

ROCKLEDGE FIRE EMPLOYEES' RETIREMENT BOARD MEETING MINUTES

Friday, August 21, 2020

CALL TO ORDER

The Rockledge Fire Employees' Retirement Board held its quarterly meeting on Friday, August 21, 2020 in the Council Chamber of Rockledge City Hall, 1600 Huntington Lane, Rockledge, Florida.

MEMBERS PRESENT:* Chairman Jeptha Sunday, Fifth Member
Mike McCaleb, Fire Representative
Thomas "Pat" O'Neill, Resident Member*
John Mulkey, Resident Member

MEMBERS ABSENT: Ed Syfrett, Fire Representative (excused)

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 9:00 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 May 22, 2020

Member Mulkey moved to approve minutes of the May 22, 2020 quarterly meeting as submitted. Member McCaleb seconded the motion which carried unanimously.

OLD BUSINESS

Status of Ordinance No. 1778-2020 providing cross credit for vesting purposes only between the Rockledge Retirement Plans

Request for clarification of cross credit provisions as it relates to interest crediting should a member separate service prior to vesting

Plan Administrator Rounsavall advised that the Rockledge City Council adopted Ordinance No. 1778-2020 at its regular meeting on August 19, 2020. The ordinance was effective immediately upon its adoption.

Actuary Chad Little requested clarification of the cross-credit ordinance as to which retirement plan interest crediting should apply when a participant left City employment prior to vesting. Both the actuary and attorney felt it appropriate that interest should be credited in amounts attributable to each plan and paid by each plan back to the original date of hire. *Board members concurred with the clarification. There was no need to revise the ordinance.*

NEW BUSINESS

Approval of administrative expense budget for Plan Year 2020/2021

The Retirement Board was in receipt of the proposed budget for Plan Year 2020/2021 as prepared by the plan administrator. Pursuant to *Florida Statutes*, the Board was required to adopt and operate pursuant to an administrative expense budget each year. The budget included all administrative expenses (e.g. actuary, legal, investment consultant, custody, administration, insurance, etc.) but did not include investment management fees. The proposed budget for 2020/2021 was \$102,100 which was slightly less than the adopted budget for 2019/2020. Further, estimated expenses for Fiscal Year 2019/2020 were currently less than budgeted.

Plan Administrator Rounsavall reviewed individual line items in the proposed budget. No fee increases were anticipated for any of the retirement plan's professional service providers. Several educational opportunities would likely be cancelled (or held virtually) due to the COVID-19 pandemic which could impact this line item expense.

Member Mulkey moved to approve the proposed budget for Plan Year 2020/2021 in the amount of \$102,100 as presented. Member McCaleb seconded the motion which carried unanimously. Note: Later in the meeting, the Retirement Board voted to approve a special actuarial study and increased the proposed budget by \$3,500 (Total: \$105,600).

Plan Administrator Rounsavall would provide the adopted budget to the city staff (plan sponsor) and ensure that copies were posted on bulletin boards in each of the fire stations for plan members.

Acknowledge Division of Retirement's approval of 2019 annual report for Rockledge Fire Employees' Retirement Plan

Member McCaleb moved to acknowledge the Division of Retirement's June 30, 2020 notification of its approval of the 2019 annual report for the Rockledge Fire Employees' Retirement Plan. Member Mulkey seconded the motion; it carried on an all-yes vote.

Acknowledge receipt of 2019 premium tax distribution from the State of Florida

Plan Administrator Rounsavall advised that premium tax revenues from the State of Florida in the amount of \$139,350.75 were received on August 19, 2020. Upon receipt, these monies were deposited into the Retirement Fund (Salem Trust Company).

Policy revising deferred retirement option plan (DROP) procedures by establishing a 30-day period for new participants to advise the plan administrator of their investment option

Board members were in receipt of a proposed policy establishing a 30-day period for new DROP participants to advise the plan administrator of their investment option (i.e. self-directed or commingled/net return). Failure to advise would result in the automatic selection of the commingled/net return option.

Member McCaleb moved to adopt the revised DROP policy as presented. Member Mulkey seconded the motion which carried unanimously.

