retirement Board meeting to order at 9:06 a.m. Chairman Sunday called the Fire Retirement Board meeting to order and Chairman Burke called the Police Retirement Board meeting to order. A quorum was in attendance for all boards. *Note: This meeting was held jointly to facilitate discussion on a funding policy (New Business) which affected each Rockledge retirement plan similarly.

APPROVAL OF MINUTES

All: Quarterly meeting of February 19, 2021

On behalf of the General Employees' Retirement Board, Member Molony moved to approve minutes for the February 19, 2021 quarterly meeting as submitted. Member King seconded the motion and it carried.

As to the Fire Retirement Board, Member O'Neill moved to approve minutes for the February 19, 2021 quarterly meeting as submitted. Member McCaleb seconded the motion and it carried on an all yes vote.

Likewise, for the Police Retirement Board, Chairman Burke moved to approve minutes for the February 19, 2021 quarterly meeting as submitted. Member Burke seconded the motion and it carried unanimously.

OLD BUSINESS

All: Status of agreements with *Nationwide Retirement Solutions* as an alternate provider of self-directed DROP accounts for retirees

At its February 19, 2021 meeting, the respective boards heard from the Central Florida Program Director for *Nationwide*. At that time, each board voted to approve *Nationwide* as a provider for self-directed DROP accounts and authorized the attorney to work with *Nationwide* representatives to draft an appropriate agreement for consideration.

Plan Administrator Rounsavall advised that there were several attempts to initiate conversations with *Nationwide* on this directive without success. Accordingly, there was no action to report on this matter.

Fire: Ordinance No. 1818-2021 increasing the multiplier for participants hired after October 1, 2012 from 2.75% to 3.0%

City Council adopted the subject ordinance at its meeting on May 20, 2021. Actuary Chad Little advised that the ordinance affected funding of the retirement plan. He would advise city staff of any adjustment to the city's contribution amount.

As this ordinance represented a significant change to retirement plan provisions, it would be appropriate to update the Summary Plan Description to reflect these changes.

Member Syfrett (Fire Retirement Board) arrived at 9:16 a.m.

NEW BUSINESS

All: Discussion and possible action to research and establish funding policy for the Rockledge retirement plans

At numerous meetings over the past several years, the actuary and investment consultant had urged the respective boards to consider a reduction in the assumed rate of return. At the most recent meeting, Actuary Little suggested that the boards work directly with city staff to develop a funding policy to address this matter.

Police Chairman Burke was concerned with the lack of resolution as it related to determination of an assumed investment rate of return for the retirement funds and suggested a systematic approach where the retirement boards worked with the city to develop a mutually agreeable policy. Actuarial assumptions were the responsibility of each board, particularly the expected annual rate of return for the actuarial valuation. In turn, the plan sponsor (City of Rockledge) was obligated to fund in accordance with that assumption.

Chairman Burke had several conversations with the attorney and actuary in preparation for discussion at this meeting. He proposed a sub-committee with a representative from each board along with the actuary, attorney, investment consultant, and city staff (city manager and finance director). Actuary Little favored the proposal to bring all parties together for open discussion. He reiterated that actuarial assumptions belonged to the retirement boards.

City Manager Fettrow voiced the city's support of the proposal and an opportunity to discuss the matter thoroughly and develop a plan. She stated that any move to lower the assumed rate of return, however, could cause significant financial impact.

Attorney Harrison shared that he had several conversations with Chairman Burke about this matter. Investment consultants and actuaries throughout the state were advising their retirement boards to lower the assumed rate of return as the forecast was for lower returns over the ensuing decade. In fact, most boards established an objective and incrementally lowered the rate of return (generally by ten basis points each year). He fully endorsed the creation of a sub-committee to study the matter and advised that committee meetings (with a single representative from each board) would not need to be publicly noticed.

Fire Member McCaleb sought assurance that any recommendation from the sub-committee would be brought back to the respective boards for review and adoption.

General Employees' Retirement Board Member Harris moved to convene a sub-committee with one representative from each retirement board, along with city staff and board consultants, to discuss and develop a funding policy recommendation. Member King seconded the motion which carried unanimously.

