

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

**Friday, August 20, 2021**

**CALL TO ORDER**

The Rockledge General Employees' Retirement Board held its quarterly meeting on Friday, August 20, 2021 in the Council Chamber of Rockledge City Hall, 1600 Huntington Lane, Rockledge, Florida.

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

MEMBERS ABSENT: Brenda Black, Resident Member

CONSULTANTS/STAFF: Pedro Herrera, Board Attorney - Sugarman & Susskind\*  
Chad Little, Actuary - Freiman Little Actuaries  
Tyler Grumbles, Investment Consultant – AndCo Consulting  
Christine McGraw, Recording Secretary\*\*  
Brenda Fettrow, City Manager  
Matthew Trine, Finance Director

Chairman Laughlin called the meeting to order at 3:00 p.m. A quorum was in attendance.  
\*Attorney Herrera attended meeting via video conferencing hosted by the City of Rockledge.  
\*\*Plan Administrator Karan Rounsavall was unable to attend due to an out-of-state family funeral.

**APPROVAL OF MINUTES**

Quarterly Meeting of May 21, 2021

*Member Harris moved to approve minutes of the May 21, 2021 joint quarterly meeting as submitted. Member King seconded the motion which carried unanimously.*

**OLD BUSINESS**

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

Member Harris advised that this matter was still pending review. She was somewhat disappointed with Nationwide's slow response. It was appropriate to defer once again to the next quarterly meeting.

*Member Harris moved to table to the quarterly meeting in November. Member King seconded the motion which carried unanimously.*

**NEW BUSINESS**

Consideration of draft funding policy recommended by *Actuarial Assumptions Sub-Committee*

At the May 21, 2021 joint quarterly meeting, the retirement boards voted 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. Ongoing

discussions as to the rate-of-return investment assumption over the course of numerous meetings drove the creation of this sub-committee which met several times since the prior meeting and recommended adoption of the funding policy currently before the board.

Actuary Chad Little reviewed the proposed funding policy. The policy enumerated current practices including funding commitment, funding target cost, cost method, asset smoothing over a five-year period and treatment of excess contributions as a prepaid contribution (unless directed otherwise by the city).

The policy emphasized that development of actuarial assumptions was the board's responsibility. At its last meeting, each retirement board authorized the actuary to conduct an experience review of the plan's assumptions. The results of this experience review would be presented later in the meeting. In accordance with the proposed policy, the newly formed sub-committee would review results of the experience review in detail and discuss the impact of implementation and use in the October 2021 annual valuation.

As to the rate-of-return investment assumption, the sub-committee recommended a long-term target of 7.25 percent which would be achieved over a five-year period by decreasing the return assumption by ten basis points each year. The return assumption for the General Employees Retirement Plan was currently at 7.75 percent. The policy proposed that the assumption sub-committee meet annually to discuss any potential recommendations to the retirement board (including return assumption) prior to the fourth quarterly meeting of the calendar year. This timing allowed for fiscal year investment results to be available.

Chairman Laughlin served on the Actuarial Assumptions Sub-Committee and was pleased to see the recommendation for a multi-year plan to reduce the return assumption. While he still felt the return assumption was high, this was a starting point.

*Member Harris moved to approve the funding policy as recommended by the Actuarial Assumptions Sub-Committee. Member Molony seconded the motion which carried unanimously.*

#### Correspondence from Division of Retirement regarding acceptance of actuarial valuations through October 1, 2019

Board members were in receipt of the Division's correspondence dated July 27, 2021 which accepted all actuarial valuations and impact statements through October 1, 2019. The correspondence went on to recommend that the Retirement Board consider lowering the investment return assumption for future valuations, in fact, it considered a return assumption in the range of six to seven percent to be a more reasonable expectation of future long-term returns.

