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

Friday, August 17, 2018

CALL TO ORDER

The Rockledge Fire Employees' Retirement Board held its quarterly meeting on Friday, August 17, 2018 in the Council Chamber of Rockledge City Hall, 1600 Huntington Lane, Rockledge, Florida.

MEMBERS PRESENT: Chairman Jephtha 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
Jose Rodriguez, Associate Attorney – Sugarman & Susskind
Chad Little, Actuary - Freiman Little Actuaries
Tyler Grumbles, Investment Consultant – AndCo Consulting
Karan Rounsavall, Plan Administrator
Matthew Trine, Finance Director

Chairman Sunday called the meeting to order at 9:11 a.m. A quorum was in attendance. Both attorneys attended the meeting via video conferencing (i.e. Skype).

APPROVAL OF MINUTES

A. Joint Quarterly Meeting of May 17, 2018

Member McCaleb moved to approve minutes for the May 17, 2018 joint quarterly meeting as submitted. Member Mulkey seconded the motion and it carried unanimously.

OLD BUSINESS

A. Status report on restatement of retirement plan document (Deferred at May 17, 2018 joint meeting)

The restatement was tabled at the last meeting to allow the attorney to research concerns related to DROP eligibility prior to normal retirement age. Attorney Harrison advised that this concern only applied to the General Employees' Retirement Plan. The Fire Retirement Plan only allowed DROP eligibility at normal retirement age. He was comfortable and recommended proceeding with the restatement.

Plan Administrator Rounsavall requested a final/clean copy of the restatement, along with the statement of no impact, which would be forwarded onto city staff for consideration and adoption by the Rockledge City Council. Actuary Little would provide same.

Member Syfrett moved to approve the restatement of the Rockledge Fire Retirement Plan as presented and to forward same onto city staff, along with the actuarial statement of no impact, for placement on a future City Council agenda for consideration and adoption. Member Matson seconded the motion which carried on an all yes vote.

B. Consideration of payment to Freiman Little Actuaries for its review of plan restatements necessary in order to deliver an impact statement

Actuary Little stated that many hours of work went into reviewing each plan restatement. He was aware that the retirement boards previously voted against an in-depth review by Freiman Little Actuaries (FLA), asking his firm instead to rely upon correspondence from the attorney summarizing major changes to the plan document. Based on FLA's professional standards, they felt that the thorough review was needed and conducted the review in the absence of board direction to do so. The review found a number of inconsistencies and scrivener errors in each restatement. These were summarized and provided to the attorney for review and acceptance. FLA's charge for the review was \$5,000 for each plan. This was the original bid for the work which the boards denied.

Attorney Harrison advised that his firm reviewed the changes submitted by the actuary and had no problem with them. In fact, the work was needed and he was comfortable with the additional review. The attorney reminded the board that FLA proceeded with this review work without board direction. It was the board's decision as to whether or not it paid the actuary for this work.

Member Mulkey moved to authorize a \$5,000 payment to Freiman Little Actuaries for its review of the restatement of the plan document. Member Matson seconded the motion.

Member Syfrett felt somewhat uncomfortable with the board being asked to make this decision and wondered if there was room for negotiation.

Actuary Little suggested that the matter be deferred to the joint quarterly meeting in November.

Member Mulkey withdrew his motion to authorize payment and then moved to defer the matter to the joint quarterly meeting in November. Member Matson seconded the motion and it carried unanimously.

NEW BUSINESS

A. Discussion and possible action related to change of dates for quarterly meetings going forward

Plan Administrator Rounsavall advised that today's meeting was rescheduled from Thursday, August 16th to Friday, August 17th in order to accommodate changes in the attorney's meeting/travel schedule such that he could return to his South Florida law office to attend this meeting via Skype. She had polled all board members in advance for their input on this one-time change of date.

Attorney Harrison asked that the Fire Retirement Board keep the "Friday" schedule for the upcoming quarterly meeting in November. At that time meeting dates for 2019 would be an agenda item for discussion and action with members from all three retirement boards in attendance.

It was the consensus of the Fire Retirement Board to schedule the next joint quarterly meeting for Friday, November 16, 2018 at 10:00 a.m.