Police Retirement Board Likewise, Member Burke moved to convene a sub-committee with one representative from each retirement board, along with city staff and board consultants, to discuss and develop a funding policy recommendation. Member LaSata seconded the motion which carried on an all-yes vote.

Fire Retirement Board Member McCaleb moved similarly to convene a sub-committee with one representative from each retirement board, along with city staff and board

consultants, to discuss and develop a funding policy recommendation. Member Syfrett seconded the motion which carried.

Chairman Rick Burke agreed to serve as the Police Board's representative on the assumption sub-committee. He would also chair the sub-committee. Chairman Laughlin would serve as representative for the General Employees' Retirement Board and Trustee Ed Syfrett would represent the Fire Retirement Board.

Chairman Burke would poll sub-committee members and set a date for the first meeting.

REPORTS & COMMUNICATIONS

Report: Investment Consultant (Tyler Grumbles, AndCo Consulting)

All: Performance report for quarter ended March 31, 2021

Mr. Grumbles presented the performance report and economic commentary for the quarter ended March 31, 2021. The economy was in recovery mode with people getting back to work, consumers spending more and investors more "bullish." Domestic equity markets were positive with the S&P 500 returning 6.2 percent. Value stocks outpaced growth for the second consecutive quarter. Small capitalization stocks were doing quite well, and the energy sector was rebounding. There was a stunning comeback for equity markets from the low point of March 31, 2020 with a trailing one-year return of 56.4 percent. Fixed income returns, however, were negative during the past quarter as long-term interest rates rose and the yield curve steepened.

All asset classes in the portfolio were within their target ranges. No rebalancing was needed. The retirement fund was still awaiting the capital call from Brookfield Super-Core Infrastructure Fund.

Fire Employees' Retirement Fund

Total market value as of March 31, 2021 was \$14,763,721 up from \$14,584,935 for the previous quarter ended December 31, 2020. On a percentage basis, the composite portfolio was up 2.98 percent (net) for the quarter which ranked in the 57th percentile of public plans. Fiscal year-to-date return was a positive 14.10 percent (42nd percentile). For the trailing 12 months, the fund returned a positive 38.91 percent (26th percentile).

General Employees' Retirement Fund

Total market value as of March 31, 2021 was \$21,950,745 up from \$21,571,439 for the previous quarter ended December 31, 2020. On a percentage basis, the composite portfolio was up 3.03 percent (net) for the quarter which ranked in the 55th percentile of public plans. For Fiscal Year 2020/2021, the fund returned a positive 14.19 percent (40th percentile). For the trailing 12 months, the fund returned 39.19 percent (24th percentile).

Police Employees' Retirement Fund

Total market value as of March 31, 2021 was \$18,933,397 up slightly from \$18,708,894 for the previous quarter ended December 31, 2020. On a percentage basis, the composite portfolio was up 3.13 percent (net) for the quarter which ranked in the 51st percentile of public plans. For Fiscal Year 2020/2021, the fund returned a positive 14.44 percent (35th percentile). For the trailing 12 months, the fund returned a positive 39.97 percent (18th percentile).

All Rockledge plans were fully invested and in compliance with the investment policy statement.

General Employees' Retirement Board Member Molony moved to accept the investment performance report as presented. Member King seconded the motion which carried unanimously.

Police Retirement Board Likewise, Member Burke moved to accept the investment performance report as presented. Member LaSata seconded the motion; it carried on an all-yes vote.

Fire Retirement Board Member McCaleb moved to accept the investment performance report as presented. Member Syfrett seconded the motion which carried unanimously.

All: Asset Allocation Analysis (Updated)

At the February 19, 2021 quarterly meeting, Mr. Grumbles presented an *Asset Allocation Analysis*, the purpose of which was to examine a fund's asset allocation and predict the likelihood of reaching investment performance targets based on that allocation. At that meeting, Mr. Grumbles recommended that the retirement boards discuss an increase to the allocation for alternative investments (i.e., real estate and infrastructure). Such a move would mitigate the volatility of equities and the continued low return expectation for fixed income (bonds).

At the direction of the retirement boards, he revised the *Asset Allocation Analysis* to illustrate the expected return given a 25 percent target allocation to alternative investments. This move increased rate-of-return expectations with the minimal risk. Mr. Grumbles recommended a decrease to traditional fixed income and increase to alternatives.

