

**ROCKLEDGE FIRE EMPLOYEES' RETIREMENT BOARD
ROCKLEDGE GENERAL EMPLOYEES' RETIREMENT BOARD
ROCKLEDGE POLICE EMPLOYEES' RETIREMENT BOARD
JOINT QUARTERLY MEETING MINUTES**

Friday, February 22, 2019

CALL TO ORDER

The Rockledge General Employees' Retirement Board, Rockledge Fire Employees' Retirement Board, and Rockledge Police Employees' Retirement Board met in joint quarterly session on Friday, February 22, 2019 in the Council Chamber of Rockledge City Hall, 1600 Huntington Lane, Rockledge, Florida.

General Employees' Retirement Board

MEMBERS PRESENT: Brian Laughlin, Citizen Representative
Corey Harris, Support Staff Representative
Michael Jarusiewicz, Public Works Representative
Tanya Molony, Citizen Representative

MEMBERS ABSENT: David Henderson, Chairman/City Manager Representative
(excused due to work commitments)

Fire Employees' Retirement Board

MEMBERS PRESENT: Jeptha Sunday, Chairman/Fifth Member
Mike McCaleb, Fire Representative
Ed Syfrett, Fire Representative
Tim Matson, Resident Representative
John Mulkey, Resident Representative

Police Employees' Retirement Board

MEMBERS PRESENT: Rick Burke, Chairman/Resident Representative
Joseph LaSata, Resident Representative
Hal Burke, Fifth Member

MEMBERS ABSENT: Christopher Crawford, Police Representative
David Grose, Police Representative

STAFF/CONSULTANTS: Ken Harrison, Board Attorney – Sugarman & Susskind*
Tyler Grumbles, Investment Advisor – AndCo Consulting
Chad Little, Actuary – Freiman Little Actuaries
Karan Rounsavall, Retirement Plan Administrator
Brenda Fettrow, City Manager
Matthew Trine, Assistant City Manager/Finance Director

* Attorney attended the meeting remotely via video conferencing (Skype)

Member Laughlin called the General Employees' Retirement Board meeting to order at 9:02 a.m. Likewise, Chairman Sunday called the Fire Retirement Board meeting to

order and Chairman Burke called the Police Retirement Board meeting to order. A quorum was in attendance for all boards.

APPROVAL OF MINUTES

A. All: Quarterly meeting of November 16, 2018

On behalf of the General Employees Retirement Board, Member Harris moved to approve minutes for the November 16, 2018 quarterly meeting as submitted. Member Molony seconded the motion and it carried unanimously.

As to the Fire Retirement Board, Member Syfrett moved to approve minutes for the November 16, 2018 quarterly meeting as submitted. Member Matson seconded the motion and it carried on an all yes vote.

Likewise, for the Police Retirement Board, Member Burke moved to approve minutes for the November 16, 2018 quarterly meeting as submitted. Member LaSata seconded the motion and it carried on an all yes vote.

OLD BUSINESS

A. All: Status of restatements for the respective retirement plans

At the previous quarterly meeting, the restatements were tabled pending further research into spousal consent requirement when a married member made a benefit election other than joint and survivor as well as a staff request to reduce the interest rate paid on refund of contributions for non vested members.

Attorney Harrison advised that Florida Retirement System (FRS) did not require spousal consent for benefit elections other than joint and survivor but did require notice of such elections (i.e. acknowledgement). If there was no acknowledgement, FRS sent a letter to the spouse advising that the absence of a response was "*deemed acknowledgement*." The attorney went on to advise that most retirement plans did not have spousal consent requirements, nor was it required by *Florida Statutes* or federal law.

There was general discussion among board members along the line that spousal *consent* created potential issues for plan administration but the suggestion of *acknowledgement* seemed reasonable. General Employees Member Harris mentioned a recent situation where an active member passed away but failed to name their spouse as beneficiary. In this particular situation, it was the spousal *consent* requirement that allowed the retirement plan to pass a survivor benefit onto the spouse in the absence of a beneficiary designation.

General Employees Retirement Board Member Jarusiewicz moved to revise the plan restatement by directing the attorney to remove the spousal consent requirement and replace it with language requiring spousal notice (similar to FRS). Member Molony seconded the motion and it carried with Member Harris voting no.

