

**CITY OF WEST MELBOURNE
POLICE OFFICERS' RETIREMENT BOARD
JULY 27, 2022**

The West Melbourne Police Officers' Retirement Board held its quarterly meeting on Wednesday, July 27, 2022 in the City Council Chamber, 2285 Minton Road, West Melbourne, Florida.

MEMBERS PRESENT: Chairman Scott Morgan (resident member)
Secretary Jennifer Curran (police member)
Pat Bentley (resident member)
James Parsons (police member)

CONSULTANTS: Pedro Herrera, Board Attorney – *Sugarman, Susskind...**
Kerry Richardville, Consultant – *AndCo Consulting*
Karan Rounsavall, Plan Administrator

CITY STAFF: Margi Starkey, Finance Director*

Chairman Morgan called the meeting to order at 9:08 a.m. A quorum was in attendance. Note: There was a vacancy on the board for a fifth member due to the June 23, 2022 resignation of William Paz. Virtual presence – attended meeting via communications media technology (Zoom platform hosted by the City of West Melbourne).

APPROVAL OF MINUTES

Member Curran moved to approve minutes of quarterly meeting April 27, 2022 and special meeting June 8, 2022 as submitted. Member Parsons seconded the motion; it carried unanimously.

OFFICER AND TRUSTEE REPORTS - None

PROCESSED DISBURSEMENTS/RECEIPTS

Member Curran moved to approve plan expenditures for the third quarter of Fiscal Year 2021/2022 (April 1, 2022 through June 30, 2022) in the amount of \$21,972.15 and to acknowledge receipts to the plan in the amount of \$144,499.51 (Reference Plan Administrator's memo dated July 5, 2022 for detail.) Member Parsons seconded the motion which carried on an all-yes vote.

Total disbursements during the quarter were \$229,266.68 which included monthly benefit payments to retirees in the amount of \$165,390.33, refund of employee contributions (\$41,904.32), and expenses noted above.

PRESENTATIONS

A. Presentations from two short-listed actuarial firms as directed at special meeting on June 8, 2022

- **Foster & Foster** – Patrick Donlan, Senior Consulting Actuary

Mr. Donlan provided an overview of Foster & Foster (F&F) emphasizing that the firm was headquartered in Ft. Myers but had a national presence with great depth due to the acquisition of several other actuarial firms across the country. F&F represented over 200 local governmental pension plans across the state, most of them being police and fire plans. F&F had provided actuarial services to the West Melbourne Police Retirement Plan since 2013. Mr. Donlan had been the consulting actuary to the Plan since the inception. He particularly appreciated the opportunity to work with trustees,

service providers and staff of West Melbourne. It was the philosophy of F&F to “treat every client as if they were the only client.”

Mr. Donlan was aware of the Board's concern with keeping its operating costs low. He noted that the \$750 charge for share account reconciliation was the lowest of all F&F clients. He went on to advise that F&F was improving annual member statements provided to participants that would more accurately project estimated retirement benefits, including supplements and COLAs (if applicable). Benefit calculation forms were also being revised to provide an explanation of options.

Mr. Donlan thoroughly appreciated the relationship with the West Melbourne Police Retirement Board and welcomed the opportunity to continue to provide actuarial services. If there was anything that the Board would like to see done differently, he would be glad to do so.

- **GRS Retirement Consulting** – Peter Strong and Peter Tramont

Mr. Strong introduced himself as the lead consultant to the West Melbourne Police Retirement Plan should GRS be selected. Mr. Tramont would serve as senior analyst. GRS was the largest actuarial firm in the nation specializing in pension plans and OPEB. GRS maintained an office in South Florida and represented over 120 Florida pension clients. It was noted that GRS (Gabriel Roeder Smith) served as the plan's actuary prior to 2013.

Having reviewed the latest valuation for West Melbourne Police, Mr. Strong commended the board on its low city contribution rate and its funded ratio of 98.9 percent. With a current investment return assumption of 6.65 percent, this retirement plan was definitely ahead of the curve compared to other public safety plans throughout the state. As to managing future volatility, Mr. Strong suggested that the board consider creating a stabilization fund/credit balance. Another suggestion included reducing the amortization period.

Addressing questions from the board, Mr. Strong indicated that there would not be any concern with producing the annual valuation for review by the end of January. GRS could also help with unfunded OPEB plan accounting.

Discussion ensued among board members. The presentation from GRS was more impressive than F&F and the consultants offered suggestions for improving the plan. However, the board had never been unsatisfied with F&F and liked Patrick Donlan's style and ability to explain the valuation report. From a cost perspective, both firms proposed similar fees.

Investment Consultant Kerry Richardville and Attorney Pedro Herrera had positive experience working with both firms. They did not feel that the board could make a wrong decision selecting either firm.

Chairman Morgan felt that a “new set of eyes” might help the retirement board do a better job and discover value added opportunities. He emphasized that he was not unhappy with Mr. Donlan of F&F. At this time he was learning toward GRS.

Member Bentley moved to select GRS as the actuarial consultant for the West Melbourne Police Retirement Plan with an effective date of October 1, 2022. Member Curran seconded the motion which carried unanimously.

Attorney Herrera would provide the required 30-day notice of termination to F&F and prepare the actuarial services agreement with GRS with fees as set forth in the GRS proposal. The GRS proposal did not include a fee for share plan reconciliation. *It was the board's consensus to include a \$750 fee for this work.*

The meeting recessed at 10:15 and reconvened at 10:18 a.m.

