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

Thursday, February 15, 2018

CALL TO ORDER

The Rockledge Fire Employees' Retirement Board held its quarterly meeting on Thursday, February 15, 2018 in the Council Chamber of Rockledge City Hall, 1600 Huntington Lane, Rockledge, Florida.

MEMBERS PRESENT: Chairman Jeptha Sunday, Fifth Member
Mike McCaleb, Fire Representative
Ed Syfrett, Fire Representative
Tim Matson, Resident Member
John Mulkey, Resident Member

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

Chairman Sunday called the meeting to order at 9:10 a.m. A quorum was in attendance. The Board welcomed John Mulkey, new resident member.

APPROVAL OF MINUTES

A. Joint Quarterly Meeting of November 16, 2017

Member Matson moved to approve minutes for the November 16, 2017 joint quarterly meeting as submitted. Member McCaleb seconded the motion and it carried unanimously.

OLD BUSINESS

A. Discussion and possible action – recommendation from joint subcommittee created to review responses to request for quotes (RFQ) for both legal services and actuarial services

At the joint quarterly meeting on November 16, 2017, the respective retirement boards appointed a subcommittee to review the RFQ's and bring back a recommendation at this meeting. The subcommittee was comprised of two members from each retirement board along with Finance Director Matthew Trine. The subcommittee met on December 20, 2017 to review the RFQ's.

As to the RFQ for legal services, three law firms responded. There was no dissatisfaction with the level of service provided by Sugarman & Susskind over the past ten years during which the firm had served as legal counsel to the retirement plans. The subcommittee recommended that the retirement boards continue their respective relationships with the law firm of Sugarman and Susskind on a monthly retainer basis.

Attorney Harrison advised that the monthly retainer was negotiable. Attorney Dustin Watkins recently left the firm and Attorney Harrison was working toward retirement in the near future. His law firm favored attendance at quarterly meetings via video conferencing (a/k/a Skype). Video conferencing saved travel/driving time and expenses as well as personnel time. If the Fire Retirement Board wished to consider such an arrangement, the monthly retainer would be \$1,400. Currently, it was \$1,700.

Member McCaleb moved to continue the Fire Retirement Board's agreement with Sugarman & Susskind for a monthly retainer fee of \$1,400 based on the attorney's attendance at future meetings via video conferencing. The retainer was guaranteed for three years as stated in the RFQ. Member Mulkey seconded the motion and it carried unanimously. (It was noted that the motion was contingent upon the other two retirement boards taking similar action.)

Member Syfrett mentioned that board members lost the opportunity to discuss ethics or personal concerns with the attorney when not attending the meetings in person. It was noted that trustees were always able to call the attorney directly to discuss any relevant matter.

As to the RFQ for actuarial services, responses were received from three firms including Freiman Little Actuaries (FLA), which had served as actuary for the Rockledge retirement plans since 2006. Sub-committee members expressed concern with the service level provided by FLA recently, particularly timeliness of response for refund and benefit calculations. There was no concern with the accuracy of its work; concern was strictly related to service level. The subcommittee recommended that the respective retirement plans proceed with a formal request for proposal (RFP) for actuarial services.

Actuary Chad Little addressed the boards' concerns and apologized for the delay in providing calculations. He asked the board to give FLA a year to demonstrate that it could meet the retirement board's service level expectations and to consider not doing an RFP at this time.

Chairman Sunday stated that the retirement boards had been with FLA for a long time. If there was a problem, the board needed to allow FLA the opportunity to address the concerns. He no longer supported the subcommittee's recommendation for an RFP.

Member Matson moved to continue the Fire Retirement Board's relationship with Freiman Little Actuaries and renew its engagement letter and fees as proposed in the RFQ. Member Syfrett seconded the motion and it carried on an all yes vote.

Attorney Harrison would prepare revised professional service agreements with Sugarman & Susskind (legal) and with Freiman Little Actuaries (actuary) based on the Retirement Board's action.

