

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

Friday, August 21, 2020

CALL TO ORDER

The Rockledge Police 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 Rick Burke, Resident Member
Chris Crawford, Police Representative
Patrick Kennedy, Police Representative (tardy)
Hal Burke, Fifth Member*

MEMBERS ABSENT: Joe LaSata, Resident Member - 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 Burke called the meeting to order at 1:04 p.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 Crawford moved to approve minutes of the May 22, 2020 quarterly meeting as submitted. Member Burke 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, specifically to which retirement plan interest crediting should apply when a participant left City employment prior to vesting. Both the actuary and attorney recommended that interest be credited in amounts attributable to each plan and paid by each plan back to the original date of hire.

Chairman Burke moved to approve the stated recommendation. Member Burke seconded the motion which carried on an all-yes vote.

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 \$102,300 which was slightly more 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 Burke moved to approve the proposed budget for Plan Year 2020/2021 in the amount of \$102,300 as presented. Member Crawford seconded the motion which carried unanimously.

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

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

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

Board members acknowledged receipt of the Division of Retirement's July 24, 2020 notification of its approval of the 2019 annual report for the Rockledge Police Employees' Retirement Plan.

Plan Administrator Rounsavall advised that premium tax revenues from the State of Florida in the amount of \$244,108.68 were pending receipt. Upon receipt, these monies would be deposited into the Retirement Fund (Salem Trust Company).

Chairman Burke moved to acknowledge receipt of the Division's approval of the Police Plan's 2019 annual report and pending receipt of premium tax revenues. Member Crawford seconded the motion; it carried on an all-yes vote.

Member Kennedy arrived at 1:17 p.m.

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

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

The summary plan description for the Police 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 law enforcement service, 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 Crawford 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 present SPD draft). The motion was seconded by Member Kennedy 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 proposed 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 Burke 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 Kennedy seconded the motion and it carried on an all-yes vote.

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 superior 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 \$15,766,217 up from \$13,828,305 for the previous quarter ended March 31, 2020. On a percentage basis, the composite portfolio was up 15.02 percent for the quarter (net) which ranked in the 19th percentile of public plans. Fiscal year to date, the fund was up 4.65 percent (ranking in the 18th percentile of public plans). The trailing five-year return was positive 7.24 percent (9th percentile). Since the end of the quarter, markets had continued their upward trend.

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 4.25% (32)*
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)

Member Crawford questioned whether the retirement fund should remain invested in real estate given its negative return. He also asked whether the fund should adopt a more aggressive investment strategy. Mr. Grumbles felt that real estate was an important part of a diversified portfolio and its returns tended to outperform fixed income over the long term. As to a more aggressive strategy, Mr. Grumbles cautioned against trying to time the market. He recommended an asset allocation study which would demonstrate the risk/return ratio and volatility associated with various asset allocation mixes. It would be most appropriate to do such a study at the February meeting when the board might have adopted new investment return assumptions. AndCo did not charge for a special study.

Mr. Grumbles felt that gradually reducing the assumed investment rate of return over time made good sense. Given the low rates of return for fixed income, it was difficult for a portfolio to achieve a 7.8 percent rate of return.

There was no objection to proceeding with an asset allocation study at the February 2020 quarterly meeting.

Chairman Burke moved to accept the performance report as presented. Member Crawford 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 mentioned that new mortality tables would be used for the next valuation which would slightly reduce the city's cost.

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 they 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, the relatively small number of police plan participants, 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.

Chairman Burke moved that the Police Retirement Board take no action to pursue Nationwide as a secondary provider at this time. Member Crawford seconded the motion which carried on an all-yes vote.

Attorney 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.

Moving on, Attorney Harrison noted that a police retiree recently requested a change in his joint annuitant which was allowed by the plan document and *Florida Statutes*. In researching the request, several Internal Revenue Code concerns were raised. He recommended a minor ordinance change to address these concerns. *There was no objection to his recommendation.*

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. *Discussion of same would be placed on the agenda for the next quarterly meeting.*

ADJOURN

The meeting adjourned at 2:14 p.m.

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Rick Burke, Chairman