

GENERAL EMPLOYEE PENSION PLAN COMMITTEE MINUTES
Wednesday, February 26, 2020 3:00 PM
City Hall Council Chambers, Vero Beach, Florida

PRESENT: Monte Falls, City Manager; Tammy Bursick, City Clerk; Cindy Lawson, Finance Director; Gabrielle Manus, HR Director; John Turner, City Attorney. **Also Present:** Glenn Thomas, Committee Attorney; Kathy Taube, Risk & Benefits Administrator.

1. CALL TO ORDER

Mr. Falls called the meeting to order at 3:04 p.m.

2. APPROVAL OF MINUTES

Mrs. Bursick made a motion to approve the minutes of the November 14, 2019 meeting. Ms. Manus seconded the motion and it passed unanimously.

3. AGENDA ADDITIONS, DELETIONS & ADOPTIONS

The following items were requested to be added to today's agenda:

Added as 5C: Prudential Private Placement Fund Amendment

Added as 5D: Glenn Thomas - Rate Update for 2020

Ms. Manus made a motion to accept the changes to the agenda. Ms. Bursick seconded the motion, and it passed unanimously.

4. PUBLIC COMMENT

None

5. NEW BUSINESS

A. Prudential – December 31, 2019 Quarterly Investment Review

Full report on file at City Clerk's Office.

Mr. Dean Molinaro, Vice President, Investment Strategy of Prudential, presented the Quarterly Investment Review:

4th Calendar Quarter Return (1st Fiscal Quarter) 5.22%

Plan Year (Fiscal) Return 5.22%

1 year return 20.91%

3 year return 9.69%

5 year return 7.48%

10 year return 8.93%

Assets as of the end of September total \$100,204,493

Distribution of assets is overweight equities:

59.73% Traditional Equities (Diversified between Large, Mid & Small Cap US, and an allocation to Non-US Emerging Markets will develop)

4.96% Real Estate

35.31% Fixed Income

The following transfers will be implemented over a two month period beginning February 3rd, 2020 to rebalance the portfolio:

From:

| | |
|-------------|---|
| \$1,390,000 | Dryden S&P 500 Index |
| \$235,000 | Large Cap Growth / JPMorgan Inv Mgmt Fund |
| \$200,000 | International Blend / AQR |
| \$135,000 | QMA Mid Cap Quant Core Equity |
| \$90,000 | Emerging Markets Equity / QMA Fund |
| \$70,000 | Small Cap Growth / TimesSquare # |
| \$65,000 | Large Cap Value / Wellington |
| \$55,000 | Small Cap Value / Silvercrest Asset Mgmt Fund |

To:

| | |
|-------------|-----------------------------------|
| \$1,600,000 | Core Bond/ PGIM Fund |
| \$600,000 | Prudential Short-Term |
| \$400,000 | Real Estate / Cohen & Steers Fund |

All managers are in good standing and not on a watch list.

B. Review and Approval of the 10/1/19 Actuarial Valuation Report from Segal

Mr. Malichi Waterman of Segal Consulting presented the 10/1/19 Actuarial Valuation Report. Full report is on file with the City Clerk's Office.

Ms. Lawson pointed out that the desired result of mostly eliminating the electric utility's portion of unfunded liability was successfully achieved by depositing additional funds over 3 quarters (approximately \$8.8mm total), received as a result of the electric utility sale, nearly equal to the amount of the electric utility's unfunded liability.

The unfunded actuarial accrued liability of \$18,123,557 is a decrease of \$9,854,014 since the prior valuation.

The funded ratio (the ratio of the value of assets to accrued liability) using the actuarial value is 83.94% vs 75.04% prior year. The funded ratio using market value is 85.42% vs 78.39% prior year.

The actuarially determined contribution for the upcoming year is \$3,069,174, a decrease of \$1,209,810 from last year.

The actuarial loss from investment and other experience is \$2,590,635, or 2.26% of actuarial accrued liability.

The net experience loss from sources other than investment experience was 2.76% of the actuarial accrued liability. The loss was primarily due to a combination of cost-of-living adjustments in 2018 and 2019 greater than expected and more retirements than expected.

The rate of return on the market value of assets was 4.56%. The return on the actuarial value of assets was 7.18%. This resulted in an actuarial gain when measured against the assumed rate of return of 6.50%. This gain decreased the employer contribution rate by \$96,917.

Ms. Lawson made a motion to accept the valuation. Ms. Bursick seconded, and it passed unanimously.

C. Prudential Private Placement Fund Amendment

This fund is invested in securities whereby Prudential is loaning money directly to organizations that are looking to borrow money. The notion of this portfolio is that it is “buy and hold” and that Prudential, by being able to control the covenants of the loan negotiations, is able to command a slightly higher rate and shorter duration on the portfolio. This is how the underlying securities in the fund are being invested.

Ms. Lawson commented that her understanding is that Prudential performs due diligence to ensure that these loans are highly rated and investment grade. Mr. Molinaro explained that these are indeed investment grade and there has never been a downgrade.

Ms. Bursick made a motion to accept the amendment. Ms. Manus seconded the motion, and it passed unanimously.

D. Lewis, Longman & Walker – Update of Hourly Billing Rates for 2020

Lewis, Longman & Walker submitted a revised rate schedule for 2020. Pension attorney Glenn Thomas’ revised rate will be \$300 per hour, up from \$270 per hour. Ms. Bursick made a motion to accept the revised rate schedule. Ms. Lawson seconded the motion, and it passed unanimously.

6. OLD BUSINESS

None

7. ATTORNEY'S MATTERS

None

8. NEXT MEETING DATE – Wednesday, May 6, 2020 at 3:00 p.m.

9. ADJOURNMENT

The meeting was adjourned at 3:54 p.m.

/kft