## **REPORTS & COMMUNICATIONS**

### Report: Investment Consultant (Tyler Grumbles, AndCo Consulting)

Investment Performance Report for quarter ended June 30, 2021

Mr. Grumbles presented the performance report and economic commentary for the quarter ended June 30, 2021. Equity markets experienced strong returns for the quarter with the S&P 500 boasting an 8.5 percent return due to the ongoing distribution of vaccines and continued reopening of state and local economies. With interest rates falling during the quarter, growth-oriented stocks resumed market leadership ahead of value stocks. There were also convincing positive returns in international equity markets. The portfolio was ahead of its benchmark and its peer group for the quarter.

Mr. Grumbles advised that the portfolio received its capital call for infrastructure as of July 1, 2021. The infrastructure position was funded from domestic equities. He also noted that Garcia Hamilton (domestic fixed income) continued to lag the benchmark. In anticipation of rising interest rates, GHA had pulled back on its exposure to corporate bonds and increased exposure to treasuries. If underperformance continued, Mr. Grumbles recommended that GHA attend a future meeting to discuss its investment strategy.

The ASB/Allegiance real estate fund also underperformed. ASB was a more conservative real estate manager with greater emphasis on downtown office properties than its peers. *Mr. Grumbles recommended that ASB attend the next meeting of all three boards to discuss performance concerns.*

All asset classes in the portfolio were within their target ranges. No rebalancing was needed.

Total market value as of June 30, 2021 was \$22,940,412 up from \$21,951,083 for the previous quarter ended March 31, 2021. On a percentage basis, the composite portfolio was up 5.72 percent for the quarter (gross) which ranked in the 34<sup>th</sup> percentile of public plans. Fiscal year to date, the fund was up 20.73 percent (ranking in the 44<sup>th</sup> percentile).

*The board accepted the performance report as presented.*

Proposed revisions to Investment Policy Statement (IPS) increasing allocation to alternative investments

Given that fixed income/bonds were expected to only return two percent over the next 10 to 15 years (based on capital market projections), Mr. Grumbles recommended that the board look for alternative investments that could enhance this space. His specific recommendation was a 10 percent decrease to the domestic fixed income asset class from 17.5 percent to 7.5 percent and an increase to alternative investments (i.e., real estate and infrastructure) from 15 percent to 25 percent. Consistent with the revised IPS, Mr. Grumbles further recommended that the board increase its commitment to infrastructure to ten percent.

*Member Harris moved to adopt the revised IPS changing target allocations as set forth above and to increase the portfolio's commitment to the Brookfield Super-Core Infrastructure Fund to ten percent as recommended by the consultant. Member King seconded the motion; it carried unanimously.*

Request for fee increase effective October 1, 2021

Mr. Grumbles thanked the Rockledge Police Retirement Board for the continued opportunity to serve as its investment consultant. AndCo provided institutional investment consulting services on a hard dollar, full retainer, flat-fee basis for its clients.

The existing annual fee was \$19,500; the proposed fee was \$21,500 which expressed as a percentage of current plan assets was 10 basis points. The proposed fee also included an automatic annual escalator of two percent. The retainer fee included all components of AndCo's consulting services and was guaranteed for three years. The fee increase was effective as of October 1, 2021.

*Member Harris moved to approve an annual fee of \$21,500 with a two percent annual escalator (guaranteed for three years) for AndCo Consulting effective October 1, 2021. Member King seconded the motion which carried on an all yes vote.*

The attorney would prepare an appropriate fee addendum to AndCo's contract.

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

Results of experience review to determine appropriate actuarial assumptions

Actuary Chad Little explained that the purpose of an experience review was to compare assumptions to actual experience in the retirement plan. Board members were in receipt of the review which presented a comparison of plan experience from October 1, 2010 through October 1, 2020. Mr. Little asked the Board to simply accept the experience review at this time. It would then be presented to the Actuarial Assumption Sub-Committee and come back to the retirement board at its next quarterly meeting for adoption.

Mr. Little reviewed key assumptions and recommended revisions as outlined below:

Termination Assumption – Recommended 20 percent increase to rates of termination prior to 10 years of service and simplify current sex-distinct rates into a single unisex table (50/50 male/female).

