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**ROCKLEDGE POLICE EMPLOYEES' RETIREMENT BOARD  
MEETING MINUTES**

**Friday, August 17, 2018**

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**CALL TO ORDER**

The Rockledge Police Employees' Retirement Board held its quarterly meeting on Friday, August 17, 2018 in the Council Chamber of Rockledge City Hall, 1600 Huntington Lane, Rockledge, Florida.

**MEMBERS PRESENT:** Chairman Rick Burke, Resident Representative  
Joseph LaSata, Resident Representative  
Hal Burke, Fifth Member  
David Grose, Police Representative

**MEMBERS ABSENT:** Chris Crawford, Police Representative (excused-work commitments)

**CONSULTANTS:** Kenneth Harrison, Board Attorney – Sugarman & Susskind  
Jose Rodriguez, Associate Attorney – Sugarman & Susskind  
Chad Little, Actuary – Freiman Little Actuaries  
Tyler Grumbles, Investment Consultant – AndCo Consulting  
Karan Rounsavall, Retirement Plan Administrator

Chairman Burke called the meeting to order at 3:00 p.m. A quorum was in attendance. Both attorneys attended the meeting via video conferencing (i.e. Skype).

**APPROVAL OF MINUTES**

A. Joint quarterly meeting of May 17, 2018

*Member LaSata moved to approve minutes for the May 17, 2018 joint quarterly meeting as submitted. Member Burke seconded the motion and it carried unanimously.*

**OLD BUSINESS**

A. Status report on restatement of retirement plan document (Deferred at May 17, 2018 joint meeting)

The restatement was tabled at the last meeting to allow the attorney to research concerns related to DROP eligibility prior to normal retirement age. Attorney Harrison advised that this concern strictly applied to the General Employees' Retirement Plan. The Police Retirement Plan only allowed DROP eligibility at normal retirement age. He was comfortable and recommended proceeding with the restatement.

Plan Administrator Rounsavall requested a final/clean copy of the restatement, along with the statement of no impact, which would be forwarded onto city staff for consideration and adoption by the Rockledge City Council. Actuary Little agreed to provide same.

*Member Grose moved to approve the restatement of the Rockledge Police Retirement Plan as presented and to forward same onto city staff, along with the actuarial statement of no impact, for placement on a future City Council agenda for consideration and adoption. Member Burke seconded the motion which carried on an all yes vote.*

B. Consideration of payment to Freiman Little Actuaries for its review of plan restatements necessary in order to deliver an impact statement

Actuary Little stated that many hours of work went into reviewing each plan restatement. He was aware that the retirement boards previously voted against a comprehensive review by Freiman Little Actuaries (FLA), asking his firm instead to rely upon correspondence from the attorney summarizing major changes to the plan document. Based on actuarial standards of practice, Mr. Little was uncomfortable relying upon the attorney's summary and felt that the thorough review was needed in order to prepare the actuarial impact statement. He fully understood that the review was conducted in the absence of board direction. The review found a number of inconsistencies and scrivener errors in each restatement. These were summarized and provided to the attorney for review and acceptance. FLA's charge for the review was \$5,000 for each plan. This was the original bid for the work which the boards previously denied. Mr. Little advised that the Fire Retirement Board and General Employees' Retirement Board took no action and tabled this item to the joint quarterly meeting in November.

Attorney Harrison advised that his law firm reviewed the changes submitted by the actuary and had no problem with them. He went on to remind the board that FLA moved forward with its review without board direction. It was the board's decision as to whether or not it paid the actuary for this work.

Chairman Burke wondered how Freiman Little Actuaries could have issued an impact statement without conducting its own review of the ordinance. He wanted full input on the restatement.