NEW BUSINESS

A. Discussion and possible action – advisability of allowing a one-time transfer of fund balances between the DROP investment options (i.e. self-directed and net returns)

As requested at the joint quarterly meeting on November 16, 2017, Plan Administrator Rounsavall provided board members with the current DROP policy. At that same meeting, the respective retirement boards directed plan advisers to research the advisability of allowing a one-time transfer between DROP options.

Attorney Harrison did not support a one-time transfer as it would allow a participant to “play against the plan” and transfers would be difficult to administer. Investment consultant Dan Johnson pointed out that the self-directed option currently allowed a participant to reallocate funds between investments. Because net return DROP accounts were not valued on a daily basis, it would be difficult to determine value as of a given day for a transfer. City Manager Fettrow asked the retirement board to consider the impact of such a policy on the overall retirement plan as opposed to a single participant. Finance Director Trine was concerned with the mechanics of moving money and market declines.

There was further discussion on how a one-time transfer might be facilitated. *The Fire Retirement Board took no action to change the current DROP policy (i.e. once a participant made an election for self-directed or net returns, it could not be changed throughout the DROP period).*

B. Ratify travel expense report submitted by Trustees Tim Matson, Mike McCaleb, and Ed Syfrett for attendance at Florida Public Pension Trustees Association (FPPTA) Winter School in Orlando

Plan Administrator Rounsavall advised that expense reports included registration fees, hotel accommodations, mileage and meals.

Member Mulkey moved to ratify travel expense reports as set forth below:

Trustee Tim Matson - \$683.34

Trustee Mike McCaleb - \$1,364.01

Trustee Ed Syfrett - \$1,364.01

Member Matson seconded the motion and it carried unanimously.

REPORTS & COMMUNICATIONS

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

1. Presentation of annual valuation for fiscal year ending September 30, 2017

Board members were in receipt of the Actuarial Valuation as of October 1, 2017 which determined minimum funding requirements for the Rockledge Fire Retirement Plan for the current fiscal year (i.e. 2017/2018) and projected funding requirements for the ensuing fiscal year (i.e. 2018/2019). In preparing the funding requirements, it was assumed that all state premium tax revenues would be used for minimum funding requirements (i.e. offset city contribution).

The minimum funding requirement for Fiscal Year 2017/2018, including contributions from both the City and the State, was \$623,628. Expressed as a percentage of pensionable payroll, the total minimum funding requirement was 41.97 percent. For the second year, the City continued to prefund its contributions (as opposed to contributions submitted throughout the year coincident with biweekly payroll) resulting in some interest savings. The minimum funding requirement for Fiscal Year 2018/2019 was \$637,059 which included contributions from both the City and State. Premium tax revenues received from the State decreased somewhat over the prior year.

The investment return on the “market” value of assets was 12.17 percent; the return on the “actuarial/smoothed” value of assets was 7.44 percent which was less than the 7.9 percent assumed investment rate of return. The unfunded accrued liability (UAL) as of the valuation date was \$3,540,151. The Plan’s funded status was 76.48 percent representing an increase over the previous year’s funded percentage of 74.72.

The valuation report also included required disclosures under *Florida Statutes* 112.664(1). Reporting disclosures required by Governmental Accounting Standards Board (GASB) 67 and 68 were provided as supplemental reports. There were no questions.

Member Mulkey moved to approve the annual actuarial valuation as of October 1, 2017 as presented. Member Matson seconded the motion and it carried on an all yes vote.

The meeting recessed at 10:30 and reconvened at 10:40 a.m.

2. Declare expected annual rate of investment return for assets of Rockledge Fire Employees' Retirement Plan for short term and long term thereafter in accordance with Section 112.661 *Florida Statutes*

The Board sought input from its actuary and investment professional as to an expected investment rate of return going forward. Actuary Little recommended additional discussion to explore further reductions in the assumed investment rate of return. Investment Consultant Tyler Grumbles was comfortable with a 7.9 percent investment rate of return.

Member Syfrett moved to approve a 7.9 percent expected rate of return on investments going forward (based on advice of the investment consultant and actuary). Member McCaleb seconded the motion and it carried unanimously.