CONSULTANT REPORTS

A. Kerry Richardville – AndCo Consulting (Investment Consultant)

- Performance Report for quarter ended June 30, 2022

Mrs. Richardville presented the investment performance report and economic commentary for the quarter ended June 30, 2022. She was pleased to announce that AndCo received the Greenwich Quality Leader Award for mid-sized consulting firms.

It was yet another challenging quarter with equities down across the board. The declines were fueled with worries about rising inflation, sharply higher interest rates and continued geopolitical events. Fixed income was down ten percent and small cap equities were down over 25 percent for the trailing 12 months. Real estate returns remained positive. All asset classes remained within their target ranges; there was no recommendation for rebalancing at this time but it might be necessary to rebalance real estate holdings at the next meeting.

Total market value as of June 30, 2022 was \$18,670,993 down from \$20,576,517 for the previous quarter ended March 31, 2022. On a percentage basis, the composite portfolio was down -8.88 percent for the quarter (gross) ranking in the 24th percentile of public plans which outperformed the fund policy. For the fiscal year, the fund was down -9.55 percent ranking in the 29th percentile. Returns over a longer time spreads were in the top quartile.

With the expected receipt of state premium tax monies in the next few weeks, it was board consensus to invest these funds in accordance with standing instructions to the custodian.

Member Bentley was interested in exploring near-term investment opportunities given the volatility of markets. Mrs. Richardville would provide a report at the next meeting.

The Retirement Board acknowledged receipt of the performance report as presented.

B. Pedro Herrera – Sugarman, Susskind, Braswell & Herrera (attorney)

- Clarification of Section 34-77 of plan document as it relates to benefit payable in the event of pre-retirement death

During the quarter, the retirement plan sadly experienced an active participant's death. There was some question as to interpretation of the plan document as it related to options available to the beneficiary. Attorney Herrera advised that the calculation of a 50

percent joint and survivor benefit was correct and in accordance with the referenced section. Actuary Patrick Donlan shared this interpretation.

Mr. Herrera went on thank the board for its business and commend trustees on being among the most professional and educated of their clients.

From a legislative standpoint, there was nothing to report.

C. Karan Rounsavall - Plan Administrator Report

- Refund of member contributions for Karl Martezian (non-vested member) in the amount of \$16,050.84
- Refund of member contributions for William Paz (non-vested member) in the amount of \$13,086.56

Member Bentley moved to acknowledge the refunds as stated. Member Curran seconded the motion; it carried on an all-yes vote.

Mrs. Rounsavall noted that all trustees timely filed their financial disclosure statements.

OLD BUSINESS - None

NEW BUSINESS

A. Approval of administrative expense budget for Plan Year 2022/2023 in accordance with *Florida Statutes*

The Retirement Board was in receipt of the proposed budget for Plan Year 2022/2023 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 2022/2023 was \$93,287.

Mrs. Rounsavall reviewed individual line items in the proposed budget. It included projected increases for actuary, custodial services, and plan administration. Mrs. Rounsavall stated that she was not requesting a fee increase for her services but was contemplating retirement in the foreseeable future. As such, she included additional funding guidance in the proposed budget consistent with amounts awarded in recent plan administration proposals for other retirement plans.

Administrative costs for the retirement plan continued to be very modest. In fact, the plan was currently under budget for Fiscal Year 2021/2022 based on estimated expenses of \$75,408. The adopted budget for Fiscal Year 2021/2022 was \$84,433.

Board members expressed appreciation for Mrs. Rounsavall's service as plan administrator. *Member Bentley moved to increase her monthly fee from \$1,400 to \$1,600 effective August 1, 2022. Member Curran seconded the motion which carried unanimously.* Attorney Herrera would prepare an appropriate revision to her agreement for plan administration services.

Member Parsons then moved to approve the administrative expense budget for Plan Year 2022/2023 in the total amount of \$93,287. Member Curran seconded the motion; it carried on an all-yes roll vote.

The adopted budget would be presented to the West Melbourne City Council (plan sponsor), posted on the City's web site, and provided to plan members.

- B. Florida Division of Retirement's approval of 2021 Annual Report for the West Melbourne Police Officers' Retirement Fund

The Board acknowledged the Division's approval of the 2021 Annual Report. State monies would be deposited into the Retirement Fund upon receipt thereof.

- C. Acknowledge Christina Navedo's election of beneficiary retirement in accordance with pre-retirement death plan provision (50 percent joint & survivor)

Member Curran moved to acknowledge receipt of Christina Navedo's pre-retirement death benefit. Member Parsons seconded the motion which carried unanimously.

- D. Discussion related to fifth member vacancy created by resignation of Trustee William Paz

There was a vacancy on the retirement board for a fifth member (term expiring November 2022). Member Jennifer Curran currently served as an elected police trustee. She was retiring as a police officer in the next month and would no longer be eligible to serve as a police trustee. However, Member Curran was interested in continuing to serve on the retirement board and could do so if appointed as its fifth member.

Member Parsons moved to appoint Member Curran as its fifth member upon her official resignation/retirement as a police officer to fulfill the current term. Member Bentley seconded the motion which carried on an all-yes vote.

Member Curran thanked the board for its vote. At the next meeting, Member Curran would be presented for reappointment for a new four-term term as fifth member.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 11:18 a.m.