
City of Rockledge
Police Employees' Retirement Plan
August 19, 2022
MINUTES

Board Members Present	Also Present	Absent / Excused
Rick Burke – Chairman	Ken Harrison – Attorney (via Video)	
Joseph LaSata – Trustee	Madison Levine – Attorney (via Video)	
Hal Burke – Trustee	Chad Little – Actuary	
Patrick Kennedy – Trustee	Frank Mega – Plan Administrator	
Chris Crawford – Secretary	Caleb Hynson – Plan Administrator	
	Tyler Grumbles - Consultant	
	Matthew Trine – Finance Director	

I. Call to Order

Meeting called to order at 1:00 pm by Chairman Burke. A quorum was in attendance.

II. Approval of Minutes

The minutes from the May 20, 2022, Pension Board meeting was presented for approval. A motion was made by Hal Burke to approve the minutes as presented; the motion was seconded by Patrick Kennedy and passed unanimously.

III. Old Business

DROP Monies Distribution Policy - The Administrator provided an overview of the current DROP policy that outlines the timing of distribution of DROP monies. Due to unique circumstances with the Brookfield fund within the portfolio, the extended quarterly return rates of the fund have pushed final DROP distribution monies greater than 90 days. The Plan Attorney added the circumstances are unique causing longer than usually distribution of DROP monies to members and outlined a proposed process that would allow a portion of the DROP monies to be available sooner, while allowing more time to finalize the quarterly interest rates. The Consultant added additional detail regarding how the previous quarter end interest rate estimate can be used to provide 95% of the estimated DROP monies to the member within 30 days and pay the remainder DROP monies within 180 days or as quick as administratively possible. Open discussion took place among the Board on the proposed Policy and any negative effects this could have on the Plan based on an estimated interest rate. The Actuary and Consultant explained the estimated interest rate and the range of change compared to the final interest earned is minimal. A motion was made by Chris Crawford to approve the Attorney to draft a Policy outlining the proposed DROP monies distribution process and timing as discussed; the motion was seconded by Patrick Kennedy and passed unanimously.

- *ACTION ITEM: Plan Administrator to work with Plan Attorney on draft DROP monies policy to be presented at future meeting.*

IV. New Business

Annual Budget - The Plan Administrator offered the proposed Fiscal Year (FY) 2023 budget and presented to the Board for consideration. A motion was made by Patrick Kennedy to approve the FY 2023 Budget as presented; the motion was seconded by Joseph LaSata and passed unanimously.

V. Investment Consultant

Tyler Grumbles of AndCo presented the quarterly investment performance and overview. Global economic growth continued to slow during the 2nd quarter as global central banks tightened monetary policy in order to fight persistently high inflation. Additionally, rising geopolitical concerns related to Russia's continued action in Ukraine, China's zero-Covid policy, and social unrest in emerging markets all contributed to the slowdown. The US Federal Reserve Bank (the Fed) increased interest rates twice during the quarter by a total of 1.25%. June's rate increase of 0.75% was the largest interest rate increase since the early 1990s. The Fed indicated that its primary focus is arresting the increase in inflation which could require additional rate increases. The US labor market continues to be a source of strength with the unemployment rate holding steady at 3.6% in June. The pace of job growth remains above the market's expectations with 390,000 and 372,000 new jobs created in May and June, respectfully. Despite these gains, the number of available workers entering the workforce remains significantly below the pre-pandemic high. The US housing market showed signs of cooling as higher mortgage rates pushed many buyers out of the market. Importantly, housing starts and new building permits continued their downward trend which suggests future new inventory may fall short of demand. Finally, home price appreciation continued to increase as measured by the Cash-Shiller Home Price Index.

The fund began the quarter at \$19,380,030 and finished with quarterly balance of \$16,568,262. The Plan was (-) 11.31% for the quarter net of fees vs benchmark of (-) 10.27%.

Tyler recommended a rebalance to the fund. Rebalance details to be provided by Tyler for sign off and updated minutes accordingly.

A motion was made by Joseph LaSata to approve the rebalance as presented; the motion was seconded by Chris Crawford and passed unanimously.

- *ACTION PLAN: Plan Administrator to work with Consultant on the rebalance of the fund.*

Investment Options for International Developed Value Equity Manager – Tyler Grumbles introduced the Manager analysis that was performed by AndCo. The purpose of this search is to evaluate International Value options to complement the American Funds Europac Growth fund. These markets typically have a relatively high correlation to US equity markets over the long-term but can provide diversification benefits over shorter time periods. While expected risk is typically higher, international equity makes up a significant part of global equity's potential investment growth. The value style factor has historically shown to perform well over long periods. Stocks in the value space often demonstrate lower price volatility and higher dividend rates. Active managers in the space typically look for mispricing in a stock's valuation relative to its future business prospects.

Tyler walked through the analysis of the firms which included each fund's strategy, costs, and historical performance statistics. Open discussion took place among the Board on the funds presented. Tyler recommend the DFA International Value Equity as an inexpensive, diversified developed international equity allocation that provides for a total market solution focused on exploiting long-term market premiums in a cost-effective manner. The portfolio is diversified across countries and securities (approximately 500 holdings) with historical average tracking error typically between 2% and 4% yet with long-term positive alpha net of fees.

A motion was made by Joseph LaSata to moving 50% from the American Funds Europac Growth Fund to the recommended Dimensional Fund Advisors (DFA) Fund; the motion was seconded by Chris Crawford and passed unanimously.

- *ACTION ITEM: Plan Administrator to work with Consultant in moving assets from the American Funds Europac Growth Fund to the DFA Fund as outlined.*

VI. Actuary Report

Chad Little provided an update to the State Premium Tax Dollars of which was more than what was expected.

Chad also reminded the Board of the Funding Policy agreement that reduces the Assumed Rate of Return by 0.10% each year through 2025. The Funding Policy Assumption Committee will meet to determine if the reduction will occur this year based on the current Market performance. The Assumption Committee direction will be reported back to the Board at a future meeting.

VII. Attorney Report

Plan Attorney reminded Form 1F Financial Disclosure requirement by July 1 annually.

Plan Attorney mentioned a bill that has been filed for First Responders to reduce Medicare access from age 64 to age 50. Senate Bill 2236 – Expanding Health Care Options for Early Retirees Act has gained much support throughout the legislature.

VIII. Public Comment

No members or concerned parties requested to address the Board of Trustees.

IX. Adjournment/Next Meeting

A motion to adjourn was made at 1:48pm. The next regularly scheduled Board of Trustees' meeting will be held on November 18, 2022, at 9 am.

IF ANY PERSON DECIDES TO APPEAL ANY DECISION MADE BY THE BOARD WITH RESPECT TO ANY MATTER CONSIDERED AT SUCH MEETING OR HEARING, THEY WILL NEED A RECORD OF THE PROCEEDINGS, AND FOR SUCH PURPOSE, THEY WILL NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE, WHICH RECORD INCLUDES THE TESTIMONY AND EVIDENCE WHICH THE APPEAL IS TO BE BASED.

Approved by Police Employee's
Board:

Rick Burke, Chairman

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