Summary Plan Description (SPD) for Rockledge Fire Employees Retirement Plan

The summary plan description for the Fire Retirement Plan was last published in 2013. Since that time, the Retirement Plan completed a restatement of its plan document and added new provisions for the purchase of prior fire service, incorporated statutory cancer

presumption language, reduced interest rate paid on refund of contributions, implemented cross credit between retirement plans, etc. The updated SPD also referenced the most recent collective bargaining agreement and included the latest actuarial information, current board composition, and current investments. Upon approval of the SPD, it would be distributed to all active plan members.

Member McCaleb moved to adopt the summary plan description as presented with the inclusion of a section addressing cross credit between the retirement plans. (Note: Since Ordinance No. 1778-2020 was just adopted earlier in the week, its provisions were not presently included in the draft). The motion was seconded by Member Mulkey and carried unanimously.

Proposed ordinance updating the Internal Revenue Code compliance section to recognize recent changes to the required minimum distribution age from 70½ to 72 (SECURE Act)

A draft ordinance amended the plan document by bringing it into compliance with recent changes to the Internal Revenue Code pursuant to the SECURE Act (adopted by the U.S. Congress in December 2019). Specifically, the SECURE Act changed the mandatory age for required minimum distributions from 70½ to 72.

Member Mulkey moved to approve the proposed ordinance as presented and to direct the actuary to prepare the appropriate statement of no impact. Upon receipt of the impact statement, the plan administrator would forward the ordinance to city staff for consideration and adoption by the Rockledge City Council. Member McCaleb seconded the motion and it carried on an all-yes vote.

Discussion related to scope of special actuarial study to increase multiplier for Tier Two members (hired after October 1, 2012) in consideration of city's request for additional parameters (Placed on agenda at request of Trustee Mike McCaleb)

In 2019, the Fire Retirement Board directed the actuary to prepare a special study to estimate the cost associated with increasing the multiplier for members hired on or after October 1, 2020 (Tier Two). The Retirement Board paid \$3,000 for the study at that time. The study was based on the 2018 valuation (the most recent valuation available at that time). The intent of the special study was for collective bargaining/negotiation purposes.

City Manager Brenda Fettrow requested an additional study that examined the long-term impact on the plan using assumed rates of return that were plus or minus one and two percent from the current 7.8 percent assumed rate of return. The city asked that such a study be performed using the 2019 valuation and at the board's cost. Finance Director Matthew Trine expounded on the need for the new study, particularly given that the retirement board might reduce its assumed rate of return. Actuary Little stated that such studies did not typically involve interest rate sensitivity. With four additional parameters (as requested – plus or minus one and two percent), the cost would be \$5,000.

Both Mr. Little (actuary) and Mr. Grumbles (investment consultant) felt that the most reasonable assumed rate of return was 7.0 to 7.25 percent. Many retirement boards achieved this by decreasing the assumed rate of return by ten basis points each year.

Mr. Little mentioned that the revised study could be conducted using the 2019 valuation with only minus one percent sensitivity. With a reduced scope, the cost would be \$3,500.

There was discussion as to who should bear the cost of the study (i.e. city, union, or retirement board) or whether the cost could be shared between the parties.

Member McCaleb moved to direct the actuary to prepare a new study to estimate the cost to increase the multiplier for Tier Two members using data from the 2019 valuation and at a sensitivity rate of minus 100 basis points in assumed rate of return. Member Mulkey seconded the motion and it carried unanimously.

Member Mulkey then moved to authorize the retirement board to absorb the \$3,500 cost of performing the special study. Member McCaleb seconded the motion which likewise carried on an all-yes vote.

Plan Administrator Rounsavall pointed out that this additional cost increased the adopted budget for Fiscal Year 2020/2021 which was just approved. She recommended that the board reconsider its earlier action on the budget.

Member Mulkey moved to reconsider the board's earlier action to adopt the proposed budget for Fiscal Year 2020/2021. Member O'Neill seconded the motion; it carried.

Member Mulkey then moved to amend the adopted budget of \$102,100 by adding \$3,500 for the special actuarial study which increased the budget to \$105,600. Member O'Neill seconded the motion which carried on an all-yes vote.

Member Mulkey then moved to adopt the amended budget for Fiscal Year 2020/2021 in the amount of \$105,600. Member O'Neill seconded and the motion carried unanimously.