Fire Retirement Board Member Matson moved similarly to revise the Fire Plan restatement by removing the spousal consent requirement and replacing it with language requiring spousal notice. Member Mulkey seconded the motion which carried unanimously.

Police Retirement Board Member Burke moved to revise the Police Plan restatement by deleting the spousal consent requirement and replacing it with spousal notice language similar to that used by FRS. Member LaSata seconded the motion; it carried unanimously.

Continuing with discussion on the restatements, the board members heard from City Manager Brenda Fettrow who advised that reducing the interest rate on refund of contributions was the subject of negotiations with each of the bargaining units representing city employees. Currently, the police union (PBA) and fire union (IAFF) had agreed to reduce the interest rate on refunds from its current five (5) percent to one and one-half (1.5) percent and executed memorandums of understanding to this effect. Negotiations with the LIU (general employees) were not scheduled to commence until the summer.

She asked that the police and fire boards consider an amendment to the restatement reducing the interest rate paid on refunds to 1.5 percent as stated above. Attorney Harrison advised that such changes were typically prospective in nature for new hires (not retrospective). Actuary Chad Little suggested the change be effective with the start of the next fiscal year (October 1, 2019).

General Employees Retirement Board Member Jarusiewicz moved to send the revised restatement (as to spousal acknowledgement alone) to the actuary for preparation of actuarial impact statement. The restatement for the General Employees Retirement Plan would not address a reduction to interest rate paid on refunds as this matter had not yet been introduced in labor negotiations. Member Harris seconded the motion which carried on an all yes vote.

Fire Retirement Board Member Mulkey moved to direct the actuary to prepare an actuarial impact statement to accompany the restatement of the Fire Retirement Plan with revisions addressing spousal notice/acknowledgement and reduction to interest rate paid on refunds. Member Syfrett seconded the motion and it carried unanimously.

Police Retirement Board Member Burke likewise moved to direct the actuary to prepare an actuarial impact statement to accompany the restatement of the Police Retirement Plan with revisions addressing spousal notice/acknowledgement and reduction to interest rate paid on refunds. Member LaSata seconded the motion and it carried unanimously.

Attorney Harrison would prepare the requested revisions to the restatements for each plan as soon as possible in order that the actuarial impact statements could be prepared in advance of the quarterly meeting scheduled for May 17, 2019. The final restatements and impact statements would be presented to the respective retirement boards at that time.

NEW BUSINESS

- A. All: Reconsideration of November 16, 2018 decision to conduct all quarterly meetings in joint session payment (Note: This item was placed on agenda at request of Fire Chairman Jephtha Sunday and General Employees' Trustee Corey Harris)

Following the boards' decision at the previous meeting to conduct all quarterly meetings in joint session, there had been some re-evaluation of the matter. Several members now felt that the previous meeting arrangement where the May and November meetings were held in joint session and the February and August meetings were held individually was the better idea. At times, topics for discussion were specific to an individual board. There was thought, however, that the starting times for meetings could be adjusted.

General Employees Retirement Board Member Harris moved to return to the previous meeting schedule where the May and November meetings were held jointly and February and August meetings were held individually. Member Jarusiewicz seconded the motion which carried on an all yes vote.

Fire Retirement Board Member McCaleb moved in concert with the action of the General Employees Retirement Board. Member Matson seconded the motion and it carried unanimously.

Police Retirement Board Member Burke moved to return to the previous meeting schedule where the May and November meetings were held jointly and February and August meetings were held individually. Member LaSata seconded the motion which likewise carried.

As to meeting time, it was the consensus of the respective retirement boards to adopt the following starting times for individual meetings: Fire – 9:00 a.m.; General – 11:00 a.m.; Police – 1:00 p.m. Joint meetings would continue to begin at 9:00 a.m.

- B. All: Ratify travel expense reports/reimbursements for trustee attendance at FPPTA Winter Trustee School in Orlando

Plan Administrator Rounsavall advised that expense reports included registration fees, hotel accommodations, mileage and meals.

