

On **Thursday, August 5, 2021**, the **RETIREMENT BENEFITS COMMITTEE (RBC)** of the Greater Orlando Aviation Authority met in Conference Room Gemini at the Orlando International Airport (OIA), GOAA Office Annex, 5855 Cargo Road, Orlando, FL. The meeting, having been posted in accordance with the Florida Statutes, was called to order by Chairperson Bond at 12:33 p.m. with a quorum in attendance.

Retirement Benefits Committee Members present:

Kathy Bond, Chairperson, Senior Director of Human Resources and Risk Management  
Tianna Dumond, Vice Chairperson, Director of Internal Audit  
Thomas Draper, Chief Operations Officer  
Luis Olivero, Assistant Director of Airport Affairs  
Pete Pelletier, Director of Information Technology  
Kathleen Sharman, Chief Financial Officer (left at 1:33 p.m.)

GOAA Staff Support present:

Denise Andrews, Human Resources  
Marie Dennis, Finance  
Randy Hudgins, Human Resources  
Kandyce Moss, Recording Secretary, Human Resources  
Amy Pendley, Human Resources

Consultant(s) present:

Colleen Atchison, Foster & Foster (via phone until 12:50 p.m.)  
Jon Breth, AndCo Consulting  
Drew Ballard, Foster & Foster (via phone until 12:50 p.m.)  
Braelen Scott, Foster & Foster (via phone until 12:50 p.m.)

Fund Manager(s) present:

Joshua Hemmert, JP Morgan Asset Management (via phone 1:05 p.m. to 1:32 p.m.)  
Kate Hurley, JP Morgan Asset Management (via phone 1:05 p.m. to 1:32 p.m.)  
Garrett Washenko, JP Morgan Asset Management (via phone 1:05 p.m. to 1:32 p.m.)

### **CONFLICT OF INTEREST**

1. Ms. Bond read the Conflict of Interest Statement noting with regard to today's agenda, please state if you have any conflicts of interest to disclose, whether to your knowledge any person has violated the Aviation Authority's lobbying activities policy for any agenda item, and whether to your knowledge any person has communicated with you contrary to the Florida Sunshine law with respect to today's meeting.  
A roll call was conducted with the RBC and no conflicts were acknowledged.

### **MEETING MINUTES**

2. Ms. Bond asked for the approval of meeting minutes from June 3, 2021.  
**Upon motion by Mr. Draper, second by Mr. Olivero, vote carried to approve the meeting minutes for June 3, 2021.**

### **EXPERIENCE STUDY – DB PLAN and OPEB TRUST**

3. Ms. Bond advised there was additional information provided in the OPEB Trust Experience Study causing a revised report. Ms. Bond asked Foster & Foster to provide a high level review of both the DB Plan and OPEB Trust Experience Studies.

DB Plan Experience Study summary provided by Mr. Ballard:

- Page 11 provides a summary of the Study and the various changes to the current assumptions.
- This was a review of the last ten (10) years of the actual experience that occurred in the Plan relative to what the Actuary has been assuming in the Valuation.

- The decision was made to reduce the expected rate of return from 7.0% to 6.75% effective 10/01/2021 and will be used in processing of the next Valuation. This change results in an increase to the Annual Required Contribution (ARC) and will reduce funded ratio slightly.
- There is the ability to accept all recommended changes or choose one or two changes.
- If all the recommended changes were accepted, the net impact would increase the ARC by approximately \$325,000, the unfunded liability would decrease slightly and the funded ratio would remain the same.
- Changes would be implemented for the Valuation dated 10/1/2021 and will take affect for FY 10/1/2023.

Ms. Sharman commented the report looks good to her.

**Upon motion by Ms. Sharman, second by Mr. Olivero, vote carried to accept the recommended changes to the assumptions for the Defined Benefit Plan Annual Valuation starting with the Valuation dated 10/01/2021.**

OPEB Trust Experience Study summary provided by Ms. Atchinson:

- The OPEB Trust Experience Study was updated to add the change to the ARC for each recommended change.
- The Investment Return is 6.50%, this is slightly lower than the DB Plan as the OPEB Trust is invested differently and has a lower risk tolerance.
- The population in the OPEB Trust is different than the DB Plan; the DB Plan is closed with a much smaller population. The assumptions have to be looked at separately.
- The same assumption, to include salary rates and mortality rates are the same as the DB Plan. In looking at the retirement rates, DC Plan participants retire at a different rate than DB Plan participants.
- Page 17 of the document provides a summary of the changes and the impact. Each one of the recommended change decreases the ARC.
- Normal costs is what drives the contributions to the OPEB Trust Valuation since the Trust is currently fully funded.
- Changes would be implemented for the Valuation dated 10/1/2021.

**Upon motion by Ms. Dumond, second by Mr. Pelletier, vote carried to accept the recommended changes to the assumptions for the OPEB Trust Annual Valuation starting with the Valuation dated 10/01/2021.**

#### **FUND MANAGER PRESENTATION**

4. Fund Manager Representatives from JP Morgan Asset Management, Income Builder, provided a review of their Fund performance, investments and strategy (summary report on file).