City Manager Fettrow expressed a concern about liquidity of the portfolios if there was an increase to alternative investments. She asked if the consultant was willing to make a presentation to City Council on asset allocation.

Given that the retirement plans were still growing, Mr. Grumbles was not concerned about a 25 percent allocation to alternative investments as to liquidity. He was certainly willing to present to city council.

The boards recognized City Council Member Frank Forrester who voiced concern about lowering the expected rate of return as this increased the city's funding obligation to the retirement plans. He went on to point out that management fees for real estate were higher than other asset classes. He did not feel that the higher management fees and lower comparative returns were warranted given the possibility of potential losses from illiquid investments. Council Member Forrester wanted to keep the retirement funds viable but he had to be aware of costs. He was quite skeptical of real estate and infrastructure investments.

Mr. Grumbles compared the five-year return of traditional fixed income versus real estate. Even with a higher management fee, real estate returns were higher than fixed income. This was the driving reason for a real estate exposure in a balanced portfolio. In fact, overall fees for the Rockledge plans were quite low. Mr. Grumbles also stressed that AndCo worked strictly on a flat fee basis and did not receive any additional financial incentives for recommending a particular active manager.

Attorney Harrison stated that Mr. Grumbles was working to establish an asset allocation that helped the retirement funds to achieve their long-term goals. Real estate and infrastructure served as a hedge against bonds. While he agreed that lowering the assumed rate of return led to higher funding levels, doing so was a prudent move given market projections. He encouraged the boards to develop a systematic way to do so over a period of time, particularly in years where higher returns were available to offset the city's costs. It was a balancing act.

Police Chairman Burke pointed out that the State of Florida could potentially object to an assumed rate of return that was higher than might reasonably be achieved. Attorney Harrison advised that the State typically used the rate of return adopted by Florida Retirement System as a guide. If the State had concerns about a plan's assumed rate of return, it could threaten to withhold not only state premium tax monies but also revenue sharing funds.

There was no action on this item as Mr. Grumbles agreed to speak at a city council meeting in the near future. Board members thanked Mr. Grumbles for his hard work on behalf of the retirement plans.

All: Proposed revisions to Investment Policy Statements increasing allocation to alternative investments

This item was tabled to the next quarterly meeting pending the investment consultant's presentation to City Council.

Report: Actuarial Consultant Chad Little, Freiman Little Actuaries, LLC

All: Actuary's fee proposal to complete an experience review of each retirement plan to determine appropriate actuarial assumptions

As requested at the prior meeting, board members were in receipt of the actuary's proposal to complete an experience review of the retirement plan. Such a review would examine the actual plan experience over a five-year period of all the major demographic assumptions (mortality, termination, disability and retirement) and economic assumptions (investment return, salary growth, and aggregate payroll growth). The report would provide an explanation of each assumption, a comparison of assumptions against actual results and recommended changes. The study would further illustrate how any recommended changes affected the October 1, 2020 valuation. The fee for the review was \$5,000 for each plan. If approved, the report would be available for the quarterly meeting on August 20, 2021.

Attorney Harrison commented that most plans routinely conducted an experience review every five years. The last review done for the Rockledge retirement plans was in 2005.

Board members noted that a review of all plan assumptions would be valuable when considered by the newly created sub-committee in conjunction with discussion on the assumed rate of return.

General Employees' Retirement Board Member Molony moved to authorize Freiman Little Actuaries to conduct an experience review of the retirement plan's assumptions for presentation at the next quarterly meeting at a cost of \$5,000. Member Harris seconded the motion which carried unanimously.

Police Retirement Board Likewise, Member Burke moved to authorize Freiman Little Actuaries to conduct an experience review of the retirement plan's assumptions for presentation at the August 20, 2021 meeting at a cost of \$5,000. Member LaSata seconded the motion which carried on an all-yes vote.

Fire Retirement Board Member Syfrett then moved to authorize the actuary to conduct an experience review of the retirement plan's assumptions for presentation at the August 20, 2021 meeting at a cost of \$5,000. Member McCaleb seconded the motion which carried.

