

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

Friday, August 20, 2021

CALL TO ORDER

The Rockledge Fire Employees' Retirement Board held its quarterly meeting on Friday, August 20, 2021 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
Thomas "Pat" O'Neill, Resident Member
Kevin Jarvis, Resident Member

CONSULTANTS/STAFF: Marcus Braswell, Board Attorney - Sugarman & Susskind*
Chad Little, Actuary - Freiman Little Actuaries
Tyler Grumbles, Investment Consultant – AndCo Consulting
Christine McGraw, Recording Secretary**
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. *Attorney Braswell attended meeting via video conferencing hosted by the City of Rockledge. **Plan Administrator Karan Rounsavall was unable to attend due to an out-of-state family funeral.

APPROVAL OF MINUTES

Quarterly Meeting of May 21, 2021

Member Syfrett moved to approve minutes of the May 21, 2021 joint quarterly meeting as submitted. Member O'Neill seconded the motion which carried unanimously.

OLD BUSINESS

Status of discussions with Nationwide Retirement Solutions as an alternate provider of self-directed DROP accounts for retirees

City Manager Brenda Fettrow advised that this matter was still pending review. It was appropriate to defer once again to the next quarterly meeting.

NEW BUSINESS

Consideration of draft funding policy recommended by Actuarial Assumptions Sub-Committee

At the May 21, 2021 joint quarterly meeting, the retirement boards voted to convene a sub-committee with one representative from each retirement board, along with city staff and board consultants, to discuss and develop a funding policy recommendation. Ongoing discussions as to the rate-of-return investment assumption over the course of numerous meetings drove the creation of this sub-committee which met several times since the prior meeting and recommended adoption of the funding policy currently before the board.

Actuary Chad Little reviewed the proposed funding policy. The policy reiterated current practices including funding commitment, funding target cost, cost method, asset smoothing over a five-year period and treatment of excess contributions as a prepaid contribution (unless directed otherwise by the city).

The policy emphasized that development of actuarial assumptions was the board's responsibility. At its last meeting, each retirement board authorized the actuary to conduct an experience review of the plan's assumptions. The results of this experience review would be explored later in the meeting. In accordance with the proposed policy, the newly formed sub-committee would review results of the experience review in detail and discuss the impact of implementation and use in the October 2021 annual valuation.

As to the rate-of-return investment assumption, the sub-committee recommended a long-term target of 7.25 percent which would be achieved over a five-year period by decreasing the return assumption by ten basis points each year. The policy proposed that the assumption sub-committee meet annually to discuss any potential recommendations to the retirement board (including return assumption) prior to the fourth quarterly meeting of the calendar year. This timing allowed for fiscal year investment results to be available.

Member Jarvis moved to approve the funding policy as recommended by the Actuarial Assumptions Sub-Committee. Member Syfrett seconded the motion which carried unanimously.

Approval of administrative expense budget for Plan Year 2021/2022

The Retirement Board was in receipt of the proposed budget for Plan Year 2021/2022 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 2021/2022 was \$113,000 which was somewhat more than the adopted budget for 2020/2021. However, estimated expenses for Fiscal Year 2020/2021 were currently less than budgeted.

The proposed budget included an anticipated fee increase for AndCo Consulting. No fee increases were proposed for any other of the retirement plan's professional service providers.

Member Syfrett moved to approve the proposed budget for Plan Year 2021/2022 in the amount of \$113,000 as presented. Member Jarvis seconded the motion; it carried on an all yes vote.

Acknowledge Division of Retirement's approval of 2020 annual report for Rockledge Fire Employees' Retirement Plan

Actuary Little advised that approval of the annual report was a prerequisite for receipt of State premium tax revenues. *The Board acknowledged receipt of the July 27, 2021 approval letter accordingly.*

Acknowledge pending receipt of 2020 premium tax distribution from the State of Florida

The Fire Retirement Plan anticipated premium tax revenues in the amount of \$185,589.78. Upon receipt, these funds would be deposited promptly into the retirement fund.

