

# ROCKLEDGE GENERAL EMPLOYEES' RETIREMENT BOARD MEETING MINUTES

Friday, February 21, 2020

## CALL TO ORDER

The Rockledge General Employees' Retirement Board held its quarterly meeting on Friday, February 21, 2020 in the Council Chamber of Rockledge City Hall, 1600 Huntington Lane, Rockledge, Florida.

MEMBERS PRESENT: Corey Harris, Appointed Employee Representative  
Carol King, Appointed Employee Representative  
Tanya Molony, Fifth Member  
Alexandra Bernard, Resident Member

MEMBERS ABSENT: Brian Laughlin, Resident Member (excused)

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  
Matthew Trine, Finance Director

Member Harris called the meeting to order at 3:11 p.m. A quorum was in attendance. Board members welcomed Carol King and Alexandra Bernard, newly appointed members.

## ELECTION OF OFFICERS

It was necessary to elect a chairman and secretary. Nominations were opened for chairman. *Member Harris nominated Brian Laughlin as chairman. There were no other nominations. Member Molony moved to close nominations. Member Bernard seconded the motion and it carried unanimously. Member Laughlin was elected as chairman.*

Nominations were opened for secretary. *Member Harris nominated Tanya Molony as secretary. There were no other nominations. Member Bernard moved to close nominations. The motion was seconded and carried unanimously. Member Molony was elected as secretary.*

## APPROVAL OF MINUTES

Joint Quarterly Meeting of November 22, 2019

*Member Harris moved to approve minutes for the November 22, 2019 joint quarterly meeting as submitted. Member Bernard seconded the motion and it carried unanimously.*

## OLD BUSINESS

Discussion and possible action related to provision of self-directed DROP accounts with ICMA-RC

At the November 22, 2019 joint meeting, board members directed the attorney to contact ICMA representatives to discuss concerns with participants leaving their assets in self-directed DROP accounts after completing their DROP enrollment. Current DROP policy stated that a participant was required to move their assets within 90 days of separating service. If these assets remained in the self-directed DROP, they were considered plan assets and accounted for accordingly. This presented challenges when reconciling assets at the end of each fiscal year. It was hoped the attorney could prevail upon ICMA to assume a role in requiring participants to transfer individual assets out of their retirement plan account upon exit from DROP within the prescribed period.

Attorney Harrison reported that ICMA had been completely uncooperative as it related to the collective boards' request for assistance in this matter. So much so, that the attorney recommended that the retirement boards look for a secondary vendor for self-directed DROP accounts. *Nationwide Retirement Solutions* was a possible vendor for such services as the city already had a contract with Nationwide for deferred compensation accounts.

*Member Harris moved to direct the attorney to contact Nationwide to determine whether it could provide self-directed accounts (401a) for the retirement boards as a secondary DROP provider. Member King seconded the motion which carried on an all-yes vote.*

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

The matter of cross credit had been discussed by the retirement boards on numerous occasions in the past. Cross credit allowed an employee who was hired as a member of one retirement plan, and later hired as a member of another plan, to retain their credited service in both plans for vesting purposes. All three retirement boards would need to adopt cross credit provisions for it to operate effectively.

*Member Harris moved to direct the attorney to prepare an ordinance allowing cross credit between the three retirement plans for vesting purposes. Member Bernard seconded the motion which carried unanimously.*

There were several recent instances in which an employee moved from one retirement plan to another and received a refund of employee contributions from the former. Attorney Harrison felt that such an individual should be given an option to regain time worked in a former plan even if it was "after the fact." Of course, the employee would need to repay all employee contributions that were returned. The retirement board could consider these situations on a case-by-case basis.

Attorney Harrison advised that the Police Retirement Board voted to formally recognize credited service earned by Deputy Police Chief Donna Seyferth at the beginning of her career while she was working as a police dispatcher (i.e. member of the General Retirement Plan).

## **NEW BUSINESS**

Update signature authorization forms for Salem Trust Company (plan custodian) and Chevy Chase Company (ASB Allegiance Real Estate Fund)

This was an administrative matter as there were new trustees on each retirement board. All trustees and the plan administrator were authorized signatories. *It was the board's consensus to direct the plan administrator to collect the necessary signatures and provide the forms to Salem Trust Company and Chevy Chase Company.*

Ratify travel expense report for trustee attendance at FPPTA Winter Trustee School in Orlando

Expense reports included registration fees, hotel accommodations, etc. in accordance with the retirement plan's approved travel policy.

