

ROCKLEDGE FIRE EMPLOYEES' RETIREMENT BOARD MEETING MINUTES

Friday, February 19, 2021

CALL TO ORDER

The Rockledge Fire 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 Jeptha Sunday, Fifth Member
Ed Syfrett, Fire Representative
John Mulkey, Resident Member

MEMBERS ABSENT: Thomas "Pat" O'Neill, Resident Member (excused - work)
Mike McCaleb, Fire Representative (excused – death in family)

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 Sunday called the meeting to order at 9:10 a.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 Mulkey moved to approve minutes of the November 20, 2020 quarterly meeting as submitted. Member Syfrett 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 City's 457 plans. Additionally, Mr. Rodriguez would serve as the local *Nationwide* representative for participants. He was qualified to have in-depth conversations with participants about their investment options and would handle enrollment and separation paperwork, the latter of which was currently being done by the plan administrator.

Mr. Bazzel stated that any agreement with *Nationwide* would include a "force out" provision requiring participants to move their DROP accounts out of the retirement trust fund following separation from service. He also mentioned *Nationwide's* enhanced cyber security and fraud protection as well as the availability funds that guaranteed protection of principal.

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 availability and service delivered by the representative assigned to the city's retirement plans.

Member Mulkey 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. Understood in the motion was a directive to phase out ICMA-RC as a provider of self-directed DROP accounts as current participants exited their DROP enrollment. Member Syfrett seconded the motion which carried on an all-yes vote.

NEW BUSINESS

Direct preparation of ordinance increasing multiplier for plan participants hired after October 1, 2012 in accordance with recently approved collective bargaining agreement

The Rockledge City Council recently approved the collective bargaining agreement (CBA) with the International Association of Fire Fighters (IAFF) increasing the benefit multiplier for active members hired after October 1, 2012 from 2.75 percent to 3.0 percent per year. This improvement also included those members represented by the Teamsters. The change was retroactive to date of hire. A three percent multiplier was consistent with that offered to Rockledge police officers.

Member Syfrett moved to direct the attorney to prepare an ordinance enacting the benefit improvement as stated above; to direct the actuary to prepare an accompanying actuarial impact statement, and upon receipt, to forward said ordinance to city staff for placement on city council's agenda for action. Member Mulkey seconded the motion which carried.

Mr. Little advised that the benefit improvement (if adopted) would increase the city's contribution for the fiscal year beginning October 1, 2021. The board could utilize the special multiplier study authorized for negotiating purposes in August 2020 for the impact statement. The study used 2019 valuation results. *There was no objection to this suggestion as it was most cost efficient.*

The meeting recessed at 9:48 and reconvened at 9:50 a.m.

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.

Mr. Grumbles mentioned the top ten weighted stocks in the Russell 1000. Tesla was up an astonishing 743 percent over the past year. With this comment, he reminded the board that there was no need to "time the market." Pension funds invested for the long term.

All asset classes in the portfolio were within their target ranges. No rebalancing was needed. The retirement fund was still awaiting a capital call from Brookfield Super-Core Infrastructure. He anticipated the call in the next few quarters.

Total market value as of December 31, 2020 was \$14,584,935 up from \$12,932,074 for the previous quarter ended September 30, 2020. On a percentage basis, the composite portfolio was up 10.80 percent for the quarter (gross) which ranked in the 31st percentile of public plans. For the trailing 12 months, the fund was up 16.17 percent (ranking in the 14th 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 0.43% (86)*

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)

Member Mulkey moved to accept the performance report as presented. Member Syfrett seconded the motion which carried on an all-yes vote.

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 Syfrett moved to approve the simultaneous transfer of the domestic equity portfolio as recommended by the consultant. Member Mulkey 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 Fire 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). Equity markets were at all-time highs and fixed income returns remained low. Mr. Grumbles was nervous and felt that a correction was probable in the not-too-distant future. It was a challenging environment. 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.

Along this line, Actuary Little recommended an experience study to examine plan assumptions versus reality over the past five years. This study would include investment rate of return as well as demographic assumptions. *He would bring a cost proposal for an experience study to the next meeting for the Board's review.*

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 Fire Employees' Retirement Plan. The valuation established minimum funding requirements for the fiscal year beginning October 1, 2021. The report also included GASB 67/68 disclosure information.

The minimum funding requirement for the ensuing fiscal year was \$566,385 representing \$425,838 (city contribution) and \$140,547 (estimated state contribution). This was a decrease over the current year's funding level of \$614,683. Expressed as a percentage of pensionable payroll, the city's minimum contribution was 23.46 percent (a decrease from the current level of 24.99 percent). These percentages did not include the state contribution. The city continued to prefund its employer contributions.

The investment return on the "market" value of assets was 10.66 percent; the return on the "actuarial/smoothed" value of assets was 8.71 percent which exceeded the 7.75 percent net investment return assumption. Positive actuarial experience included investment returns exceeding the assumption, demographic gains due to termination experience, pay increases less than expected, and change in mortality assumption. Note: The valuation utilized the mortality assumption used by Florida Retirement System for special risk employees in its most recent valuation.

The unfunded accrued liability (UAL) as of the valuation date was \$2,440,522; the previous year, the UAL was \$2,916,804. The Plan's funded status was 84.27 percent representing an increase over the previous year's funded percentage of 80.74 percent. Mr. Little stated this was a mature retirement plan with distributions from the fund exceeding contributions. As such, investment returns paid for a majority of benefits.

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

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

Member Mulkey then moved to declare an expected rate of return of 7.75 percent (which was the declaration for the 2020 valuation). Member Syfrett 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 would provide a quote for an experience study as discussed earlier.

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

Legislative Update

Attorney Harrison advised of Senate Bill 84 which would automatically enroll all new hires in the regular class of Florida Retirement System in the defined contribution plan. This bill did not include police and fire members in the special risk class. If enacted, the defined benefit option would no longer be available for regular class members.

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)

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.

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

PUBLIC COMMENT

ADJOURN

The meeting adjourned at 10:49 a.m.

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Jeptha Sunday, Chairman