#### **QUARTERLY PERFORMANCE REVIEW**

5. Mr. Breth provided an economic and plan performance overview.

#### **DEFINED BENEFIT:**

##### **DB Plan Rebalance:**

Mr. Breth recommends rebalance of the DB Plan to fund the Cash account for benefit payments. Since the end of 2020, the cash account has been funded with approximately \$2.5 million each quarter. The current asset allocation for this Plan is in-line with target. Based on the growth that occurred during last quarter, Mr. Breth recommends funding the cash account with Domestic Equities. The recommendation is to reduce Fred Alger by \$1.5 million and Ceredex by \$1 million to fund the cash account. This is approximately 1½% of the portfolio.

**Upon motion by Mr. Olivero, second by Mr. Draper, vote carried to approve AndCo's recommended rebalance of the DB Plan by reducing Fred Alger by \$1.5 million and Ceredex by \$1 million to fund the cash account.**

Mr. Breth advised there are no concerns with the Fund Managers.

**OPEB TRUST:**

Mr. Breth provided an overview of the OPEB Trust and does not recommend any changes.

Mr. Breth advised when the new assumed rate of return takes affect at the end of the fiscal year, it will be a good time to review the targeted asset allocation.

**DEFINED CONTRIBUTION/DEFERRED COMPENSATION:**

Mr. Breth provided a review of the Funds versus the checklist and does not recommend any changes to the Plan Funds at this time. However, in October Mr. Breth would like to review the Vanguard Index Funds compared to Fidelity. Fidelity has a product that would reduce cost.

**FRED ALGER GUIDELINES**

6. Mr. Breth provided an update to Fred Alger's proposed Investment Guideline changes originally presented at the February 2021 RBC meeting. The changes reflected in the document presented to the RBC include Alger's requested changes:

- Section III, #6: The current guidelines state no more than 5% of the total market value of equity investments shall be invested in the equity securities of any one company. Due to the limitation of no more than 5% of the index, Alger faced performance issues with the Russell 1000 Growth Benchmark. Alger proposed increasing the limit to 10% in any company that represents 10% or less of the Russell 1000 Growth Benchmark and would allow them to own a weight that matches the benchmark in any stock that represents more than 10% of the benchmark. It does not mean that they will immediately go to the 10% but it gives them the flexibility.
- Section III, #8: We added line 8 to allow the use of initial public offerings (IPOs). Mr. Breth stated that Alger has used IPOs since inception. It's not anything that has been mandated or prohibited. Adding this statement delineates that they can use IPOs in their portfolio. This has been addressed in the Investment Policy and shared with the Manager.
- Section III, #2: The other requested change in the document raises the limit of American Depository Receipts (ADRs) from 10% to 20%. After discussion at the February RBC meeting, the decision was to leave at 10%. While it's okay for Alger to invest in ADRs, we don't want it to drive their portfolio.

**Upon motion by Mr. Olivero, second by Mr. Draper, vote carried to adopt the changes to the Fred Alger Guidelines with the exception of item #2, change back to 10% for ADRs.**

At the October RBC meeting, all Fund Manager Guidelines will be reviewed and compared to the recent changes made to the Investment Policies. Mr. Breth advised this will only be for Ceredex, Garcia Hamilton, and Silvercrest as the other Funds are governed by a perspective.

**FUND MANAGER PROXY REPORTS**

7. Mr. Breth advised per the Investment Policies, the handling of proxy voting is delegated to the Fund Managers. It is also their responsibility to provide the RBC with the status of their proxy vote. Mr. Breth has reminded the Managers that they are to submit a report of the proxy votes to the RBC on a quarterly basis.

**STATUS UPDATE**

8. Empower's Acquisition of Prudential's Full-service Retirement Business - Information item. It was recently announced Empower acquired Prudential's retirement business. There is an expectation that you may see more information on this in the future. This may help with scale and should be beneficial to Prudential clients. There should be no impact to GOAA and does not cause any contractual changes on our part.

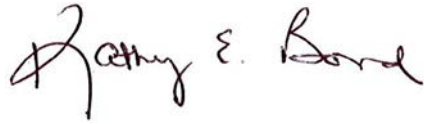
Pension Audit – Ms. Andrews advised a presentation will be made to the next meeting on the results of the Audit.

Investment Policies – The final, approved Policies have been distributed to all required areas including the Division of Retirement, Pension Attorney and Actuary.

Next Meeting – The next meeting is scheduled for October 7, 2021. November's meeting has been rescheduled from November 4<sup>th</sup> to November 3<sup>rd</sup>, 2021.

**ADJOURNMENT**

9. There being no further business to come before the Committee, Chairperson Bond adjourned the meeting at 2:01 p.m.



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Kathy E. Bond, Chairperson



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Kandyce Moss, Recording Secretary