B. Approval of administrative expense budget for Plan Year 2018/2019 in accordance with *Florida Statutes*

The Retirement Board was in receipt of the proposed budget for Plan Year 2018/2019 as prepared by the plan administrator. Pursuant to *Florida Statutes*, the Board was required to adopt and operate pursuant to an administrative expense budget each year. The budget included all administrative expenses (e.g. actuary, legal, investment consultant, custody, administration, insurance, etc.) but did not include investment management fees. The proposed budget for 2018/2019 was \$110,340 which was slightly more than the adopted budget for 2017/2018 of \$105,100.

Plan Administrator Rounsavall reviewed individual line items in the proposed budget noting that it included a \$5,000 payment for the actuary's review of the plan restatement as well as additional funding for education in anticipation of one trustee beginning the Certified Public Pension Trustee (CPPT) training and maintaining CPPT certifications for three other trustees that already achieved this designation. She also advised that estimated expenditures for 2017 were less than budgeted.

Member McCaleb moved to increase the line item for "Travel & Education" from \$10,000 to \$12,000. Member Syfrett seconded the motion; it carried. Member Mulkey then moved to adopt the budget for Plan Year 2018/2019 as amended. Member Matson seconded the motion and it carried on an all yes vote.

Plan Administrator Rounsavall would provide the adopted budget to the city staff (plan sponsor) and also ensure that copies were posted on bulletin boards in each of the fire stations for plan members.

C. Discussion and possible action related to the assumed annual rate of return for the Fire Employees' Retirement Plan (currently at 7.9 percent)

This item was placed on the agenda at the request of Actuary Chad Little. He strongly recommended that the Fire Retirement Board lower its assumed annual rate of return from its current 7.9 percent to 7.8 percent. Both the general and police boards previously adopted a 7.8 percent assumed rate of return. Finance Director Matthew Trine and Investment Consultant Tyler Grumbles also supported a lower rate of return, particularly given the low interest rate environment for domestic bonds and a maturing retirement plan with more retirees versus active members. Mr. Grumbles stated that he was encouraging other plans to gradually lower their assumed rate of return to 7.0 percent. Alternative investments, other than traditional fixed income, increased the likelihood of achieving a reasonable rate of return.

Mr. Little planned a formal presentation on the actuarial impact of lowering assumed investment rates of return at the joint quarterly meeting in November.

Member McCaleb moved to reduce the assumed annual investment rate of return for the Rockledge Fire Retirement Plan from 7.9 percent to 7.8 percent effective with the October 1, 2018 valuation. Member Mulkey seconded the motion which carried unanimously.

D. Ratify travel expense report submitted by Trustee Tim Matson for attendance at Florida Public Pension Trustees Association (FPPTA) Annual Conference in Orlando

Board members were in receipt of Member Matson's expense report for the conference. It included registration fees, hotel accommodations, mileage and meals in accordance with the board's travel policy.

Member Mulkey moved to ratify Member Matson's travel expense report as submitted and approve reimbursement to the trustee in the amount of \$155.86. Member Syfrett seconded the motion and it carried unanimously.

REPORTS & COMMUNICATIONS

A. Report: Performance Monitor & Investment Consultant (Tyler Grumbles, AndCo Consulting)

1. Performance Report for quarter ended June 30, 2018

Mr. Grumbles delivered the Investment Performance Report for the quarter ended June 30, 2018. Market returns were mixed across major equity and fixed income indices for the quarter. Domestic equities saw healthy gains while fixed income returns were generally flat overall. He noted,

however, that Garcia Hamilton (domestic fixed income manager) earned a positive return of 0.53 percent for the quarter which ranked top among its peers. International equities, particularly emerging markets, struggled during the quarter posting negative returns due in large part to the U.S. dollar appreciating rapidly against other currencies. Mr. Grumbles noted that the top ten weighted stocks were driving the market. As such, it was a good time to be invested in the Vanguard Total Stock Market Index fund as opposed to an actively managed fund. Expense ratios with index funds were very low. This passive strategy was working well for the Rockledge retirement plans.

