

# ROCKLEDGE GENERAL EMPLOYEES' RETIREMENT BOARD MEETING MINUTES

Friday, February 19, 2021

## CALL TO ORDER

The Rockledge General Employees' Retirement Board held its quarterly meeting on Friday, February 19, 2021 in the Council Chamber of Rockledge City Hall, 1600 Huntington Lane, Rockledge, Florida.

MEMBERS PRESENT: Chairman Brian Laughlin, Resident Member  
Tanya Molony, Fifth Member  
Corey Harris, Participant Member  
Carol King, Participant Member

MEMBERS ABSENT: Alexandra Bernard, Resident Member (unexcused)

CONSULTANTS/STAFF: 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

Chairman Laughlin called the meeting to order at 3:05 p.m. A quorum was in attendance.  
\*These individuals attended meeting via video conferencing hosted by the City of Rockledge.

## APPROVAL OF MINUTES

Quarterly Meeting of November 20, 2020

*Member Harris moved to approve minutes of the November 20, 2020 quarterly meeting as submitted. Member Molony seconded the motion which carried unanimously.*

## OLD BUSINESS

*Nationwide Retirement Solutions as a provider for self-directed DROP accounts*

David Bazzel, Central Florida Program Director, and Bobby Rodriguez, Retirement Specialist, with *Nationwide Retirement Solutions* were in attendance to highlight the services that *Nationwide* could offer to retirees electing a self-directed option for investment of their DROP accounts. *Nationwide* already handled deferred compensation accounts (457 plans) for Rockledge employees. It would be a smooth transition for *Nationwide* to expand its services to self-directed DROP accounts (401a plans) for retirees. The self-directed DROP accounts could be set up to mirror investments that were already available in the 457 plans. Additionally, Mr. Rodriguez would serve as the local *Nationwide* representative for participants. He was qualified to discuss investment options with participants and would handle enrollment paperwork, the latter of which was currently being done by the plan administrator.

Mr. Bazzel noted that any agreement with *Nationwide* would include a "force out" provision requiring participants to move their DROP accounts following separation from service. He also mentioned cyber security and fraud protection as well as the availability of managed

accounts that guaranteed protection of principal. Overall, it was felt that *Nationwide* would provide a better participant experience than the retirement plan's current self-directed DROP provider. Member Harris spoke positively about her experience working with *Nationwide* on the City's deferred compensation plans.

This matter had been discussed over the course of several meetings. The overall level of service currently provided by ICMA-RC (self-directed DROP provider) was poor, particularly the lack of service delivered by the representative assigned to the city's retirement plans.

*Member Harris moved to approve Nationwide Retirement Solutions as the retirement plan's provider for self-directed DROP accounts and to authorize the plan attorney and administrator to work with Nationwide representatives to draft an appropriate agreement. Her motion also included a directive to phase out ICMA as a provider of self-directed DROP accounts as current participants exited their DROP enrollment. Member Molony seconded the motion which carried on an all-yes vote.*

**NEW BUSINESS** - None

## **REPORTS & COMMUNICATIONS**

Report: Investment Consultant (Tyler Grumbles, AndCo Consulting)

Investment Performance Report for quarter ended December 31, 2020

Mr. Grumbles presented the performance report and economic commentary for the quarter ended December 31, 2020. Market index returns were broadly positive during the quarter (up nearly 15 percent) except for the U.S. government bond index. Performance was largely driven by expectations related to vaccine availability, resolution of the presidential election, and potential for further government stimulus. During the quarter, value stocks reversed recent trends and outperformed growth stocks across all capitalizations. Mid and small cap stocks also outperformed as investors were willing to take on more risk.

All asset classes in the portfolio were within their target ranges. No rebalancing was needed.

Total market value as of December 31, 2020 was \$21,571,439 up from \$18,986,737 for the previous quarter ended September 30, 2020. On a percentage basis, the composite portfolio was up 10.83 percent for the quarter (gross) which ranked in the 30<sup>th</sup> percentile of public plans. For the trailing 12 months, the fund was up 16.18 percent (ranking in the 14<sup>th</sup> percentile of public plans). The trailing three-year and five-year returns were also positive ranking in the upper quartile and exceeding the assumed rate of return.

Quarterly performance results (i.e., quarter ending December 31, 2020) for the various investment styles/managers represented in the portfolio were as follows:

*Vanguard Total Stock Market Index (domestic equities)* – positive return of 14.69% (39)\*

*EuroPacific Growth (international)* – positive return of 19.95% (24)\*

*Garcia Hamilton & Associates (domestic fixed income)* – positive return of 0.37% (90)\*

*PIMCO Diversified Income (global fixed income)* – positive return of 4.50% (27)\*

*ASB Allegiance Real Estate (commingled real estate)* – positive return of 1.13% (74)\*

(\*Percentile rankings)

Chairman Laughlin commended Mr. Grumbles and the AndCo team on its performance.

*The retirement board accepted the performance report as presented.*

Approve simultaneous transfer of domestic equity portfolio currently invested in *Vanguard Total Stock Market Index Fund* to *Fidelity Total Market Index Fund*

Mr. Grumbles advised that the Fidelity index fund had a lower expense ratio than the Vanguard index fund (1.5 basis points vs. 3.0 bps). He recommended that the board direct Salem Trust to switch these funds out simultaneously so that there would be no time out of the market during transition.