General Employees Retirement Board Member Harris moved to approve travel expense reports as set forth below:

<i>Trustee Brian Laughlin -</i>	<i>\$1,020.00</i>
<i>Trustee Tanya Molony -</i>	<i>\$1,020.00</i>

Member Molony seconded the motion and it carried unanimously.

Fire Retirement Board Member Syfrett moved to ratify travel expense reports as set forth below:

<i>Trustee Ed Syfrett -</i>	<i>\$1,331.52</i>
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Member Mulkey seconded the motion and it carried unanimously.

Police Retirement Board Member Burke moved to ratify the travel expense report as set forth below:

<i>Trustee Hal Burke -</i>	<i>\$1,362.00</i>
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Member LaSata seconded the motion which carried on an all yes vote.

REPORTS & COMMUNICATIONS

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

1. All: Presentation of annual valuation for fiscal year ending September 30, 2018

Board members were in receipt of the Actuarial Valuation for each of the Rockledge Retirement Plans as of October 1, 2018 which determined minimum funding requirements for the fiscal year beginning October 1, 2019 (i.e. 2019/2020). Mr. Little mentioned a trend in all plans wherein vested members elected a refund of their contributions as opposed to a deferred benefit. This was an actuarial gain for the respective plans. Investment returns also exceeded the assumed rate of return for the fiscal year.

General Employees Retirement Plan

The minimum funding requirement for the ensuing fiscal year (FY 2019/2020) was \$720,642. Expressed as a percentage of pensionable payroll, the total minimum funding requirement was 15.55 percent. This was a decrease from Fiscal Year 2018/2019 both in terms of dollar amount and percentage of payroll. The City continued to prefund its contributions (as opposed to contributions submitted throughout the year coincident with biweekly payroll) resulting in interest savings. Mr. Little noted that the valuation was performed using the level dollar amount for determining actuarial cost.

The investment return on the "market" value of assets was 9.84 percent; the return on the "actuarial/smoothed" value of assets was 8.39 percent which exceeded the 7.9 percent assumed investment rate of return. The unfunded accrued liability (UAL) as of the valuation date was \$2,748,541. The Plan's funded status was 85.64 percent representing an increase over the previous year's funded percentage of 82.42.

Fire Retirement Plan

The minimum funding requirement for the ensuing fiscal year (FY 2019/2020) was \$600,237 which included the estimated state contribution of \$144,344. Expressed as a percentage of pensionable payroll, the city's minimum contribution was 28.99 percent. This was a decrease from Fiscal Year 2018/2019 both in terms of dollar amount and percentage of payroll. The City continued to prefund its contributions (as opposed to contributions submitted throughout the year coincident with biweekly payroll) resulting in interest savings.

The investment return on the "market" value of assets was 9.59 percent; the return on the "actuarial/smoothed" value of assets was 8.16 percent which exceeded the 7.9 percent assumed investment rate of return. The unfunded accrued liability (UAL) as of the valuation date was \$3,239,694. The Plan's funded status was 78.44 percent representing an increase over the previous year's funded percentage of 76.48.

Police Retirement Plan

The minimum funding requirement for the ensuing fiscal year (FY 2019/2020) was \$440,196 which included the estimated state contribution of \$216,318. Expressed as a percentage of pensionable payroll, the city's minimum contribution was 10.73 percent.

The City continued to prefund its contributions (as opposed to contributions submitted throughout the year coincident with biweekly payroll) resulting in interest savings.

The investment return on the "market" value of assets was 9.93 percent; the return on the "actuarial/smoothed" value of assets was 8.69 percent which exceeded the 8.0 percent assumed investment rate of return. The unfunded accrued liability (UAL) as of the valuation date was \$667,511. The Plan's funded status was 95.60 percent representing a slight increase over the previous year's funded percentage of 95.05.

The valuation reports also included required disclosures under *Florida Statutes* 112.664(1). Reporting disclosures required by Governmental Accounting Standards Board (GASB) 67 and 68 were provided as supplemental reports. There were no questions.

General Employees Retirement Board Member Molony moved to approve the annual actuarial valuation as of October 1, 2018 as presented, including the use of level dollar amount to determine cost. Member Harris seconded the motion and it carried on an all yes vote.

