

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

Friday, August 21, 2020

CALL TO ORDER

The Rockledge General 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 Brian Laughlin, Resident Member
Tanya Molony, Fifth Member
Corey Harris, Participant Member
Carol King, Participant Member

MEMBERS ABSENT: Alexandra Bernard, Resident Member

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 Laughlin called the meeting to order at 3:00 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 Harris moved to approve minutes of the May 22, 2020 quarterly meeting as submitted. Member Molony 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 sought 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.

The Retirement Board concurred with the recommendation as stated above.

NEW BUSINESS

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) following receipt of their benefit calculations. Failure to advise would result in the automatic selection of the commingled/net return option.

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

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

The summary plan description for the General Employees' Retirement Plan was last published in 2013. Since that time, the Retirement Plan completed a restatement of its plan document, reduced interest rate paid on refund of contributions, and 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 Harris 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 adopted earlier in the week, its provisions were not included in the present SPD draft). The motion was seconded by Member Molony 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 Harris 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 King 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 \$18,037,472 up from \$15,880,226 for the previous quarter ended March 31, 2020. On a percentage basis, the composite portfolio was up 14.70 percent for the quarter (net) which ranked in the 23rd percentile of public plans. Fiscal year to date, the fund was up 4.76 percent (ranking in the 16th 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. Portfolio value as of the previous day's close was \$19,066,977. This represented an estimated six percent gain for the current quarter and an estimated 11 percent return fiscal 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 4.46% (27)*

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 commented on the negative return for ASB Allegiance Real Estate Fund. He stressed that real estate was an important part of a diversified portfolio and its returns tended to outperform fixed income investments over the long term.

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.

Chairman Harris moved to accept the performance report as presented. Member Molony 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 this would not cause any delay in work products. He also mentioned that new mortality tables would likely be used for the next valuation which could 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 spoke 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 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.

Member Harris, in her city position as Human Resources Coordinator, was quite unhappy with the level of customer service provided by ICMA to DROP participants. She suggested terminating the relationship with ICMA and transitioning to Nationwide for self-directed DROP accounts. She asked for a copy of the draft 401 (a) agreements provided to the attorney by Nationwide.

It was the consensus of the retirement board to defer further discussion on this matter to the next quarterly meeting.

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.

Report: Plan Administrator (Karan Rounsavall)

Acknowledge receipt of Retirement Fund expenditures and receipts for third fiscal quarter (ending June 30, 2020)

Plan expenditures for the third quarter of Fiscal Year 2019/2020 (April 1, 2020 through June 30, 2020) were \$50,489.65. Receipts to the plan for that same fiscal quarter were \$70,943.56. Total disbursements for the quarter were \$319,217.30 and included monthly benefit payments, self-directed DROP payments, and refund of contributions in addition to plan expenses (Reference Plan Administrator's memorandum dated August 10, 2020 for detail).

Member Harris moved to acknowledge receipt of the report as submitted. Member Molony seconded the motion which carried on an all-yes vote.

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 4:01 p.m.

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Brian Laughlin, Chairman