

ROCKLEDGE FIRE EMPLOYEES' RETIREMENT BOARD MEETING MINUTES

Friday, November 20, 2020

CALL TO ORDER

The Rockledge Fire Employees' Retirement Board held its quarterly meeting on Friday, November 20, 2020 in the Council Chamber of Rockledge City Hall, 1600 Huntington Lane, Rockledge, Florida.

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

CONSULTANTS/STAFF: Kenneth Harrison, Board Attorney - Sugarman & Susskind*
Chad Little, Actuary - Freiman Little Actuaries*
Tyler Grumbles, Investment Consultant – AndCo Consulting*
Mindy Johnson, Custodian – Salem Trust Company*
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 August 21, 2020

Member Mulkey moved to approve minutes of the August 21, 2020 quarterly meeting as submitted. Member McCaleb seconded the motion which carried unanimously.

OLD BUSINESS

Continued discussion related to allowing *Nationwide Retirement Solutions* as a provider for self-directed DROP accounts

This matter was previously discussed over the course of several meetings. Mrs. Rounsavall explained that the overall level of service currently provided by ICMA-RC (self-directed DROP provider) was poor, particularly the lack of service provided by the representative assigned to the Rockledge retirement plans. There were relatively few participants in the ICMA plan which might contribute to ICMA's lack of interest and cooperation. Nationwide Retirement Solutions, however, handled the City's deferred compensation (457) accounts and was willing to also service the self-directed DROP accounts. Human Resources Coordinator Corey Harris agreed that ICMA was non responsive and that Plan Administrator Rounsavall was doing its work, particularly meeting with prospective participants.

There was a general feeling that offering two self-directed DROP options could be confusing for prospective DROP participants trying to select a provider. If there was a transition to Nationwide for the self-directed option, it would be advisable to gradually phase out ICMA as participants exited their DROP enrollment.

It was the consensus of the Retirement Board to direct Mrs. Rounsavall to contact Nationwide Retirement Solutions and invite a representative to attend the next quarterly meeting in February 2021 to further discuss the matter.

Discussion as to providing retirement plan documents for posting on the City's web site in accessible format meeting ADA requirements

*Florida Statutes (§112.664 and §175.05) required that defined benefit retirement plans post several documents/information on a publicly available website. These documents included the most recent actuarial valuation, a comparison of assumed rate of return to actual rate of return, detailed accounting report of administrative expenses, and a link to the Division of Retirement's *Summary Fact Sheet* for the subject plan. Other documents were also routinely posted to the city's website, namely meeting agendas and minutes. It was further mandated that any document posted on the city's web site be in accessible format meeting *Americans with Disabilities Act (ADA)* requirements. The City of Rockledge was facing a June 2021 deadline for ensuring ADA compliance for all postings on its website.*

Actuary Chad Little discussed the cost involved to convert the annual valuation to an ADA compliant document. Because of the detail and complexity involved in the valuation report, the conversion needed to be done by an independent vendor. He received a quote of \$5 per page; the valuation report was approximately 40 pages in length. The anticipated cost to convert the valuation was \$200. He requested that the retirement board approve the additional expenditure as a pass-through charge.

City Clerk Jennifer Levasseur addressed the importance of providing ADA compliant documents for the public. She currently remediated agendas and minutes for all city boards, including the retirement boards, prior to online posting. Ms. Levasseur provided a sample of converted documents to the plan administrator as a guide for future postings.

Member McCaleb moved to authorize the retirement board to absorb the actuary's cost of remediating the annual valuation for posting on the city's website as statutorily required (approximate cost - \$200). Member Mulkey seconded the motion which carried unanimously. The plan administrator would provide the detailed accounting report in ADA format.

NEW BUSINESS

Approve schedule for quarterly meeting dates in 2021: February 19, 2021, May 21, 2021; August 20, 2021; November 19, 2021 at 9:00 a.m.

All meetings were scheduled as separate (as opposed to joint) meetings of the Rockledge retirement boards. If the current environment with the COVID-19 pandemic improved, joint meetings might be feasible.

Member Mulkey moved to approve the 2021 quarterly meeting schedule as presented. Member O'Neill seconded the motion which carried on an all yes vote.

Authorization to renew membership in Florida Public Pension Trustees Association (FPPTA) for 2021 at a cost of \$620

Member O'Neill moved to renew membership in FPPTA for the Rockledge Fire Employees' Retirement Board for 2021. Member McCaleb seconded the motion; it carried unanimously.

Acknowledge receipt of detailed accounting report for Fiscal Year 2019/2020

Board members were in receipt of the detailed accounting report for Fiscal Year 2019/2020 prepared by the plan administrator. It reflected administrative expenses that were paid on

behalf of the plan during the fiscal year. Administrative expenses included legal counsel, actuarial, investment advisory, plan administration, etc. Total administrative expenses were \$96,300.53 which was less than the adopted budget for the fiscal year (\$106,950). Actual administrative expenses paid in Fiscal Year 2019/2020 were slightly more than expenses paid in the prior year. This was due, in part, to the actuarial impact statements required to accompany ordinances adopted during the fiscal year. Educational expenses were slightly less than the preceding year due to the COVID-19 pandemic and cancellation of educational opportunities.