Ratify travel expense reports/reimbursements for trustee attendance at the FPPTA Annual Conference in Orlando

Expense reports included registration fees, hotel accommodations, mileage and meals in accordance with the retirement plan's approved travel policy

Member Syfrett moved to ratify travel expense reports as set forth below:

<i>Trustee Ed Syfrett -</i>	<i>\$1,453.16</i>
<i>Trustee Jeptha Sunday -</i>	<i>\$1,465.00</i>
<i>Trustee Mike McCaleb -</i>	<i>\$1,527.16</i>

Member O'Neill seconded the motion and it carried unanimously.

Approve ten-year installment payment schedule for Rubet Cadet who wished to purchase four years of military service

Pursuant to the plan document, a participant could purchase eligible military service and receive credit for that time upon full payment and vesting in the plan. The plan document further provided that the participant could make installment payments through payroll deductions as approved by the Retirement Board. Mr. Cadet wished to purchase four years of prior military service on a ten-year payroll deduction schedule with 260 bi-weekly payments of \$179.56.

Member Syfrett moved to approve the ten-year installment payment schedule for Mr. Cadet. Member Jarvis 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 June 30, 2021

Mr. Grumbles presented the performance report and economic commentary for the quarter ended June 30, 2021. Equity markets experienced strong returns for the quarter with the S&P 500 boasting an 8.5 percent return due to the ongoing distribution of vaccines and continued reopening of state and local economies. With interest rates falling during the quarter, growth-oriented stocks resumed market leadership ahead of value stocks. There were also convincing positive returns in international equity markets. The portfolio was ahead of its benchmark and its peer group for the quarter.

Mr. Grumbles advised that the portfolio received its capital call for infrastructure as of July 1, 2021. The infrastructure position was funded from domestic equities. He also noted that Garcia Hamilton (domestic fixed income) continued to lag the benchmark. In anticipation of rising interest rates, GHA had pulled back on its exposure to corporate bonds and increased exposure to treasuries. If underperformance continued, Mr. Grumbles recommended that GHA attend a future meeting to discuss its investment strategy.

The ASB/Allegiance real estate fund also underperformed on a longer-term basis. ASB was a more conservative real estate manager with greater emphasis on office/residential properties than its peers. *Mr. Grumbles recommended that ASB attend the next meeting of all three boards to discuss performance concerns.*

All asset classes in the portfolio were within their target ranges. No rebalancing was needed.

Total market value as of June 30, 2021 was \$15,390,356 up from \$14,764,083 for the previous quarter ended March 31, 2021. On a percentage basis, the composite portfolio was

up 5.68 percent for the quarter (gross) which ranked in the 35th percentile of public plans. Fiscal year to date, the fund was up 20.58 percent (ranking in the 46th percentile).

The board accepted the performance report as presented.

Proposed revisions to Investment Policy Statement (IPS) increasing allocation to alternative investments

Given that fixed income/bonds were expected to only return two percent over the next 10 to 15 years (based on capital market projections), Mr. Grumbles recommended that the board look for alternative investments that could enhance this space. His specific recommendation was a 10 percent decrease to the domestic fixed income asset class from 17.5 percent to 7.5 percent and an increase to alternative investments (i.e., real estate and infrastructure) from 15 percent to 25 percent.

Member Syfrett moved to adopt the revised IPS which changed target allocations as recommended by the consultant as set forth above. Member O'Neill seconded the motion; it carried unanimously.

In accordance with the revised IPS and consultant's recommendation, Member Jarvis moved to increase the portfolio's commitment to the Brookfield Super-Core Infrastructure Fund to ten percent but to hold off on any additional commitment to real estate pending the presentation from ASB at the next quarterly meeting. Member McCaleb seconded the motion which likewise carried unanimously.

Request for fee increase effective October 1, 2021

Mr. Grumbles thanked the Rockledge Fire Retirement Board for the continued opportunity to serve as its investment consultant. AndCo provided institutional investment consulting services on a hard dollar, full retainer, flat-fee basis for its clients.