Fire Retirement Board Member Syfrett moved to approve the annual actuarial valuation as of October 1, 2018 as presented. Member McCaleb seconded the motion; it carried unanimously.

Police Retirement Board Member Burke moved to approve the annual actuarial valuation as of October 1, 2018 as presented. Member LaSata seconded the motion; it carried unanimously.

2. All: Declare expected annual rate of investment return for assets of each Rockledge Retirement Plan in accordance with *Florida Statutes*

Board members sought input from the actuary and investment consultant as to an expected investment rate of return going forward. The current investment rate of return was 7.9 percent for the general employees and fire plans and 8.0 percent for the police plan. Mr. Little continued to encourage the boards to gradually lower their assumed rates of return given long-term projections. Mr. Grumbles felt similarly.

General Employees Retirement Board Member Harris moved to declare an expected rate of return of 7.8 percent on investments going forward (based on advice of plan consultants). Member Molony seconded the motion which carried on an all yes vote.

Fire Retirement Board Likewise, Member Syfrett moved to declare an expected rate of return of 7.8 percent on investments going forward (based on advice of plan consultants). Member Matson seconded the motion which carried on an all yes vote.

Police Retirement Board Member Burke moved to declare an expected rate of return of 7.8 percent on investments going forward (based on advice of plan consultants). Member LaSata seconded the motion which carried on an all yes vote.

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

B. Report: Performance Monitor & Advisory Services (Tyler Grumbles, AndCo Consulting)

1. All: Performance report for quarter ended December 31, 2018

Mr. Grumbles presented the performance report for the quarter ended December 31, 2018. It was a very challenging quarter for equities, in fact, the worst in nearly a decade. Fear and economic uncertainty drove the markets. Trade tensions with China, midterm elections, tightening of monetary policy by the Federal Reserve, and the partial government shutdown, etc. outweighed any positive news reported during the quarter. The S&P 500 Index (domestic equity) ended the calendar year in negative territory. International equities also experienced considerable losses.

Since the end of the quarter, markets had bounced back considerably. Mr. Grumbles advised the boards to take advantage of the run up and rebalance their portfolios back to targets. This would take some risk off the table.

General Employees Retirement Board Member Molony moved in accordance with the consultant's recommendation to rebalance the portfolio back to its target allocations. Member Harris seconded the motion and it carried unanimously.

Fire Retirement Board Member Matson moved in accordance with the consultant's recommendation to rebalance the portfolio back to its target allocations. Member Mulkey seconded the motion and it carried on an all yes vote.

Police Retirement Board Likewise, Member Burke moved in accordance with the consultant's recommendation to rebalance the portfolio back to its target allocations. Member LaSata seconded the motion and it carried.

General Employees' Retirement Fund

Total market value as of December 31, 2018 was \$15,558,021 down from \$16,616,136 for the previous quarter ended September 30, 2018. On a percentage basis, the composite portfolio was down -9.57 percent (gross) for the quarter which ranked in the 83rd percentile of public plans. The market value as of the previous day was \$16,669,488.

Fire Employees' Retirement Fund

Total market value as of December 31, 2018 was \$10,819,203 down from \$11,854,680 for the previous quarter ended September 30, 2018. On a percentage basis, the composite portfolio was down -9.19 percent (gross) for the quarter which ranked in the 76th percentile of public plans. The market value as of the previous day was \$11,537,614.

Police Employees' Retirement Fund

Total market value as of December 31, 2018 was \$13,443,888 down from \$14,781,088 for the previous quarter ended September 30, 2018. On a percentage basis, the composite portfolio was down -9.67 percent (gross) for the quarter which ranked in the 85th percentile of public plans. Market value as of the previous day was \$14,461,425.

General Employees Member Laughlin inquired as to incorporation of bank loans (i.e. high yield bonds) in the portfolio as an alternative investment. Attorney Harrison

researched this possibility and advised that the Rockledge Retirement Plans were restricted to the highest three bond ratings (investment grade only). An ordinance amendment would be needed to invest in floating bank loans. *There was consensus among all three retirement plans not to pursue bank loans.*

All Rockledge plans were fully invested and in compliance with the investment policy statement.

General Employees Retirement Board Member Harris moved to acknowledge receipt of its investment performance report as presented. Member Molony seconded the motion and it carried unanimously.

