

# ROCKLEDGE GENERAL EMPLOYEES' RETIREMENT BOARD MEETING MINUTES

Friday, August 23, 2019

## CALL TO ORDER

The Rockledge General Employees' Retirement Board held its quarterly meeting on Friday, August 23, 2019 in the Council Chamber of Rockledge City Hall, 1600 Huntington Lane, Rockledge, Florida.

MEMBERS PRESENT: David Henderson, City Manager's Office Representative  
Brian Laughlin, Citizen Representative  
Corey Harris, Support Staff Representative  
Mike Jarusiewicz, Public Works Representative  
Tanya Molony, Citizen Representative

STAFF/CONSULTANTS: Kenneth Harrison, Board Attorney - Sugarman & Susskind  
Chad Little, Actuary - Freiman Little Actuaries  
Tyler Grumbles, Investment Consultant – AndCo Consulting  
Karan Rounsavall, Plan Administrator  
Brenda Fettrow, City Manager

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

## APPROVAL OF MINUTES

Joint quarterly meeting of May 17, 2019

*Member Harris moved to approve minutes for the May 17, 2019 joint quarterly meeting as submitted. Member Molony seconded the motion and it carried unanimously.*

## OLD BUSINESS

Status report on restatement of retirement plan document

Board members were in receipt of the final restatement document which included clarifying language related to "spousal consent/notice" along with the actuarial impact statement (dated August 23, 2019). The actuary's statement found that there was no anticipated material impact on plan funding related to the restatement. Plan Administrator Rounsavall advised that the bargaining unit representing members of the Rockledge General Employees' Retirement Plan recently approved a reduction in the interest paid on refund of contributions from five percent to one and one-half percent. This change was not included in the restatement; it needed to be handled as a separate ordinance.

*Member Harris moved to accept the final plan restatement as presented and to forward same, along with impact statement, to city staff for placement on a future city council agenda for action. She further moved to direct the attorney to prepare an amendment to the plan document reducing the interest rate paid on refund of contributions from five percent to one and one-half percent effective October 1, 2019. Member Laughlin seconded the motion and it carried on an all yes vote.*

## NEW BUSINESS

### Request for clarification of plan document related to appointment of trustees to General Employees' Retirement Board

Plan Administrator Rounsavall explained that current language in the plan document was somewhat ambiguous. It provided for five trustees, two were participants in the plan, two were legal residents of the city, and one member was recommended by a majority of the other members and, as a ministerial duty, appointed by the city council. Mrs. Rounsavall sought clarification, particularly as to how the participant/employee members were selected. In both the fire and police plans, the employee trustees were elected by all active members of the plan.

Chairman Henderson pointed out that historically, the city manager recommended the employee and resident members subject to appointment by city council. City Manager Brenda Fettrow felt that was a fair and reasonable appointment method which she preferred. As to employee trustees, Member Molony felt that an election tended to guarantee that the employee was, in fact, interested in serving on the retirement board. It was also noted that the terms for all trustees currently ended at the same time. Perhaps staggered terms would contribute to continuity and experience among trustees.

Attorney Harrison advised that the plan document could be amended to clarify that employee and resident members were recommended by the city manager and then appointed by city council.

*Member Harris moved to direct the board attorney to prepare an amendment to the plan document clarifying that employee and resident members were recommended by the city manager and then appointed by city council. Member Jarusiewicz seconded the motion which carried unanimously.*

*Member Laughlin then moved to introduce two and four-year staggered terms as part of the amendment referenced in the former motion. Member Harris seconded the motion and it likewise carried on an all yes vote.*

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Member Laughlin worked as a financial planner in the private sector; he advised that he recently changed employers. While legal representation for his new firm was comfortable with him continuing his position as a trustee for the Rockledge General Employees' Retirement Board, they advised that he must abstain from voting on specific investment recommendations such as hiring a new investment manager. Member Laughlin wished to remain on the Retirement Board but the change of employer presented a difficult situation. Attorney Harrison stated that the Board needed a voting member; a member could not abstain from voting unless there was a personal conflict of interest.

*It was suggested that Attorney Harrison reach out to Member Laughlin's legal representation to clarify the responsibilities of a trustee and what Member Laughlin could do and not do as a trustee. There was no objection to the suggestion.*

### Approve forms for disability retirement applications

Board members were in receipt of several forms for processing disability retirement applications: (1) *Application for Disability Retirement*; (2) *Disability Applicant Questionnaire*; (3) *Authorization to Use or Disclose Health Information*; and (4) *Authorization to Waive Confidentiality of Medical Records*.

*Member Harris moved to approve the disability retirement forms as presented. Member Molony seconded the motion which carried unanimously.*

Reconsideration of plan amendment to allow cross credit for vesting purposes only between the Rockledge Retirement Plans

At several meetings in 2017, the Rockledge Retirement Boards jointly considered the concept of cross credit but ultimately voted to take no action on the matter. Cross credit allowed an employee who was hired as a member of one retirement plan, and subsequently hired as a member of another plan, to retain their credited service in the former plan for vesting purposes. Since that time, circumstances had arisen in the Police Retirement Plan that brought the matter back to the forefront. All three boards needed to adopt cross credit provisions for it to operate effectively.