Member O'Neill moved to acknowledge receipt of the accounting report as presented. Member Mulkey seconded the motion; it carried on an all-yes roll call vote. The report would be provided to the plan sponsor (City of Rockledge) and made available to active plan participants.

REPORTS & COMMUNICATIONS

Report: Investment Consultant (Tyler Grumbles, AndCo Consulting)

Investment Performance Report for quarter ended September 30, 2020

Mr. Grumbles presented the performance report and economic commentary for the period ended September 30, 2020. It was a great quarter as well as fiscal year. Financial markets continued to rebound strongly during the quarter with optimism about the pending availability of a vaccine fueling the "V" shaped recovery. Growth stocks maintained their dominance over value-oriented stocks across all market capitalizations, particularly in the information technology sector. Fixed income returns were mixed with corporate bonds outperforming government. All asset classes in the portfolio were within their target ranges. No rebalancing was needed.

Total market value as of September 30, 2020 was \$12,932,074 up from \$12,235,303 for the previous quarter ended June 30, 2020. On a percentage basis, the composite portfolio was up 6.20 percent for the quarter (gross) which ranked in the 14th percentile of public plans. For Fiscal Year 2019/2020, the fund was up 11.33 percent (ranking in the 13th percentile of public plans). The trailing three-year and five-year returns were also positive exceeding both the benchmark and the assumed rate of return. As of the previous day, the fund was valued over \$13 million.

Quarterly performance results (i.e., quarter ending September 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 9.18% (31)**

*EuroPacific Growth (international) – positive return of 9.66% (32)**

*Garcia Hamilton & Associates (domestic fixed income) – positive return of 0.59% (77)**

*PIMCO Diversified Income (global fixed income) – positive return of 2.71% (43)**

*ASB Allegiance Real Estate (commingled real estate) – positive return of 0.11% (72)**

(*Percentile rankings)

Attorney Harrison commended Mr. Grumbles and the AndCo team on its excellent performance.

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

Report: Custodian (Mindy Johnson, Relationship Manager – Salem Trust Company)

Mrs. Johnson provided an annual update on Salem Trust's activities. The company transitioned successfully to a new operating platform as of March 1, 2020. As a result, retirees would receive two 1099 tax forms for 2020. She also mentioned that Salem Trust employees worked remotely since March due to the pandemic. Recently several members of their work force returned to the physical office.

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

Discussion as to assumed annual investment rate of return to be used for preparation of 2020 actuarial valuation

The Fire Employees' Retirement Plan currently used a 7.8 percent assumed investment rate of return (ROR). Based on capital market projections and the plan's asset allocation, the expected long-term ROR was around 6.5 percent. Mr. Little needed the Board's direction as to the ROR to use for the 2020 valuation report. He recommended a downward adjustment in the ROR as much as possible. Mandated changes to the mortality tables would, most likely, slightly reduce the city's cost. Mr. Little was cognizant of the challenges facing board sponsors (i.e., City of Rockledge) due to budgetary uncertainty from the pandemic.

Mr. Grumbles (AndCo Consulting) reiterated Mr. Little's comments about long-term market projections and reminded the board that the assumed ROR did not necessarily envision a year-to-year return but an expectation of returns over the ensuing 10 to 15 years. Equity markets were at an all-time high; fixed income returns were historically low. These factors worked to lower future return assumptions. He certainly favored a reduction to the assumed ROR. At the February 2021 meeting, Mr. Grumbles would present an asset allocation study to illustrate these long-term market projections.

While understanding the goal to reduce the assumed ROR, City Manager Fettrow implored the Board to maintain the current assumed rate of return (7.8%). There was uncertainty going forward into the next year and the city did not want to incur any additional expense.

Member Syfrett favored a reduction of the assumed ROR by ten basis points.

Member Mulkey moved to reduce the assumed ROR by five basis points to 7.75 percent. Member O'Neill seconded the motion which carried on an all-yes vote.

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

Attorney Harrison advised that Governor DeSantis did not extend the executive order suspending the statutory requirement for a physical quorum to be in attendance for meetings of local government agencies and authorizing the continued use of virtual meeting forums. However, he went on to mention that the board did have the authority to determine that there were extenuating circumstances and to allow a member to attend and vote virtually (provided a physical quorum was present).

Report: Plan Administrator (Karan Rounsavall)

Ordinance No. 1793-2020 recognizing changes to the plan document, specifically the Internal Revenue Code section pursuant to the SECURE Act

Mrs. Rounsavall advised that the Rockledge City Council adopted the subject ordinance at its regular meeting on November 4, 2020. She forwarded the ordinance to the Division of Retirement as required.

Educational Opportunity

Florida Public Pension Trustees Association (FPPTA) recently cancelled its Winter Trustee School due to pandemic concerns. FPPTA was looking at several options to provide education to trustees including virtual classes and hybrid (in-person/virtual) sessions.

The next quarterly meeting was scheduled for February 19, 2021.

PUBLIC COMMENT

ADJOURN

The meeting adjourned at 10:27 a.m.

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Jeptha Sunday, Chairman