Retirement Assumption – No change recommended.

Disability Assumption – No change recommended.

Mortality Assumption - Statutes dictated the use of the mortality tables used by the Florida Retirement System. This assumption was reasonable for purposes of the actuarial valuation.

Individual Salary Increase Assumption – Recommended revision to increase this assumption to 5.5 percent per year for 0 to 12 years of service and 4.5 percent per year at service levels over 12 years.

Total Salary Increase Assumption – No change recommended.

Net Investment Return Assumption – The retirement plan recently reduced its assumed investment rate of return to 7.75 percent. Using current long-term capital market projections, a 7.75 percent return was not anticipated to be achieved over the next 10 to 20 years. Mr. Little noted that the sub-committee recommended that the retirement board lower its rate of return assumption by ten basis points to 7.65 for the October 2021 valuation. Given the positive investment returns anticipated for the current fiscal year, he suggested discussion to reduce the current return assumption even further as there would be minimal, if any, impact to the city's required contribution. Additionally, if there was a downturn in the market, the fund would be in a better position with a lower return assumption.

Mr. Little went on to review the fiscal impact of the recommended assumption changes on (1) present value of benefits; (2) unfunded accrued liability and funded status; (3) normal cost; and (4) minimum required contribution.

No board action on the experience review and recommended assumption changes was necessary at this time. *Pursuant to the funding policy just adopted, the experience review and all assumptions would be presented to and reviewed by the Actuarial Assumption Sub-Committee in advance of the November quarterly meeting. The sub-committee's recommendation on same would then be presented to the retirement board for its approval.*

Report: Board Attorney (Pedro Herrera, Sugarman & Susskind)

As the State Legislature was not in session during the past quarter, there was no legislative update. The attorney went on to mention upcoming educational opportunities:

- ✓ Florida Public Pension Trustees Association (FPPTA) fall trustee school (October 3-6, 2021 in Ponte Vedra Beach).

- ✓ Annual Police Officers' & Firefighters' Pension Conference (November 3-5, 2021 in Orlando)

If anyone was interested in participating, they were to contact the Plan Administrator.

Status of request for quotes (RFQ)for plan administrator

Given the absence of Plan Administrator Rounsavall, Attorney Herrera advised of a request to defer discussion of plan administrator quotes until the November meeting. Both the fire and police retirement boards had done so.

Member Harris was disappointed that board members did not receive the RFQs for review at this meeting. This was her expectation based on board action from the prior meeting. Attorney Herrera advised that four quotes were received by his office. He would send these to Mrs. Rounsavall for distribution to all board members. Discussion followed on the selection process for a new plan administrator. Options included a sub-committee to review the proposals or a special meeting.

*Member Molony moved to defer discussion of plan administrator quotes until the November meeting. Member King seconded the motion; it carried.*

Report: Plan Administrator (Christine McGraw)

Acknowledge receipt of Retirement Fund expenditures and receipts for third fiscal quarter (ending June 30, 2021)

Plan expenditures for the third quarter of Fiscal Year 2020/2021 (April 1, 2021 through September 30, 2021) were \$24,929.39. Receipts to the plan for that same fiscal quarter were \$69,992.77. Total disbursements for the quarter were \$337,273.65 and included monthly benefit payments, self-directed DROP payments, and refund of contributions in addition to plan expenses (Reference Plan Administrator's memorandum dated July 23, 2021 for detail).

*Member Harris moved to acknowledge receipt of the report as submitted. Member Molony seconded the motion which carried on an all-yes vote.*

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*The next quarterly meeting was scheduled for November 19, 2021.*

**PUBLIC COMMENT**

City Manager Fettrow thank the board for allowing city staff to participate in the Actuarial Assumption Sub-Committee.

**ADJOURN**

The meeting adjourned at 4:11 p.m.

Submitted by:

Approved by:

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Karan Rounsavall, Plan Administrator

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Brian Laughlin, Chairman