Attorney Harrison advised that a very long-time member of the Police Retirement Plan began their career in the General Employees Retirement Plan and had been given service credit for the years served in the General Plan in the absence of cross credit provisions. The member in question was first hired when there was a single retirement plan for all Rockledge employees; the separate retirement plans were established in the mid 1990's. There were also more recent instances where an employee began in the General Employees Retirement Plan and subsequently were hired as sworn police officers and were not allowed to receive credit for their prior service in the former plan.

The attorney reminded board members of their fiduciary responsibility to all members of the plan. As noted, there were situations in the past where members had been treated differently. The particular case involving the long-time member was a continuing issue and could be cause for potential litigation as the member could make a case for detrimental reliance on annual member statements issued during past years. Attorney Harrison encouraged the board to seriously consider cross credit provisions going forward. It would be considered a benefit change and a memorandum of understanding with the affected bargaining units would be needed.

Previously, City Manager Brenda Fettrow advised that collective bargaining with the police unions was closed for the year and that the city's position on cross credit had not changed since 2017. There was no interest in pursuing it at this time. Should the unions bring it to the table in the next year, the city would address it.

*Member Harris moved to support the concept of cross credit and defer any official action pending the Police Retirement Board's decision. Member Laughlin seconded the motion which carried on an all yes vote.*

**REPORTS & COMMUNICATIONS**

Report: Investment Consultant (Tyler Grumbles, AndCo Consulting)

➤ Performance Report for quarter ended June 30, 2019

Mr. Grumbles delivered the Investment Performance Report for the quarter ended June 30, 2019. Although it was a very volatile quarter, both domestic and international equities posted positive results. With federal monetary policy pushing interest rates lower, fixed income returns were also positive with gains for the quarter around three percent. Economic growth started to slow; this would fuel further volatility in the markets. In fact, equities suffered a major pullback since June 30<sup>th</sup>.

Total market value as of June 30, 2019 was \$17,234,076 up from \$16,853,553 for the previous quarter ended March 31, 2019. On a percentage basis, the composite portfolio was up 3.37 percent for the quarter (gross) which ranked in the 40<sup>th</sup> percentile of public plans. Fiscal year to date, the fund was up 3.02 percent (ranking in the 60<sup>th</sup> percentile of public plans). All asset classes were within target ranges; no rebalancing was recommended.

*Member Laughlin moved to acknowledge receipt of the investment performance report as presented. Member Harris seconded the motion which carried unanimously.*

- Status report on Brookfield Super-Core Infrastructure Fund, including request for letter of tax exemption from Canadian Revenue Agency in the event the fund acquired any Canadian assets

At the quarterly meeting on February 22, 2019, each retirement board authorized an investment with Brookfield Super-Core Infrastructure Partners at a five percent allocation. Mr. Grumbles reported that the appropriate investment management agreements and side letters were now in place. He expected the first capital call in early 2020.

There was a final matter to be addressed regarding the Brookfield investment. The Retirement Board needed to request a letter of exemption from the Canadian Revenue Agency. If at any point the Brookfield Fund purchased Canadian assets, the proceeds would be taxed at a 25 percent rate without such an exemption letter. Sugarman & Susskind (legal counsel) was able to make application for an exemption, however, this type of work was not anticipated under the firm's retainer, thus an hourly charge.

*Member Laughlin moved to authorize Attorney Harrison to prepare the Canadian exemption paperwork (anticipated to require a couple of hours of legal work). Member Harris seconded the motion and it carried unanimously.*

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

Mr. Little briefly mentioned long-term expectations of return as reported by the JP Morgan capital markets study. He encouraged the retirement board to continually lower their expected annual rate of return.

Report: Board Attorney (Kenneth Harrison, Sugarman & Susskind) – No Report

Report: Plan Administrator (Karan Rounsavall)

Educational Opportunities:

- Florida Public Pension Trustees' Association (FPPTA) Fall Trustees School in Ponte Vedra Beach (October 6-9, 2019)

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

- Acknowledge receipt of Retirement Fund expenditures and receipts for third fiscal quarter (ending June 30, 2019)

Plan expenditures for the third quarter of Fiscal Year 2018/2019 (July 1, 2019 through September 30, 2019) were \$20,678.36. Receipts to the plan for that same fiscal quarter were \$69,868.17. Total disbursements for the quarter were \$251,070.30 and included monthly benefit payments, DROP payments, and refund of contributions in addition to plan expenses. (Reference Plan Administrator's memorandum dated July 11, 2019 for detail.)

- *Member Laughlin moved to accept the report as presented. Member Harris seconded the motion which carried.*

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The next quarterly meeting was scheduled for November 22, 2019. This would be a joint meeting of all three retirement boards.

**PUBLIC COMMENT** - None

**ADJOURN**

The meeting adjourned at 4:29 p.m.

Submitted by:

Approved by:

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Karan Rounsavall  
Plan Administrator

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David Henderson, Chairman