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

Thursday, February 15, 2018

CALL TO ORDER

The Rockledge Police 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 Rick Burke, Resident Representative
Joseph LaSata, Resident Representative
Hal Burke, Fifth Member
Christopher Crawford, Police Representative

MEMBERS ABSENT: David Grose, Police Representative (excused - work commitments)

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, Retirement Plan Administrator
Matthew Trine, Finance Director
Brenda Fettrow, City Manager

Chairman Burke called the meeting to order at 3:05 p.m. A quorum was in attendance.

APPROVAL OF MINUTES

A. Joint quarterly meeting of November 16, 2017

Member LaSata moved to approve minutes for the November 16, 2017 joint quarterly meeting. Member Burke 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. Both

the Fire and General Employees Retirement Boards 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. If the Police Retirement Board wished to consider such an arrangement, the monthly retainer would be \$1,400. Currently, it was \$1,700.

Member LaSata moved to continue the Police Retirement Board's agreement with Sugarman & Susskind on a monthly retainer basis. Member Crawford seconded the motion which carried unanimously.

Member Crawford then moved to support the attorney's attendance at future meetings via video conferencing at a monthly retainer of \$1,400. The retainer was guaranteed for three years as stated in the RFQ. Member Hal Burke seconded the motion and it carried with Chairman Rick Burke voting no.

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 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 unacceptable delay in providing calculations. He asked the board to give FLA an opportunity to demonstrate that it could meet the retirement board's service level expectations and to consider not doing an RFP at this time.

Member LaSata moved to continue the Police Retirement Board's relationship with Freiman Little Actuaries and renew its engagement letter and fees as proposed in the RFQ (three-year guarantee) with the understanding that the agreement contained a 30-day cancellation clause. Member Crawford seconded the motion and it carried on an all yes vote.

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-direction option (ICMA-RC) currently allowed a participant to reallocate funds between investment options as frequently as desired.

The Police 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 Trustee Hal Burke for attendance at: (1) Florida Public Pension Trustees Association (FPPTA) Winter School in Orlando, January 28-31, 2018; and (2) Division of Retirement Conference in Orlando, November 15, 2017

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

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

- (1) Trustee Hal Burke - \$1,391.38*
- (2) Trustee Hal Burke - \$66.96*

Member Crawford 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 Police 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 \$450,777. Expressed as a percentage of pensionable payroll, the total minimum funding requirement was 20.18 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 \$434,000 which included contributions from both the City and State.

The investment return on the "market" value of assets was 12.80 percent; the return on the "actuarial/smoothed" value of assets was 8.08 percent which slightly exceeded the 8.0 percent assumed investment rate of return. The unfunded accrued liability (UAL) as of the valuation date was \$689,958. The Plan's funded status was 95.05 percent representing an increase over the previous year's funded percentage of 94.00.

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

2. Declare expected annual rate of investment return for assets of Rockledge Police 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 professionals as to an expected investment rate of return going forward. The current investment rate of return was 8.0 percent. Actuary Little favored lowering the assumed rate of return and recommended additional discussion to explore

further reductions. Investment Consultant Tyler Grumbles pointed out that markets were at all-time highs while interest rates were historically low. A market correction was inevitable. Mr. Grumbles also recommended a reduction in the assumed rate of return.

Member LaSata moved to approve a 7.8 percent expected rate of return on investments going forward (based on advice of the investment consultant and actuary). Member Crawford 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 Police 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 experienced increasing volatility.

Total market value as of December 31, 2017 was \$14,133,143 up from \$13,426,843 for the previous quarter ended September 30, 2017. On a percentage basis, the composite portfolio was up 4.21 percent for the quarter (gross) which ranked in the 15th percentile of public plans. For the trailing 12 months, the fund was up 16.51 percent (ranking in the 29th percentile of public plans). The portfolio's value as of the previous day was \$14,140,514.

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% (39)*

PIMCO Diversified Income Fund (global fixed income) – positive return of 0.81% (39)*

Blackrock Multi-Asset Income Fund (global tactical asset) – positive return of 1.67% (73)*

ASB Allegiance Real Estate Fund – positive return of 2.06% (64)*

(*Percentile rankings)

Investment-related fees for the Police Retirement Plan were very low. In fact, the estimated annual fee for the entire portfolio was \$35,120. All asset classes were within target ranges; no rebalancing was recommended.

Attorney Harrison commended AndCo Consulting for its overall performance and a positive compliance checklist.

Member LaSata moved to acknowledge receipt of the investment performance report as presented. Member Crawford 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 all three retirement boards 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 retirement 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 LaSata 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 Crawford 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

ADJOURN

The meeting adjourned at 4:44 p.m.

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Rick Burke, Chairman