*Member Molony moved to approve the simultaneous transfer of the domestic equity portfolio as recommended by the consultant. Member Harris seconded the motion which carried unanimously. Mr. Grumbles would prepare the appropriate letter of instruction to Salem Trust Company.*

#### Asset Allocation Analysis

Over the past several meetings, there was ongoing discussion about the retirement plan's assumed investment rate of return. As requested at the last meeting, Mr. Grumbles prepared an *Asset Allocation Analysis*. The purpose of such a study was to examine a fund's asset allocation and predict the likelihood of reaching investment performance targets given that allocation. The study utilized capital market projections to determine return, risk and probability forecasts. Asset allocation studies typically used a 10 to 15-year horizon.

The current return assumption for the General Employees' Retirement Plan was 7.75 percent. Based on the modeling, it was unlikely that the fund would achieve this return over the next few years (but not impossible). As the equity market was at all-time highs, Mr. Grumbles was nervous and felt that a correction was probable in the not-too-distant future. He continued to urge the Board to lower its assumed rate of return.

To mitigate volatility of equities, Mr. Grumbles suggested that the Board discuss an increase to alternative investments (real estate and infrastructure). *At the next quarterly meeting, he would provide more information on this recommendation and prepare a revised investment policy statement for the Board's consideration. Board members voiced no objection.*

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

#### Presentation of annual valuation for fiscal year ending September 30, 2020

Actuary Chad Little presented the October 1, 2020 Actuarial Valuation Report for the Rockledge General Employees' Retirement Plan. The valuation established minimum funding requirements for the fiscal year beginning October 1, 2022. The report also included GASB 67/68 disclosure information.

The minimum funding requirement for the ensuing fiscal year was \$574,800 which was a significant decrease over the current funding level of \$724,655. Expressed as a percentage of pensionable payroll, the city's minimum contribution was 12.25 percent (a decrease from the current level of 14.85 percent). The city continued to prefund its employer contributions.

The investment return on the "market" value of assets was 10.87 percent; the return on the "actuarial/smoothed" value of assets was 8.81 percent which exceeded the 7.75 percent net investment return assumption. Positive actuarial experience included investment returns exceeding the assumption, demographic gain due to the death of three retirees and termination experience along with pay increases less than expected. Should this pattern continue, Mr. Little recommended that the retirement plan consider an experience study to examine assumptions against reality.

The unfunded accrued liability (UAL) as of the valuation date was \$888,578; the previous year, the UAL was \$2,297,095. The Plan's funded status was 95.5 percent represented an increase over the previous year's funded percentage of 88.38 percent. The valuation utilized the mortality assumption used by Florida Retirement System for non-special risk employees for its most recent valuation.

*Member Harris moved to approve the annual actuarial valuation as of October 1, 2020 as presented. Member King seconded the motion; it carried on an all-yes vote.*

Declare expected annual rate of investment return for assets of Rockledge General Employees' Retirement Plan

*Member Molony moved to declare an expected rate of return of 7.75 percent (which was the declaration for the 2020 valuation). Member Harris 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.

Actuary Little offered to provide pension industry research on funding policies which might prove helpful to the retirement board and city staff. This information could be discussed at the next quarterly meeting.

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

Legislative Update

Attorney Harrison advised of bill introduced in the Florida Senate which mandated that new hires in the regular class of Florida Retirement System be in a defined contribution plan. If enacted, the defined benefit option would no longer be available.

Enactment of Mandatory E-Verify Law

The State of Florida recently enacted a new law that made the use of "E-Verify" mandatory for government employers. This change impacted local pension funds to some extent beginning January 1, 2021. E-Verify was a federal electronic database intended to aid employers in confirming against federal databases that documentation provided by new hires to establish lawful employment eligibility was valid. The plan administrator was in receipt of sample correspondence to be sent to all professional service providers advising of the E-Verify requirement. Mrs. Rounsavall would handle this task for the retirement plan.

Report: Plan Administrator (Karan Rounsavall)

Acknowledge receipt of Retirement Fund expenditures and receipts for first fiscal quarter (ending December 31, 2020)

Plan expenditures for the first quarter of Fiscal Year 2020/2021 (October 1, 2020 through December 31, 2020) were \$26,680.16. Receipts to the plan for that same fiscal quarter were \$807,351.46 which included the employer's contribution for the entire year. Total disbursements for the quarter were \$284,371.84 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 6, 2021 for detail).

*Member Harris moved to acknowledge receipt of the report as submitted. Member Molony seconded the motion which carried on an all-yes vote.*

### Educational Opportunity

Florida Public Pension Trustees Association (FPPTA) recently announced three virtual educational programs: (1) Pension Fundamentals for New Trustees (March 10, 2021); (2) Spring Trustee School CPPT Program (April 20-23, 2021); and (3) Spring Trustee School CEU Program (May 18 -19, 2021).

If anyone was interested in participating, they were to contact the Plan Administrator.

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Plan Administrator Rounsavall advised that Resident Member Alexandra Bernard had missed the past three meetings of the retirement board. In fact, she had only attended one meeting since being appointed by the Rockledge City Council in January 2020. In accordance with the Board's understanding of City policy, these consecutive absences vacated her appointment to the Retirement Board. It was noted that the resident member was recommended by the city manager and then confirmed by city council.

*Member Harris moved to void Ms. Bernard's appointment to the General Employees' Retirement Board for consecutive absences and to request that city council appoint a new resident member to fulfill her remaining term. Member King seconded the motion which carried on an all-yes vote. Plan Administrator Rounsavall would draft a letter to this effect to Ms. Bernard.*

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*The next quarterly meeting was scheduled for May 21, 2021.*

### **PUBLIC COMMENT**

### **ADJOURN**

The meeting adjourned at 4:25 p.m.

Submitted by:

Approved by:

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Karan Rounsavall, Plan Administrator

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Brian Laughlin, Chairman