

# ROCKLEDGE GENERAL EMPLOYEES' RETIREMENT BOARD MEETING MINUTES

Friday, November 20, 2020

## CALL TO ORDER

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

MEMBERS ABSENT: Alexandra Bernard, Resident Member (excused – ill)

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 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 August 21, 2020

*Member Harris moved to approve minutes of the August 21, 2020 quarterly meeting as submitted. Member Molony 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 had been discussed for 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.

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

*The Retirement Board directed 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) 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, 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 for converting these documents to the plan administrator as a guide for future postings of agendas and minutes.

*Member Molony moved to authorize the retirement board to absorb the actuary's cost of remediating the annual valuations for posting on the city's website as statutorily required (approximate cost - \$200). Member Harris seconded the motion which carried unanimously.*

**NEW BUSINESS**

Approve schedule for quarterly meeting dates in 2021: February 19, 2021, May 21, 2021; August 20, 2021; November 19, 2021 at 3:00 p.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 Harris moved to approve the 2021 quarterly meeting schedule as presented. Member King 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 Harris moved to renew membership in FPPTA for the Rockledge General Employees' Retirement Board for 2021. Member King seconded the motion; it carried unanimously.*

Consider acceptance of line-of-duty disability application submitted by Wayne Siegel

Board members were in receipt of a line-of-duty disability application submitted by Wayne Siegel along with the adopted procedure for disability determination. The first step was to formally accept the application and authorize the attorney to gather medical records and schedule an independent medical exam. Mr. Siegel attended the meeting. He was not represented by legal counsel.

Attorney Harrison noted that both the disability application and physician's report stated that Mr. Siegel had not attained maximum medical improvement (MMI) for his disabling condition. As such, Mr. Siegel's application for line-of-duty disability was untimely and incomplete. If the applicant's condition worsened to the point that physicians concluded that he had attained MMI, Mr. Siegel could resubmit his application for the board's consideration.

*Member Harris moved to deny acceptance of Mr. Siegel's line-of-duty disability application as he had not yet reached MMI as required by the plan document. Member King seconded the motion which carried on an all-yes vote.*

**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 quarter ended September 30, 2020. It was an excellent quarter. 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 \$18,986,737 up from \$18,037,472 for the previous quarter ended June 30, 2020. On a percentage basis, the composite portfolio was up 6.27 percent for the quarter (gross) which ranked in the 12<sup>th</sup> percentile of public plans. For Fiscal Year 2019/2020, the fund was up 11.33 percent (ranking in the 12<sup>th</sup> percentile of public plans). The trailing three-year and five-year returns were also positive exceeding the assumed rate of return.

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 9.21% (29)\**

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

*Garcia Hamilton & Associates (domestic fixed income) – positive return of 0.47% (89)\**

*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)

Chairman Laughlin commended Mr. Grumbles and the AndCo team on its performance.

*Member Harris moved to accept the performance report as presented. Member Molony 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 General 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. Other public pension plans were reducing their return assumptions by 10 to 25 basis points. Earlier the Fire Retirement Board voted to reduce its assumed ROR by five basis points from 7.8 to 7.75. 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 projected a four percent return on stocks going forward. Likewise, he favored a reduction to the assumed ROR. At the February 2021 meeting, Mr. Grumbles would prepare an asset allocation study to illustrate these long-term market projections.

Chairman Laughlin reminded board members of numerous past discussions about lowering the investment ROR by ten basis points annually to lessen the year-to-year fiscal impact on the City's budget. Personally, he recommended a 20-basis point reduction to the Retirement Plan's assumed ROR. There would always be budget issues and never enough money. Member Molony also recalled prior discussions about reducing the assumed ROR by ten basis points each year. She was sympathetic to fiscal unknowns but strongly supported continued reduction in the ROR.

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%) and if lowered, to only contemplate five basis points. There was uncertainty going forward into the next year and every dollar mattered.

Finance Director Matthew Trine asked about the pay raise assumption used in the valuation. Mr. Little advised it was currently at six percent. The Board might want to consider an experience study to true up assumptions. It was his recollection that the Rockledge retirement plans had never done an experience study.

*Chairman Laughlin moved to reduce the assumed ROR to be used for the 2020 valuation by ten basis points. Member Molony seconded the motion.*

Member Harris did not feel this was the year to reduce the ROR by ten basis points; the most she could support was five basis points. Chairman Laughlin favored a reduction of 20 basis points.

*The motion failed with Members Harris and King voting no (two yes – two no vote).*

*Member Molony then moved to reduce the assumed ROR by five basis points. Chairman Laughlin 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)

Acknowledge receipt of Retirement Fund expenditures and receipts for fourth/final fiscal quarter (ending September 30, 2020)

Plan expenditures for the final quarter of Fiscal Year 2019/2020 (July 1, 2020 through September 30, 2020) were \$23,952.68. Receipts to the plan for that same fiscal quarter were \$79,874.07. Total disbursements for the quarter were \$266,924.13 and included monthly benefit payments, self-directed DROP payments, and refund of contributions in addition to plan expenses (Reference Plan Administrator's memorandum dated October 16, 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.*

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 4:48 p.m.

Submitted by:

Approved by:

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Karan Rounsavall, Plan Administrator

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Brian Laughlin, Chairman