Fire Retirement Board Member Mulkey moved to acknowledge receipt of its investment performance report as presented by AndCo. Member Syfrett seconded the motion and it carried on an all yes vote.

Police Retirement Board Member Burke moved to acknowledge receipt of the investment performance report for quarter ended December 31, 2018. Member LaSata seconded the motion and it carried.

2. All: Asset Allocation Study

Mr. Grumbles presented an asset allocation analysis based on current investment return assumptions and the use of asset allocation as a tool to manage portfolio risk. The study was based on return, risk, and correlation forecasts developed by JP Morgan Asset Management. It looked at different asset allocations and projected the probability of achieving a target return over a 10 to 15 year period. He strongly encouraged the retirement boards to continue reducing their assumed investment rates of return. This subject could certainly be discussed further at subsequent meetings.

3. All: Presentation on opportunity in infrastructure investment offered by Brookfield Super-Core Infrastructure Partners Fund

The retirement boards were first introduced to infrastructure investments at their respective meetings in August 2018 during which each board expressed an interest in pursuing these alternative investments. Accordingly, Mr. Grumbles presented a strategic review of an investment opportunity offered by Brookfield Super-Core Infrastructure Partners (BSIP) which had been thoroughly vetted by the AndCo team. BSIP was an open-end fund targeting core infrastructure in developed markets with a focus on current yield, lower volatility, diversification and inflation protection. It was a long duration investment with a targeted gross rate of return of nine percent. Average current yield was between five and six percent. The investment strategy focused on high quality, stable infrastructure assets, to-wit: utilities, energy, power and transportation sectors principally located in North America, Western Europe and Australia. Assets were valued quarterly by a third party.

Mr. Grumbles explained that Brookfield's Super-Core Fund was new and therein laid its main risk exposure. While the minimum investment was typically \$5 million, BSIP had agreed to lower its minimum investment to \$250,000 for pension funds. The fee structure was 100 basis points on net asset value with an incentive fee calculated as five percent of distributions. There was an early investor discount of 25 percent (i.e. 75

basis points) that would close in March 2021. There was a three-year hard lock-in with an investment in BSIP.

Mr. Grumbles recommended a five percent allocation to core infrastructure and was very comfortable with the investment as it would be a stable part of the portfolio. It would be funded by eliminating the fund's current allocation to global tactical assets (currently 2.5 percent) with the balance coming from domestic equities. He further recommended increasing the real estate target allocation from five to ten percent.

Attorney Harrison would work with Brookfield representatives to prepare an investment manager agreement and any necessary side letters to ensure fiduciary responsibility.

General Employees Retirement Board Member Molony moved in accordance with the investment consultant's recommendation to establish a five percent allocation to core infrastructure, eliminate the current allocation to global tactical assets, and increase the real estate target allocation from five to ten percent. Member Harris seconded the motion; it carried unanimously.

Fire Retirement Board Likewise, Member McCaleb moved in accordance with the investment consultant's recommendation to establish a five percent allocation to core infrastructure, eliminate the current allocation to global tactical assets, and increase the real estate target allocation from five to ten percent. Member Syfrett seconded the motion and it carried on an all yes vote.

Police Retirement Board Moving on, Member Burke moved in accordance with the investment consultant's recommendation to establish a five percent allocation to core infrastructure, eliminate the current allocation to global tactical assets, and increase the real estate target allocation from five to ten percent. Member LaSata seconded the motion and it carried on an all yes vote.

The respective retirement boards then entertained motions to accept the consultant's recommendation to invest with Brookfield Super-Core Infrastructure Partners (BSIP) at a five percent allocation.

General Employees Retirement Board Member Molony moved to accept AndCo's recommendation to hire Brookfield Super-Core Infrastructure Partners to manage the fund's infrastructure investment allocation. Member Jarusiewicz seconded the motion which carried on an all yes vote.

Fire Retirement Board Member McCaleb moved to accept the consultant's recommendation to hire Brookfield Super-Core Infrastructure Partners to manage the fund's infrastructure investment allocation. Member Matson seconded the motion which carried unanimously.

