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

Friday, August 17, 2018

CALL TO ORDER

The Rockledge General 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: Brian Laughlin, Citizen Representative
Corey Harris, Support Staff Representative
Mike Jarusiewicz, Public Works Representative (arrived late)
Tanya Molony, Citizen Representative

MEMBERS ABSENT: David Henderson, City Manager's Office Representative (excused due to work commitments)

STAFF/CONSULTANTS: Kenneth Harrison, Board Attorney - Sugarman & Susskind
Jose Rodriguez, Associate Attorney – Sugarman & Susskind
Chad Little - Freiman Little Actuaries
Tyler Grumbles, Investment Consultant – AndCo Consulting
Karan Rounsavall, Plan Administrator

Member Laughlin called the meeting to order at 1:00 p.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 Harris moved to approve minutes for the May 17, 2018 joint quarterly meeting as submitted. Member Molony 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 and potential issues with the Internal Revenue Service. Attorney Harrison was comfortable with the proposed language as it identified DROP eligibility as both the attainment of age 55 and completion of 25 years of credited service. He recommended proceeding with the restatement as the Fire Retirement Board had done earlier.

Member Harris moved to approve the restatement of the Rockledge General Employees' 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 Molony seconded the motion which carried on an all yes vote.

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

Member Laughlin asked whether or not the restatement would be codified upon adoption. Mrs. Rounsavall advised that the plan document was never previously codified but it was her understanding from the city manager that funds to do so were budgeted in the ensuing fiscal year.

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

Actuary Little was aware that the retirement boards previously denied the \$5,000 quote for 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. After finding inconsistencies in the attorney's summary and based on professional standards, FLA felt that the thorough review was needed and conducted the review in the absence of board direction. This involved many hours of work reviewing each plan restatement which found further inconsistencies and scrivener errors. These were summarized and provided to the attorney for review and acceptance. FLA's proposed fee for the review was \$5,000 for each plan. This was the original bid for the work which the boards had denied.

Member Laughlin felt that the actuary conducted the necessary review of the plan document in good faith and favored payment of the \$5,000 fee. The board's earlier direction to rely upon the attorney's summary to prepare the impact statement provided to be insufficient. Member Harris felt differently and that any payment to the actuary should be negotiable. She favored deferring this decision to the joint quarterly meeting as the Fire Retirement Board had done earlier.

Attorney Harrison advised that his firm reviewed the changes/corrections submitted by the actuary and accepted them. He welcomed the actuary's input; his law firm was always more comfortable with 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.

The question arose as to the attorney's charge, if any, to prepare the restatement. This was unclear and the plan administrator would research the matter noting that the restatement had been a two-year project. Member Harris voiced concern about errors in the restatement as prepared by the attorney, particularly if there was to be a separate charge for this work.

Member Jarusiewicz arrived at this time.

Member Harris moved to defer the actuary's request for payment to the joint quarterly meeting in November. Member Molony seconded the motion which 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 the General Employees' Retirement Board to 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 General Employees' Retirement Board to schedule the next joint quarterly meeting for Friday, November 16, 2018 at 10:00 a.m.

Attorney Harrison appreciated the accommodation.

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 0.58 percent for the quarter which ranked first 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 \$16,146,206 up from \$16,022,913 for the previous quarter ended March 31, 2018. On a percentage basis, the composite portfolio was up 1.92 percent for the quarter (gross) which ranked in the 23rd percentile of public plans. Fiscal year to date, the fund was up 5.88 percent (ranking in the 18th percentile of public plans).

Member Laughlin asked that the reports include performance data from earlier inception dates (not just when AndCo assumed the retirement plans) as well as an indicator of performance based on prior investment policy versus current policy. (Such information would allow the board to examine the performance of recommended policy changes.) Mr. Grumbles would confirm the timeframe and availability of performance data from the previous investment manager and include in future reports as well as comparative data on current and prior investment policies.

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 3.91% (20)*

American Funds - Europacific Growth (international) – negative return of -2.82% (70)*

Garcia Hamilton & Associates (fixed income) – positive return of 0.58% (1)*

PIMCO Diversified Income Fund (global fixed income) – negative return of -0.73% (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 at this time.

Member Harris moved to acknowledge receipt of the investment performance report as presented. Member Jarusiewicz 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. 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 and noted that the Board should be prepared to make a decision on infrastructure if it wished to take advantage of the fee discount.

At the next meeting, Mr. Grumbles would also present an educational primer on bank loans. Expected returns from a traditional institutional portfolio would be challenged in the future to meet expected rates of return, particularly in domestic fixed income. Investments in bank loans had characteristics that could address these challenges. It would be necessary to revise the investment policy statement to allow certain investment grade bonds should the General Employees' Retirement Board decide to move in this direction.

3. Discussion on asset allocation and assumed rate of return

At this time, Mr. Grumbles presented an asset allocation study, the purpose of which was to determine a reasonable expected rate of return to be used in actuarial valuations. In brief, the study examined historical performance of various asset classes versus assumptions and presented the probability of achieving given returns based on various asset mixes. AndCo Consulting projected lower returns over the next 15 years. There were several reasons for this projection which included historically low fixed income returns and the current equity market peak levels which likely could not be sustained. Mr. Grumbles was encouraging plans to gradually lower their assumed annual rate of return to 7.0 percent.

Member Laughlin stated this was the first time hearing that the retirement plan might not make its assumed rate of return of 7.8 percent. This was concerning because annually the plan determined an expected rate of return and reported same to the State Division of Retirement.

Actuary Little planned to make a similar presentation on asset allocation and rate of return at the joint quarterly meeting. The matter of long-term return projections was the current subject of debate in the pension industry.

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

Attorney Harrison advised that there were no legislative changes affecting general plans. However, the State Legislature passed a bill providing workers compensation coverage for PTSD (post-traumatic stress disorder) for public safety.

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)

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

2. Acknowledge receipt of Retirement Fund expenditures and receipts for third fiscal quarter (ending June 30, 2018).

Member Harris moved to acknowledge receipt of the expense/receipt report as prepared by the plan administrator (reference memorandum dated July 9, 2018). Member Molony seconded the motion and it carried.

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

PUBLIC COMMENT - None

ADJOURN

The meeting adjourned at 2:08 p.m.

Submitted by:

Approved by:

Karan Rounsavall
Plan Administrator

David Henderson, Chairman