*Member Harris moved to ratify travel expense report for Member Brian Laughlin in the amount of \$1,158. Member Bernard seconded the motion and it carried unanimously.*

## **REPORTS & COMMUNICATIONS**

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

Before introducing the valuation report, Mr. Little advised there were a couple of general employees who received refund of contributions at the start of the fiscal year (2019/2020) based on an interest crediting rate of five percent. Ordinance No. 1775-2020 was then adopted on January 15, 2020 which reduced this interest rate to 1.5 percent retroactive to October 1, 2019.

*Member Harris moved to allow refund of contributions to a few employees (at five percent) to stand. Member Bernard seconded the motion which carried without further discussion.*

- Presentation of annual valuation as of October 1, 2019
- Declare expected annual rate of investment return for assets of the Rockledge General Employees' Retirement Plan

Actuary Chad Little presented the October 1, 2019 Actuarial Valuation Report for the Rockledge General Employees' Retirement Plan. The valuation established minimum funding requirements for the fiscal year beginning October 1, 2020. The report also included GASB 67/68 disclosure information.

The minimum funding requirement for the ensuing fiscal year was \$724,655 which was a slight increase over the current funding level of \$720,642. Expressed as a percentage of pensionable payroll, the city's minimum contribution was 14.85 percent which was a decrease from the current level. The city continued to prefund its employer contributions.

The investment return on the "market" value of assets was 3.62 percent; the return on the "actuarial/smoothed" value of assets was 7.24 percent which was less than the 7.8 percent net investment return assumption. Mr. Little noted that all his retirement plan clients had returns in the three percent range for the 2019 fiscal year, reflecting the December 2018 quarter which was considerably negative.

The unfunded accrued liability (UAL) as of the valuation date was \$2,297,095. The Plan's funded status was 88.38 percent representing an increase over the previous year's funded percentage of 85.64 percent.

Several new exhibits were included in the valuation, specifically an assessment and disclosure of risk involved in funding a retirement plan. This review looked at the impact on funded status of a retirement plan given up to a two percent decrease or increase in market value. Another exhibit examined total disbursements (benefit payments plus expenses)

against contributions to the retirement plan. At some future point, the Rockledge General Retirement Plan would reach a point where benefit payments might exceed contributions in the foreseeable future which stressed the criticality of investment returns to meet the retirement plan's obligations.

*Member Harris moved to approve the annual actuarial valuation as of October 1, 2019 as presented. Member Bernard seconded the motion; it carried on an all-yes vote.*

Given capital market assumptions, Mr. Little strongly recommended that the board entertain discussion at a future meeting to lower its 7.8 percent assumed rate of return as this was somewhat high compared to other public pension plans. Additionally, future valuations would need to implement public sector mortality tables. He mentioned that Florida Retirement System recently lowered its return expectation to 7.2 percent. To lessen the budgetary impact on the city, this could be done with gradual decreases over time.

Member Molony shared the actuary's concern about the plan's 7.8 percent return assumption. She was quite interested in having a discussion to lower the assumption sooner rather than later.

*Member Harris moved to declare an expected rate of return of 7.8 percent (which was the declaration for the valuation just approved). Member King seconded the motion which carried unanimously.*

Plan Administrator Rounsavall would prepare the necessary correspondence to the Division of Retirement advising of the expected annual rate of return for the plan.

Report: Investment Consultant (Tyler Grumbles, AndCo Consulting)

- Investment Performance Report for quarter ended December 31, 2019

Mr. Grumbles began by reinforcing AndCo's commitment to represent the sole interest of their clients and expressed appreciation for the opportunity to serve the Rockledge Retirement Plans. He went on to deliver the Investment Performance Report for the quarter ended December 31, 2019. It was an excellent quarter with domestic equity as well as international/emerging equities enjoying strong positive results. Fixed income returns were not as impressive. Mr. Grumbles emphasized the importance of bonds in a portfolio to manage volatility.

Total market value as of December 31, 2019 was \$18,709,496 up from \$17,131,126 for the previous quarter ended September 30, 2019. On a percentage basis, the composite portfolio was up 6.26 percent for the quarter (gross) which ranked in the 12<sup>th</sup> percentile of public plans. For the trailing 12 months, the fund was up 21.73 percent (ranking in the 15<sup>th</sup> percentile of public plans). Trailing three and five-year returns were also nicely positive.

Attorney Harrison commended AndCo Consulting on its good returns, particularly over longer time periods. This was one of the best performance reports that he had seen.