B. Report: Performance Monitor & Investment Advisory Services – AndCo Consulting

1. Performance Report for quarter ended December 31, 2017

Investment Consultants Dan Johnson and Tyler Grumbles were in attendance. Mr. Johnson expressed appreciation for the privilege of working with the Fire Retirement Board for the past several years and went on to provide a brief organizational update on AndCo Consulting. The firm now had 87 employees with clients across the United States. Its mission was to represent the sole interests of clients by continuing its 100 percent independence model. During the previous month, AndCo Consulting named Mr. Johnson as a partner of the firm. Given Mr. Johnson's new responsibilities as partner, Tyler Grumbles would take on the role of primary consultant to the Rockledge Retirement Plans.

Mr. Grumbles delivered the Investment Performance Report for the quarter ended December 31, 2017. Market returns were positive across major equity and fixed income indices for the quarter and calendar 2017. Emerging markets outpaced both international developed and domestic equities. Growth stocks outperformed value stocks. However, yields continued to be low on fixed income instruments and he projected negative returns in the bond market during the next quarter. Since the end of the quarter, markets saw increasing volatility.

Total market value as of December 31, 2017 was \$11,975,712 up from \$11,213,312 for the previous quarter ended September 30, 2017. On a percentage basis, the composite portfolio was up 4.08 percent for the quarter (gross) which ranked in the 22nd percentile of public plans. For the trailing 12 months, the fund was up 16.09 percent (ranking in the 37th percentile of public plans). The portfolio's value as of the previous day was \$12,032,629.

Quarterly performance results (i.e. quarter ending December 31, 2017) for the various investment styles/managers represented in the portfolio were as follows:

Vanguard Total Stock Market Index Fund (domestic equity) – positive return of 6.34% (41)*
American Funds - Europacific Growth (international) – positive return of 4.23% (45)*
Garcia Hamilton & Associates (fixed income) – positive return of 0.08% (32)*

PIMCO Diversified Income Fund (global fixed income) – positive return of 0.81% (39)*
Blackrock Multi-Asset Income Fund (global tactical asset) – positive return of 1.68% (73)*
ASB Allegiance Real Estate Fund – positive return of 2.06% (64)*
(*Percentile rankings)

Mr. Grumbles pointed out that investment-related fees for the Fire Retirement Plan were very low. In fact, the estimated annual fee for the entire portfolio was less than \$30,000. He also mentioned that the plan had a negative cash flow on a month-to-month basis, paying out more than was contributed. All asset classes were within target ranges; no rebalancing was recommended.

Member Mulkey moved to acknowledge receipt of the investment performance report as presented. Member Matson seconded the motion and it carried unanimously.

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

1. Legislative Update

Attorney Harrison advised of proposed legislation affecting public pension plans. One bill allowed a cancer diagnosis as a presumptive disabling injury for firefighters. A second required additional disclosures in valuation reports.

2. Status report on restatement of retirement plan document

While the restatement itself was complete, further action to proceed with a summary of changes and actuarial impact statement was deferred at the previous meeting pending the outcome of the request for quotes for actuarial services. Since the Fire Retirement Board voted earlier to continue with the current actuary, the attorney would forward a summary of changes to the actuary preparatory to the impact statement.

D. Plan Administrator (Karan Rounsavall)

Mrs. Rounsavall advised that city administration requested her attendance at a meeting of the Finance and Budget Committee on February 21, 2018 during which the pension plans would be discussed. The plan administrator served as a consultant to the retirement boards. She sought the board's direction on this request.

Member Mulkey moved to authorize Plan Administrator Rounsavall to attend the February 21, 2018 meeting of the Finance and Budget Committee as requested by city staff. Member Syfrett seconded the motion and it carried on an all yes vote.

The next quarterly meeting was scheduled for May 17, 2018. This would be a joint meeting of all three retirement boards.

PUBLIC COMMENT - None

ADJOURN

The meeting adjourned at 11:16 a.m.

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Jeptha Sunday, Chairman