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

Thursday, February 15, 2018

CALL TO ORDER

The Rockledge General 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: Brian Laughlin, Citizen Representative
 Corey Harris, Support Staff Representative
 Mike Jarusiewicz, Public Works Representative
 Tanya Molony, Citizen Representative

MEMBERS ABSENT: David Henderson, City Manager's Office Representative (excused
 due to work commitments)

STAFF/CONSULTANTS: Kenneth Harrison, Board Attorney - Sugarman & Susskind
 Chad Little - 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

Member Harris called the meeting to order at 1:00 p.m. A quorum was in attendance.

APPROVAL OF MINUTES

A. Joint quarterly meeting of November 16, 2017

Member Molony moved to approve minutes for the November 16, 2017 joint quarterly meeting as submitted. Member Jarusiewicz 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. Accordingly, 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. The attorney advised that the Fire Retirement Board voted earlier to allow his attendance at quarterly meetings via video conferencing (a/k/a Skype). Video conferencing saved travel/driving time and expenses as well as personnel time. Sugarman & Susskind had other clients currently using video conferencing. If the General Employees Retirement Board wished to consider such an arrangement, the monthly retainer would be \$1,300. Currently, it was \$1,525.

Member Jarusiewicz moved to continue the General Employees Retirement Board's agreement with Sugarman & Susskind on a monthly retainer basis. Member Molony seconded the motion which carried unanimously.

Member Molony then moved to support the attorney's attendance at future meetings via video conferencing at a monthly retainer fee of \$1,300. The retainer was guaranteed for three years as stated in the RFQ. Member Laughlin seconded the motion and it carried on an all yes vote. (The motion was contingent upon the police retirement board taking similar action.)

It was noted that if video conferencing did not work out, the board could always return to the attorney's physical attendance at meetings.

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 FLA's 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 unacceptable delay in providing calculations. There was no support for his suggestion that interest calculations for refunds be done at the city level now that new software support was available. Finance Director Trine was more comfortable with a third party performing these calculations.

Mr. Little committed to making every effort to ensure that calculations and other service requests were done in a timely manner. He asked the board to give FLA an opportunity to demonstrate that it could meet the board's service level expectations and to consider not doing an RFP at this time.

Member Laughlin moved to continue the General Employees Retirement Board's relationship with Freiman Little Actuaries and renew its engagement letter and fees as proposed in the RFQ with the understanding that the agreement contained a 30-day termination clause. Member Jarusiewicz seconded the motion and it carried unanimously.

Attorney Harrison would prepare revised professional service agreements with Sugarman & Susskind and with Freiman Little Actuaries 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. Other concerns included the fact that DROP accounts were not valued on a daily basis and the mechanics of moving funds and intervening market declines. The self-directed option (ICMA-RC) currently allowed a participant to reallocate funds between investment options as frequently as desired.

The General Employees' 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 Brian Laughlin and Tanya Molony 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 Jarusiewicz moved to ratify travel expense reports as set forth below:

Trustee Brian Laughlin - \$1,018.00

Trustee Tanya Molony - \$1,282.23

Member Molony 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 General Employees' Retirement Plan for the current fiscal year (i.e. 2017/2018) and projected funding requirements for the ensuing fiscal year (i.e. 2018/2019).

The minimum funding requirement for Fiscal Year 2017/2018 was \$751,853 which was to be deposited by December 15, 2017 (prefunded). Expressed as a percentage of pensionable payroll, the total minimum funding requirement was 18.44 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 \$756,292.

The investment return on the “market” value of assets was 12.21 percent; the return on the “actuarial/smoothed” value of assets was 7.74 percent which was slightly less than the 7.9 percent assumed investment rate of return. The unfunded accrued liability (UAL) as of the valuation date was \$3,221,147. The Plan's funded status was 82.42 percent representing an increase over the previous year's funded percentage of 81.37.

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

2. Declare expected annual rate of investment return for assets of Rockledge General 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. The current investment rate of return was 7.9 percent. Actuary Little felt that 7.9 percent was at the upper end of reasonable and recommended additional discussion to explore further reductions in the assumed investment rate of return. Investment Consultant Dan Johnson had similar feelings.

Member Laughlin favored reducing the assumed rate of return from 7.9 to 7.8 percent and understood there was a financial impact to do so. *Member Laughlin moved to reduce the assumed investment rate of return by ten basis points each year until it reached 7.5 percent. Effective with the 2018 valuation, the assumed investment rate of return would be 7.8 percent (based on advice of the investment consultant and actuary). Member Molony seconded the motion and it carried.*

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 General Employees' 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. Rising interest rates spooked the markets during the past quarter; he projected negative returns in the bond market going forward. Since the end of the quarter, markets saw increasing volatility.

Total market value as of December 31, 2017 was \$16,252,709 up from \$15,068,721 for the previous quarter ended September 30, 2017. On a percentage basis, the composite portfolio was up 4.16 percent for the quarter (gross) which ranked in the 18th percentile of public plans. For the trailing 12 months, the fund was up 16.25 percent (ranking in the 34th percentile of public plans). Returns were driven by domestic equities (Vanguard); it was difficult for active managers to beat the index.

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 0.06% (38)*
PIMCO Diversified Income Fund (global fixed income) – positive return of 0.82% (36)*
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)

It was noted that the fund received an employer contribution in the amount of \$751,853 in December (Fiscal Year 2018 Prefunding). Investment-related fees for the General Employees' Retirement Plan were very low. In fact, the estimated annual fee for the entire portfolio was \$40,517. All asset classes were within target ranges; no rebalancing was recommended.

Attorney Harrison commented positively on the compliance checklist.

Member Laughlin moved to acknowledge receipt of the investment performance report as presented. Member Molony 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 Retirement Board voted earlier to continue with the current actuary, the attorney would forward a summary of changes to the actuary for preparation of the impact statement.

D. Plan Administrator (Karan Rounsavall)

1. Acknowledge receipt of Retirement Fund expenditures and receipts for first fiscal quarter (ending December 31, 2017)

Plan expenditures for the first quarter of Fiscal Year 2017/2018 (October 1 through December 31, 2017) were \$25,091.02. Receipts to the plan for that same fiscal quarter (through December 31, 2017) were \$817,618.88. Total disbursements for the quarter were \$259,299.43 and included monthly benefit payments, DROP payments, and refund of contributions in addition to plan expenses. (Reference Plan Administrator's memorandum dated January 3, 2018 for detail.)

Member Laughlin moved to acknowledge receipt of the report as presented. Member Jarusiewicz seconded the motion and it carried unanimously.

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 Laughlin 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 Jarusiewicz 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 2:44 p.m.

Submitted by:

Approved by:

Karan Rounsavall
Plan Administrator

David Henderson, Chairman