*Member LaSata moved to defer the actuary's request for payment to the joint quarterly meeting in November. Member Grose seconded the motion and it carried unanimously.*

**NEW BUSINESS**

A. Discussion and possible action related to change of dates for quarterly meetings going forward

Plan Administrator Rounsavall advised that today's meeting was rescheduled from Thursday, August 16<sup>th</sup> to Friday, August 17<sup>th</sup> in order to accommodate changes in the attorney's meeting/travel schedule such that he could return to his South Florida law office to attend this meeting via Skype. She had polled all board members in advance for their input on this one-time change of date.

Attorney Harrison asked that the Police Retirement Board keep the "Friday" schedule for the upcoming quarterly meeting in November. At that time meeting dates for 2019 would be an agenda item for discussion and action with members from all three retirement boards in attendance. Police trustees mentioned that Friday afternoons on a permanent schedule would be difficult.

*It was the consensus of the Police Retirement Board to schedule the next joint quarterly meeting for Friday, November 16, 2018 at 10:00 a.m. Attorney Harrison appreciated the accommodation.*

B. Approval of administrative expense budget for Plan Year 2018/2019 in accordance with *Florida Statutes*

The Retirement Board was in receipt of the proposed budget for Plan Year 2018/2019 as prepared by the plan administrator. Pursuant to *Florida Statutes*, the Board was required to adopt and operate pursuant to an administrative expense budget each year. The budget included all administrative expenses (e.g. actuary, legal, investment consultant, custody, administration, insurance, etc.) but did not include investment management fees. The proposed budget for 2018/2019 was \$107,896 which was slightly more than the adopted budget for 2017/2018 of \$105,095.

Plan Administrator Rounsavall reviewed individual line items in the proposed budget noting that it anticipated a \$5,000 payment for the actuary's review of the plan restatement as well as additional funding for travel and education. Estimated expenditures for 2017/2018 were less than budgeted.

*There were no changes to the proposed budget. Member LaSata moved to adopt the budget for Plan Year 2018/2019 as presented. Member Burke seconded the motion and it carried on an all yes vote.*

C. Ratify travel expense report submitted by Trustee David Grose for attendance at Florida Public Pension Trustees Association (FPPTA) Annual Conference in Orlando

Board members were in receipt of Member Grose's expense report for the conference. It included registration fees, mileage, tolls and meals in accordance with the board's travel policy. It was noted that Member Grose commuted to the conference daily rather than staying at the hotel.

*Member LaSata moved to ratify Member Grose's travel expense report as submitted and approve reimbursement to the trustee in the amount of \$50.11. Member Burke seconded the motion and it carried unanimously.*

## REPORTS & COMMUNICATIONS

A. Report: Performance Monitor/Investment Consultant (Tyler Grumbles, AndCo Consulting)

1. Performance Report for quarter ended June 30, 2018

Mr. Grumbles delivered the Investment Performance Report for the quarter ended June 30, 2018. Market returns were mixed across major equity and fixed income indices for the quarter. Domestic equities saw healthy gains while fixed income returns were generally flat overall. He noted, however, that Garcia Hamilton (domestic fixed income manager) earned a positive return of 0.58 percent for the quarter which ranked top among its peers. International equities, particularly emerging markets, struggled during the quarter posting negative returns due in large part to the U.S. dollar appreciating rapidly against other currencies. Mr. Grumbles noted that the top ten weighted stocks were driving the market. As such, it was a good time to be invested in the Vanguard Total Stock Market Index fund as opposed to an actively managed fund. Expense ratios with index funds were very low. This passive strategy was working well for the Rockledge retirement plans.

Total market value as of June 30, 2018 was \$14,101,432 up from \$13,937,811 for the previous quarter ended March 31, 2018. On a percentage basis, the composite portfolio was up 1.93 percent for the quarter (gross) which ranked in the 23<sup>rd</sup> percentile of public plans. Fiscal year to date, the fund was up 5.96 percent (ranking in the 17<sup>th</sup> percentile of public plans). The portfolio's value as of the previous day was \$14,259,213.