REPORTS & COMMUNICATIONS

Report: Investment Consultant (Tyler Grumbles, AndCo Consulting)

Investment Performance Report for quarter ended June 30, 2020

Mr. Grumbles presented the performance report and economic commentary for the quarter ended June 30, 2020. It was an excellent quarter. Financial markets rebounded sharply coming on the heels of one of the most challenging quarters of all time due to the Coronavirus pandemic. The S&P 500 was up over 20 percent for the quarter with international and emerging markets also posting excellent returns. Growth stocks continued to outperform value stocks. Fixed income performance was strong, particularly for corporate bonds. It appeared that the economy was positioned for a "V" shaped recovery. All asset classes in the portfolio were within their target ranges. No rebalancing was needed.

Total market value as of June 30, 2020 was \$12,235,303 up from \$10,851,848 for the previous quarter ended March 31, 2020. On a percentage basis, the composite portfolio was up 14.64 percent for the quarter (net) which ranked in the 24th percentile of public plans. Fiscal year to date, the fund was up 4.83 percent (ranking in the 15th percentile of public plans). The trailing five-year return were positive 7.27 percent (8th percentile).

Since the end of the quarter, markets had continued their upward trend. Portfolio value as of the previous day's close was \$13,016,025. This represented an estimated six percent gain for the current quarter and an estimated 11 percent return for Fiscal Year 2019/2020 (year to date).

Quarterly performance results (i.e. quarter ending June 30, 2020) for the various investment styles/managers represented in the portfolio were as follows:

*Vanguard Total Stock Market Index (domestic equities) – positive return of 22.10% (38)**

*EuroPacific Growth (international) – positive return of 22.77% (23)**

*Garcia Hamilton & Associates (domestic fixed income) – positive return of 4.52% (25)**

*PIMCO Diversified Income (global fixed income) – positive return of 7.19% (32)**
*ASB Allegiance Real Estate (commingled real estate) – negative return of -0.54% (42)**
(*Percentile rankings)

Mr. Grumbles reiterated earlier statements that gradually reducing the assumed investment rate of return over time made good sense.

Member Mulkey moved to accept the performance report as presented. Member McCaleb seconded the motion; it carried.

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

Mr. Little mentioned some recent health issues he encountered and assured the board that there would not be a delay in any work products. He also advised that the State Division of Retirement had approved the last three valuations submitted on behalf of the Rockledge Fire Retirement Plan.

The meeting recessed at 10:20 and reconvened at 10:30 a.m.

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

Update on discussions with Nationwide Retirement Solutions as secondary provider for self-directed DROP accounts

At an earlier meeting, the respective retirement boards directed the attorney to contact Nationwide Retirement Solutions to ascertain whether it could provide self-directed accounts (401a) for the retirement boards as a secondary DROP provider. The level of service provided by ICMA-RC (current self-directed DROP provider) was poor and ICMA was uncooperative in requiring participants to transfer their balances upon separation from service, thus the prior directive.

Attorney Harrison advised that he had spoken with Nationwide representatives and it provided a standard agreement for review. Given the complexity of negotiating agreements with each retirement board, possible confusion for prospective DROP participants as to selection of a provider, and the fact that Nationwide recently lowered its guaranteed rate of return investment option, the attorney and plan administrator recommended staying with ICMA-RC as the sole provider of self-directed DROP accounts.

There were other alternatives for DROP accounts such as a simple guaranteed rate of return but these would be subject to collective bargaining.

It was the consensus of the Fire Retirement Board to take no action to pursue Nationwide as a secondary provider at this time.

Mr. Harrison went on to advise that the Governor's latest executive order (No. 20-193) extended authority for public boards to continue with virtual meetings through October 1, 2020. It was noted that there was sufficient room in the Rockledge Council Chamber to provide proper social distancing for physical presence meetings if desired.

Report: Plan Administrator (Karan Rounsavall)

The Florida Public Pension Trustees Association (FPPTA) planned a virtual summit for October 2020 (*Pivot 2020: Challenge and Change*). There would be a small registration fee. Further details were forthcoming.

The next quarterly meeting was scheduled for November 20, 2020.

PUBLIC COMMENT

City Manager Fettrow mentioned that any item provided by the retirement boards for posting on the City's web site must be provided in accessible format meeting ADA requirements.

ADJOURN

The meeting adjourned at 10:39 a.m.

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Jeptha Sunday, Chairman