

POLICE PENSION COMMITTEE MEETING MINUTES
March 21, 2018

The Committee meeting was called to order at 3:00 p.m. Committee members present were: John Owens, Brian Peters, Paul Vyhlidal. Absent: Mike Hecker. Other officials present: Bonnie Otte, Assistant/Administrator/Clerk-Treasurer/Budget & Human Resource Director recording the proceedings and Greg Butcher, City Administrator. Presentations and meeting information was presented by Josh Ruhnke of Ameritas.

1. ANNUAL RETIREMENT PLAN INVESTMENT REVIEW AND FUND RECOMMENDATIONS AND ANY ACTION NECESSARY

Josh Ruhnke provided the 2017 Market Overview for the City's Police Officer Pension Plan hi-lighting the areas of total employee/employer contributions, investment by Asset Class, plan demographics, withdrawals, distribution, and asset allocation. (Copies of all reports are attached to the original minutes).

A. 2017 Market Overview

Josh Ruhnke provided a handout showing the annual fund performances. He said overall the market was good. All asset classes posted a positive (and, in most cases, double-digit) returns. Among equities, emerging-market stocks outperformed all others by a large margin, and small U.S. stocks were the weakest. The Federal Reserve raised short-term interest rates three times in 2017. However, all bond categories were still able to deliver healthy returns because the long end of the yield curve was relatively flat in the past year.

With very few exceptions (notably, Israel), all countries enjoyed impressive returns last year. The U.S. is showing no signs of slowing down after a nine-year bull market. Forecasts from the European Commission estimate that the euro area economy is on track to grow at its fastest pace in a decade in 2017, despite the ongoing Brexit process. Notable global challenges remain, however, with growth still weak in many countries and inflation below target in most advanced economies.

Emerging-markets stocks were up more than 35% in 2017, and developed-markets and U.S. stocks more than 20%. Despite similar performance, however, flows data indicates that investors strongly preferred international-equity funds, which suggests a growing tendency to diversify outside the U.S. After wandering in negative return territory for most of the year, commodities finally crossed over and ended 2017 on a positive note.

Broad-market returns have been driven by technology and financials, as they are the largest components in the index. Technology beat out all other sectors in 2017, propelled by solid earnings reports from tech giants Apple, Alphabet (Google), and Facebook. Cyclical sectors fared well, especially consumer cyclical, the sector that Amazon belongs to. Energy was the only sector to end the year with a negative return, despite bouncing back in the last two quarters.

Europe ex U.K. was the best performer among developed economies in 2017, and investors took notice, channeling money into European stocks. Furthermore, experts are anticipating more sustained growth for this region going forward. Emerging markets, overall, had a momentous year Emerging Asia delivered a 39.5% return, with Chinese and Indian stocks surging on continued growth in company profits and economic forecasts.

B. 2017 Annual Plan Review

The overall plan return was 12.91% with an average account balance of \$100,454. Total assets at end of year were \$1.4 million, with 14 participants with a balance. The Guaranteed Fund had a 3.63% rate of return for all new and renewal funds, with 3.0% as the minimum it can earn.

C. Mesirow Fiduciary Service Premier List Review

On the watch list: T. Rowe Price Retirement Advisor Class funds is being watched for investment policy. Mr. Ruhnke stated the policy change is the percentage they are investing in bonds and stocks, small, large and international bonds, corporate investments, etc. For this reason, Mesirow has placed them on watch for the next three quarters.

D. 2017 Initiative: Participant Meetings

One-on-one voluntary sessions were held in November 2017. Bonnie will work with Josh on getting a couple dates set up for individual meetings possibly in June and November, 2018.

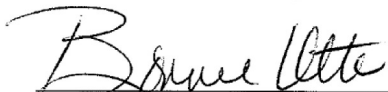
2. INVESTMENT POLICY STATEMENT

Mr. Ruhnke stated the Committee adopted an investment policy in 2013, which is fairly detailed. Since this time, Mesirow Financial was contracted to serve as the 321 Fiduciary to assist the Committee as a resource for investment. He stated an investment policy is not a requirement, but a good tool for the Committee. He proposed a less detailed investment policy that still provided the guidance.

Owens moved, seconded by Peters to accept the revised policy investment statement.

Aye: Vyhldal, Peters, Owens. Nay: None. Absent: Hecker. Motion carried.

The meeting concluded at 4:00 p.m.



Bonnie Otte
Assistant Administrator/
Clerk-Treasurer/
Budget & Human Resources Director