The existing annual fee was \$19,500; the proposed fee was \$21,500 which expressed as a percentage of current plan assets was 15 basis points. The proposed fee also included an automatic annual escalator of two percent. The retainer fee included all components of AndCo's consulting services and was guaranteed for three years. The fee increase was effective as of October 1, 2021.

City Manager Fettrow voiced her support for the fee increase stating that AndCo had done an excellent job for the retirement plans.

Member O'Neill moved to approve an annual fee of \$21,500 with a two percent annual escalator (guaranteed for three years) for AndCo Consulting effective October 1, 2021. Member Syfrett seconded the motion which carried on an all yes vote.

The attorney would prepare an appropriate addendum to AndCo's contract reflecting the new fees.

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

Results of experience review to determine appropriate actuarial assumptions

Actuary Chad Little explained that the purpose of an experience review was to compare assumptions to actual experience in the retirement plan. Board members were in receipt of the review which presented a comparison of plan experience from October 1, 2010 through October 1, 2020. Mr. Little reviewed key assumptions and recommended revisions as outlined below:

Termination Assumption – No change recommended.

Retirement Assumption – No change recommended.

Disability Assumption – No change recommended.

Mortality Assumption - Statutes dictated the use of the mortality tables used by the Florida Retirement System. This assumption was reasonable for purposes of the actuarial valuation.

Individual Salary Increase Assumption – Recommended revision to increase this assumption to 6.0 percent per year for 0 to 10 years of service and 4.5 percent per year at service levels over ten years.

Total Salary Increase Assumption – No change recommended.

Net Investment Return Assumption – The retirement plan recently reduced its assumed investment rate of return to 7.75 percent. Using current long-term capital market projections, a 7.75 percent return was not anticipated to be achieved over the next 10 to 20 years. Given the positive investment returns anticipated for the current fiscal year, he recommended discussion to reduce the current return assumption even further.

Mr. Little went on to review the fiscal impact of the recommended assumption changes on (1) present value of benefits; (2) unfunded accrued liability and funded status; (3) normal cost; and (4) minimum required contribution.

No board action on the experience review and recommended assumption changes was necessary at this time. *Pursuant to the funding policy just adopted, the experience review and all assumptions would be presented to and reviewed by the Actuarial Assumption Sub-Committee in advance of the November quarterly meeting. The sub-committee's recommendation on same would then be presented to the retirement board for its approval.*

Authorize revision to Summary Plan Description (SPD) to reflect increase in multiplier for participants hired after October 1, 2012 from 2.75% to 3.0%

Actuary Little explained that the multiplier increase represented a substantive change to retirement plan benefits. As such, it was necessary to publish an updated SPD for distribution to plan participants and new hires.

Member Syfrett moved to authorize the actuary to prepare the revision. Member Jarvis seconded the motion and it carried on an all yes vote.

Report: Board Attorney (Marcus Braswell, Sugarman & Susskind)

As the State Legislature was not in session during the past quarter, there was no legislative update to report. As a question was raised earlier in the meeting, Mr. Braswell elaborated on the “prudent investor rule.” Diversification was considered prudent.

Status of request for quotes for plan administrator

In the absence of Plan Administrator Rounsavall, Member McCaleb moved to defer discussion of plan administrator quotes until the November meeting. Member Jarvis seconded the motion; it carried.

Report: Plan Administrator (Christine McGraw)

Educational Opportunities:

- ✓ Florida Public Pension Trustees Association (FPPTA) fall trustee school (October 3-6, 2021 in Ponte Vedra Beach).

- ✓ Annual Police Officers' & Firefighters' Pension Conference (November 3-5, 2021 in Orlando)

Member McCaleb moved to authorize attendance for any trustee pursuant to the adopted travel policy. Member Jarvis seconded the motion which carried unanimously. If anyone was interested in participating, they were to contact the Plan Administrator.

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

PUBLIC COMMENT

ADJOURN

The meeting adjourned at 10:16 a.m.

Submitted by:

Approved by:

Karan Rounsavall, Plan Administrator

Jeptha Sunday, Chairman