Report: Board Attorney (Ken Harrison, Sugarman & Susskind)

All: Legislative Update

Attorney Harrison advised that Senate Bill 84 did not pass. This bill would have automatically enrolled all new hires in the regular class of Florida Retirement System into the defined contribution plan.

Report: Administrative Report Karan Rounsavall

All: Financial Disclosure Filing Deadline

Mrs. Rounsavall reminded trustees of the July 1, 2021 deadline for filing financial disclosure forms with the Brevard County Supervisor of Elections.

All: Educational Opportunities

The Florida Public Pension Trustees Association (FPPTA) Annual Conference was scheduled for June 27 – 30, 2021 at the Omni Orlando Resort at Champions Gate.

If any trustee wished to attend, they were to contact the plan administrator at their earliest convenience.

General Employees: Acknowledge receipt of retirement fund expenditures and receipts for second fiscal quarter (ending March 31, 2021)

Plan expenditures for the second quarter of Fiscal Year 2020/2021 (January 1, 2021 through March 31, 2021) were \$49,125.79. Receipts to the plan for that same fiscal quarter were \$72,264.64. Total disbursements for the quarter were \$374,869.85 and included monthly benefit payments, self-directed DROP payments, and refund of contributions in addition to plan expenses. (Reference Plan Administrator's memorandum dated April 19, 2021 for detail.)

Member Harris moved to acknowledge receipt of the report as presented. Member King seconded the motion which carried unanimously.

At this time, Plan Administrator Rounsavall gave notice of her intent to terminate her relationship as plan administrator for each Rockledge retirement plan in accordance with her professional service agreement. Mrs. Rounsavall had been involved with the Rockledge retirement boards since 2006, first working with the plans' prior administrator as recording secretary and since 2012 as plan administrator. The retirement plans recently completed a restatement of their respective plan documents, adopted several clarifying ordinances related to plan administration, codified the plan documents with *Municipal Code Corporation*, and published updated summary plan descriptions. As

such, she felt the plans were in the best of shape for a transition. Mrs. Rounsavall was willing to serve until the retirement boards arranged for a smooth transition to their next plan administrator.

Along this line, Mrs. Rounsavall recommended that the boards consider *Julie Enright*, a highly experienced and most capable plan administrator, to assume the role for the Rockledge retirement plans. Mrs. Enright was a "hands-on" administrator who would give members the time, assistance, and understanding that they deserved as they contemplated retirement. At the boards' pleasure and direction, Mrs. Enright was ready, willing, and able to take on the responsibilities.

Attorney Harrison stated that the boards could sole source this decision if desired. It was done in the past when Mrs. Rounsavall assumed the role of plan administrator from her predecessor. General Plan Member Harris felt that the boards should go out for bid for a new administrator. Given that this was a larger contractual relationship, Finance Director Trine advised that the city's policy was to require at least three quotes.

Attorney Harrison suggested that the boards solicit quotes from plan administration providers in the State of Florida as opposed to a full request for proposal for such services. Mrs. Enright would be given an opportunity to submit a quote.

It was the consensus of the three retirement boards to direct the attorney to prepare requests for quotes for plan administration services from five providers in Florida.

Actuary Little voiced his appreciation for the hands-on personal attention that Mrs. Rounsavall gave to plan participants.

General Plan Member Harris voiced her displeasure with the fact that today's quarterly meetings were changed from separate meetings to a joint meeting without all board members being individually polled in advance. She asked that if there was a need to do so in the future, that all members be called ahead of time. Attorney Harrison advised that it was within the purview of the board chairs to modify meeting arrangements.

John Mulkey, a trustee of the Fire Retirement Board, passed away unexpectedly earlier in the month. *It was the consensus of both the Police and Fire Retirement Boards to make a \$50 donation (each) to a charitable organization in his memory. Plan Administrator Rounsavall would handle this task.*

The next quarterly meeting was August 20, 2021. The retirement boards would meet separately at that time.

PUBLIC COMMENT - None

ADJOURN

The joint quarterly meeting adjourned at 11:25 a.m.

Fire Employees' Retirement Board

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Jeptha Sunday, Chairman

General Employees' Retirement Board

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Brian Laughlin, Chairman

Police Employees' Retirement Board

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Rick Burke, Chairman