Quarterly performance results (i.e. quarter ending December 31, 2019) for the various investment styles/managers represented in the portfolio were as follows:

*Vanguard Total Stock Market Index (domestic equities) – positive return of 9.01% (29)\**  
*EuroPacific Growth (international) – positive return of 10.09% (42)\**  
*Garcia Hamilton & Associates (domestic fixed income) – positive return of 0.37% (67)\**  
*PIMCO Diversified Income (global fixed income) – positive return of 1.67% (14)\**  
*ASB Allegiance Real Estate (commingled real estate) – positive return of 1.27% (85)\**

Mr. Grumbles addressed the long-term performance of ASB Allegiance Real Estate Fund, pointing out that this asset class was a fixed-income alternative and as such was performing better than fixed income which was its expectation. ASB Allegiance was a core real estate fund investing in conservative properties with low leverage. ASB was ranked against the ODCE real estate index which included riskier properties with more leverage; this tended to lower its percentile ranking against other funds. Additionally, there were only three real estate funds that accepted an initial investment of less than \$1 million which further limited real estate investment options available to the Rockledge plans. Despite some recent underperformance, AndCo was comfortable with ASB's strategy and did not recommend any changes.

*Member Harris moved to accept the investment performance report as presented. Member Bernard seconded the motion which carried unanimously.*

Referencing his February 21, 2020 memorandum to the Board of Trustees, Mr. Grumbles addressed concerns expressed by the Rockledge City Council concerning recent short-term performance. The memo focused on the fund's long-term performance, increased diversification, reduced fees, and passive investing strategies where appropriate. He also provided a comparison of return assumptions and five-year performance results for other local law plans throughout Florida which was prepared by the Division of Retirement. Mr. Grumbles commended board members for their leadership and assumption of fiduciary responsibility. AndCo was of the belief that it provided each of the Rockledge retirement plans with a high level of service and dedication and was proud of its performance. He was available to address any concerns and willing to meet with city staff and city council at the board's direction.

*Member Harris moved to authorize Mr. Grumbles to meet with city officials to discuss plan performance if requested. Member Bernard seconded the motion; it carried unanimously.*

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

Attorney Harrison provided an overview of the SECURE Act adopted by the U.S. Congress and effective as of January 1, 2020. The SECURE Act made significant changes to retirement plan distribution (RMD) rules, including the increase in age for required minimum distributions from 70½ to 72.

He went on to advise that the only pending legislation that could potentially affect public retirement plans involved mandatory training as to fiduciary responsibility. It was unlikely that this bill would pass.

The attorney also mentioned that cyber liability insurance for governmental pension plans was of increasing concern given recent instances of ransomware, etc. While there was no legal requirement for the retirement plan to obtain cyber liability insurance coverage, it might want to investigate same. *City Manager Fettrow would inquire as to whether the City's liability insurance through Florida League of Cities extended to the retirement plans.*

Report: Plan Administrator (Karan Rounsavall)

- Acknowledge receipt of Retirement Fund expenditures and receipts for first fiscal quarter (ending December 31, 2019)

Plan expenditures for the first quarter of Fiscal Year 2019/2020 (October 1, 2019 through December 31, 2019) were \$26,928.05. Receipts to the plan for that same fiscal quarter were \$790,694.27 which included the pre-funded employer contribution of \$720,642. Total disbursements for the quarter were \$274,416.88 and included monthly benefit payments, self-directed DROP payments, and refund of contributions in addition to plan expenses (Reference Plan Administrator's memorandum dated January 7, 2020 for detail.)

*Member Harris moved to acknowledge receipt of the report as presented. Member King seconded the motion; it carried on an all yes vote.*

- Ratify Board's action on November 22, 2019 to reappoint Tanya Molony as its fifth member

At its November 22, 2019 meeting the General Retirement Board reappointed Tanya Molony as its fifth member. Pursuant to the plan document, this appointment was to be confirmed by the Rockledge City Council as a ministerial duty. Since new members were appointed to the board on January 15, 2020, it was requested that the board ratify its earlier action to reappoint Mrs. Molony before it was presented to city council.

*Member Harris moved to ratify Tanya Molony's reappointment to the General Retirement Board for a four-year term expiring in January 2024. Member King seconded the motion and it carried on an all-yes vote.*

Plan Administrator Rounsavall mentioned changes to the form of notary acknowledgements which now included remote notarizations effective January 1, 2020. She recently changed beneficiary forms, etc. in accordance with new requirements.

Plan Administrator Rounsavall advised that Members David Henderson and Mike Jarusiewicz were not reappointed to the General Retirement Board. Both having served as trustees for many years, she asked if the board wished to recognize them for their service. There was no interest in extending recognition beyond the usual letter of appreciation sent by the clerk's office.

The next quarterly meeting was scheduled for May 22, 2020.

**PUBLIC COMMENT - None**

## **ADJOURN**

The meeting adjourned at 4:59 p.m.

Submitted by:

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Karan Rounsavall, Plan Administrator

Approved by:

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Brian Laughlin, Chairman