Total market value as of June 30, 2018 was \$11,440,029 down from \$11,759,313 for the previous quarter ended March 31, 2018. Mr. Grumbles advised that there was a large lump sum distribution out of the plan during the quarter (DROP payout). On a percentage basis, the composite portfolio was up 1.94 percent for the quarter (gross) which ranked in the 22nd percentile of public plans. Fiscal year to date, the fund was up 5.83 percent (ranking in the 20th percentile of public plans). The portfolio's value as of the previous day was \$11,516,787.

Quarterly performance results (i.e. quarter ending June 30, 2018) for the various investment styles/managers represented in the portfolio were as follows:

Vanguard Total Stock Market Index Fund (domestic equity) – positive return of 3.90% (20)*
American Funds - Europacific Growth (international) – negative return of -2.82% (70)*
Garcia Hamilton & Associates (fixed income) – positive return of 0.53% (1)*
PIMCO Diversified Income Fund (global fixed income) – negative return of -0.74% (27)*
Blackrock Multi-Asset Income Fund (global tactical asset) – positive return of 0.10% (54)*
ASB Allegiance Real Estate Fund – positive return of 1.99% (71)*
(*Percentile rankings)

All asset classes were within target ranges; no rebalancing was recommended.

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

2. Update on investment opportunities in infrastructure

At the previous quarterly meeting, Mr. Grumbles introduced the retirement board to institutional investments in infrastructure. This was a growing area for investment opportunities (i.e. alternative to fixed income) and the board expressed interest in learning more about opportunities in infrastructure. He advised that Brookfield Supercore, a private investment structure (i.e. commingled fund) specializing in infrastructure was looking to raise capital and was offering a 25 percent fee discount for early investors. AndCo was still researching and validating the details. He would report on this opportunity further at the quarterly meeting in November.

3. Asset Allocation and Assumed Rate of Return/Introduction to Bank Loans

Board members were in receipt of an educational primer on bank loans. Mr. Grumbles explained that expected returns from a traditional institutional portfolio would be challenged in the future to meet expected rates of return, particularly in domestic fixed income. As interest rates rose, fixed income values had historically declined.

Investments in bank loans had characteristics that could address these challenges. Bank loans offered returns which were typically higher than those of core bonds but with generally lower credit risk than comparable high yield bonds. Further, bank loans offered investors floating coupons designed to minimize interest rate sensitivity. Mr. Grumbles recommended a 2.5 percent allocation to this asset class. Bank loans offered further diversification on the fixed income side of the portfolio. He would be prepared to discuss bank loans in greater detail at the joint quarterly

meeting. It would be necessary to revise the investment policy statement should the Fire Retirement Board decide to move in this direction.

Discussion on asset allocation/assumed rate of return was handled earlier when the retirement board voted to reduce its assumed investment rate of return from 7.9 percent to 7.8 percent.

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

Attorney Harrison reiterated that the State Legislature passed a bill providing workers compensation coverage for PTSD (post-traumatic stress disorder) for first responders. This could potentially affect applications for disability retirements in the future.

He went on to introduce Jose Rodriguez, a new attorney with the Sugarman & Susskind Law Firm.

C. Report: Actuarial Consultant (Chad Little, Freiman Little Actuaries, LLC) – No Report

D. Report: Plan Administrator (Karan Rounsavall)

1. Educational Opportunity: Florida Public Pension Trustees' Association (FPPTA) Fall Trustees School in Bonita Springs (September 30 – October 3, 2018)
2. Educational Opportunity: Florida Division of Retirement Annual Police Officers' & Firefighters' Pension Conference in Orlando (November 14-16, 2018)

If any member wished to attend, they were to contact the plan administrator at their earliest opportunity.

3. Acknowledge pending receipt of 2017 premium tax distribution in the amount of \$141,704.49 from State of Florida

Pending the State's approval of the 2017 Annual Report for the Rockledge Fire Retirement Plan, the fund expected a premium tax distribution of \$141,704.49.

The next quarterly meeting was scheduled for November 16, 2018. This would be a joint meeting of all three retirement boards.

PUBLIC COMMENT - None

ADJOURN

The meeting adjourned at 10:30 a.m.

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Jeptha Sunday, Chairman