Police Retirement Board Member Burke moved to accept the consultant's recommendation to hire Brookfield Super-Core Infrastructure Partners to manage the fund's infrastructure investment allocation. Member LaSata seconded the motion; it carried unanimously.

4. All: Proposed revision to Investment Policy Statement (IPS) to allow infrastructure investments

Revisions to the Investment Policy Statement for the respective retirement boards were necessary given the action to incorporate an infrastructure allocation into the portfolios and increase the real estate allocation. General Employees Trustee Laughlin felt that a cash allocation under fixed income would be helpful. Accordingly, and based on Mr. Grumble's recommendation, the following motions were offered:

General Employees Retirement Board Member Molony moved to approve a revised IPS for the General Employees Retirement Plan as recommended by the consultant, to-wit: create a five percent allocation to core infrastructure (by reducing domestic equity by 2.5 percent and eliminating 2.5 percent allocation to global tactical assets), reflect an allocation to cash under fixed income, and increase real estate allocation from five to ten percent (by reducing domestic fixed income allocation by five percent). Member Jarusiewicz seconded the motion and it carried on an all yes vote.

Fire Retirement Board Member Syfrett moved to approve a revised IPS for the Fire Retirement Plan as recommended by the consultant. Member McCaleb seconded the motion which carried unanimously.

Police Retirement Board Likewise, Member Burke moved to approve a revised IPS for the Police Retirement Plan as recommended by AndCo. Member LaSata seconded the motion; it carried.

C. Report: Board Attorney (Sugarman & Susskind)

1. All. Legal opinion related to permissibility of high yield bond investments (i.e. bank loans) in Rockledge Retirement Funds

Board members were in receipt of the attorney's opinion on high yield bonds dated January 16, 2019. The opinion concluded that such investments were permissible under the governing statutes provided that the respective plan documents and investment policy statements were revised to allow same. Earlier in the meeting, the retirement boards agreed not to pursue floating bank loans.

General Employees Retirement Board Member Harris moved to acknowledge receipt of the legal opinion on high yield bond investments. Member Molony seconded the motion; it carried.

Fire Retirement Board Member McCaleb moved to acknowledge receipt of the legal opinion on high yield bond investments. Member Mulkey seconded the motion; it carried likewise.

Police Retirement Board Member Burke moved to acknowledge receipt of the legal opinion on high yield bond investments. Member LaSata seconded the motion; it carried unanimously.

2. General Employees: Legal action related to attempts to collect retirement benefit paid to beneficiary following death

This matter was first brought to the Retirement Board's attention at the last quarterly meeting. The attorney sent a collection letter to the deceased beneficiary's next of kin advising of the overpayment and requesting a refund. The letter received a negative

response. Attorney Harrison advised the Board of its fiduciary responsibility to make further efforts to recoup the funds.

Member Jarusiewicz moved to direct the attorney's office to send a second demand letter threatening legal action. Member Molony seconded the motion and it carried on an all yes vote.

D. Report: Administrative Report (Karan Rounsavall)

1. Police & Fire: Educational Opportunity: Police Officers' and Firefighters' Pension Trustees' School sponsored by Florida Division of Retirement in Tallahassee (April 30 – May 2, 2019)

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

2. General Employees: Acknowledge receipt of retirement fund expenditures and receipts for first fiscal quarter (ending December 31, 2018)

Plan expenditures for the first quarter of Fiscal Year 2018/2019 (October 1, 2018 through December 31, 2018) were \$25,779.58. Receipts to the plan for that same fiscal quarter were \$825,575.33. Total disbursements for the quarter were \$291,106.01 and included monthly benefit payments, DROP payments, and refund of contributions in addition to plan expenses. (Reference Plan Administrator's memorandum dated January 4, 2019 for detail.)

Member Harris moved to acknowledge receipt of the report as presented. Member Molony seconded the motion and it carried unanimously.

The next quarterly meeting was May 17, 2019.

PUBLIC COMMENT - None

ADJOURN

The joint quarterly meeting adjourned at 11:49 a.m.

Fire Employees' Retirement Board

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Jeptha Sunday, Chairman

General Employees' Retirement Board

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

David Henderson, Chairman

Police Employees' Retirement Board

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Rick Burke, Chairman