Quarterly performance results (i.e. quarter ending June 30, 2018) for the various investment styles/managers represented in the portfolio were as follows:

*Vanguard Total Stock Market Index Fund (domestic equity) – positive return of 3.91% (20)\**

*American Funds - Europacific Growth (international) – negative return of -2.82% (70)\**

*Garcia Hamilton & Associates (fixed income) – positive return of 0.58% (1)\**

*PIMCO Diversified Income Fund (global fixed income) – negative return of -0.73% (27)\**

*Blackrock Multi-Asset Income Fund (global tactical asset) – positive return of 0.10% (54)\**

*ASB Allegiance Real Estate Fund – positive return of 1.99% (71)\**

(\*Percentile rankings)

All asset classes were within target ranges. At the next quarterly meeting, it might be appropriate to rebalance domestic equity.

*Member Grose moved to acknowledge receipt of the investment performance report as presented. Member LaSata seconded the motion and it carried unanimously.*

## 2. Update on investment opportunities in infrastructure

At the previous quarterly meeting, Mr. Grumbles introduced the retirement board to institutional investments in infrastructure. This was a growing area for investment opportunities (i.e. alternative to fixed income) and the board expressed interest in learning more. He advised that Brookfield Supercore, a private investment structure (i.e. commingled fund) specializing in infrastructure was looking to raise capital and was offering a 25 percent fee discount for early investors. AndCo was still researching and validating the details. He would report on this opportunity further at the quarterly meeting in November and added that the Board should be prepared to make a decision on infrastructure if it wished to take advantage of the fee discount.

At the next meeting, Mr. Grumbles would also present an educational primer on bank loans. Expected returns from a traditional institutional portfolio would be challenged in the future to meet expected rates of return, particularly in domestic fixed income. Investments in bank loans had characteristics that addressed these challenges. It would be necessary to revise the investment policy statement to allow certain investment grade bonds should the Police Retirement Board decide to move in this direction.

## 3. Asset Allocation and Assumed Rate of Return

Mr. Grumbles went on to present an asset allocation study, the purpose of which was to determine a reasonable expected rate of return to be used in actuarial valuations. In brief, the study examined historical performance of various asset classes versus assumptions and presented the probability of achieving given returns based on various asset mixes. AndCo Consulting projected lower returns over the next 15 years. There were several reasons for this projection which included historically low fixed income returns and the current equity market peak levels which likely could not be sustained. Mr. Grumbles was encouraging plans to gradually lower their assumed annual rate of return to 7.0 percent.

Actuary Little planned to make a similar presentation on asset allocation and rate of return at the joint quarterly meeting. The matter of long-term return projections was the current subject of debate in the pension industry.

### B. Report: Board Attorney (Kenneth Harrison, Sugarman & Susskind)

Attorney Harrison reiterated that the State Legislature passed a bill providing workers compensation coverage for PTSD (post-traumatic stress disorder) for first responders. This could potentially affect applications for disability retirements in the future.

He went on to introduce Jose Rodriguez, a new attorney with the Sugarman & Susskind Law Firm.

### C. Report: Actuarial Consultant (Chad Little, Freiman Little Actuaries, LLC) – No Report

### D. Report: Plan Administrator (Karan Rounsavall)

1. Educational Opportunity: Florida Public Pension Trustees' Association (FPPTA) Fall Trustees School in Bonita Springs (September 30 – October 3, 2018)
2. Educational Opportunity: Florida Division of Retirement Annual Police Officers' & Firefighters' Pension Conference in Orlando (November 14-16, 2018)

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

3. Acknowledge pending receipt of 2017 premium tax distribution in the amount of \$216,318.43 from the State of Florida

Pending the State's approval of the 2017 Annual Report for the Rockledge Police Retirement Plan, the fund expected a premium tax distribution of \$216,318.43.

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The next quarterly meeting was scheduled for November 16, 2018. This would be a joint meeting of all three retirement boards.

**PUBLIC COMMENT - None**

**ADJOURN**

The meeting adjourned at 4:08 p.m.

Submitted by:

Approved by:

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Karan Rounsavall, Plan Administrator

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Rick Burke, Chairman