

POLICE PENSION COMMITTEE MEETING MINUTES
March 12, 2019

The Committee meeting was called to order at 3:00 p.m. Committee members present were: Mike Hecker, Brian Peters, Bryce Johnson. Absent: John Owens. 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 2018 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. 2018 Market Overview

Josh Ruhnke provided a handout showing the annual fund performances. Mr. Ruhnke provided the following narrative. Stock markets around the world suffered a long-talked-about correction in the fourth quarter of 2018, ending the year in negative territory. Fixed income had mixed results, with emerging-markets and high-yield bonds posting losses for the year and municipals and U.S. aggregate bonds barely staying positive.

Global Market Barometer: Political unrest, ongoing trade tensions between the United States and China, and concerns about slowing global growth took a heavy toll on most international markets in the fourth quarter. Fourth-quarter losses were severe enough to also drag 2018 returns into negative territory. European returns were affected by Brexit worries and by Italy's disagreement with the European Union over its planned budget deficit.

Trailing 12-Month Performance of Major Asset Classes: All major asset classes experienced elevated volatility during the past year and even more so during the fourth quarter because of geopolitical tensions and rising interest rates in the United States. In the fourth quarter, weakening earnings growth and downward revisions in GDP growth forecasts contributed to a severe stock market correction. After rising somewhat (not without bumps) until October, commodities fell sharply in the last three months of the year, driven by dropping oil prices.

U.S. Sector Performance: All sectors had a disastrous 2018, with two notable exceptions: healthcare and utilities, which are generally considered defensive sectors. Following a plunge in oil prices, the energy sector now ranks among the most attractive. Technology is another area where a sharp drop in shares has rendered a once-overpriced sector more palatable. While the near-term outlook is weak, growing demand for processing power, connectivity, and sensing capabilities in many devices bodes well for the long term.

International Stock Market Performance: Both developed and emerging markets ended the year on a sour note, many of them with double-digit losses. Slowing economic momentum, protests in France, and European Union disagreements about Brexit and Italy's fiscal policy weighted down European returns. Weak growth in China and persistent concerns about the trade war affected Asian stocks. In Latin America, Brazil was the only ray of sunshine; its double-digit returns were driven by optimism following the October general elections.

Asset-Class Winners and Losers: 2018 was the first year since 2008 when seven out of eight asset classes and the moderate portfolio posted negative returns. The only asset class with positive returns was safe government bonds. The riskier stock categories (international-developed and emerging-markets stocks), on the other hand, suffered the greatest losses. Ironically, the worst-performing asset class in 2017 (intermediate-term government bonds) became the best-performing one in 2018.

IMF Expects Global Growth to Slow Over the Next Three Years: The International Monetary Fund's latest forecasts, released in October, show global growth slowing over the coming three years relative to 2015-17 averages. Only the United States is expected to post above-trend growth in 2019 before slowing 2020-21. Monetary tightening among major central banks, a hike in the consumption tax in Japan, an uncertain post-Brexit economic outlook, and trade frictions between China and the U.S. are all expected to impact global growth going forward.

B. 2018 Annual Plan Review

Mr. Ruhnke reviewed the hi-lights of the plan. He stated all employees determined to be full-time police officers are eligible to participate in the plan. Each participant contributes 7% of their wage, with the City matching 7%. Employees are considered 100% vested when they have completed 7 years of service, which is dictated through Nebraska State Statute. The normal retirement age is 60 years of age, with early retirement to be the later of age 55 or the 25th anniversary of the date the employee joined the plan.

He stated the City reviews the plan and investments at least annually, with this being that annual meeting. In 2018, the plan's Investment Policy Statement was updated and one-on-one education/investment meetings were conducted in November.

Total assets in the plan as of December 31, 2018 was \$1,461,488. There were 15 plan participants with a balance. There were zero withdrawals from the plan. The average account balance is \$97,433; the average age of participant is 40 years of age; and the average years of service in the plan is 9 years.

The overall earnings for 2018 was -2.98%; however, by February 28, 2019, the earnings was at 5.89%.

C. Mesirow Fiduciary Service Premier List Review

On the watch list: Invesco Developing Markets Fund - monitoring for performance improvements over three consecutive quarters and Loomis Sayles Investment Grade Bond Fund - monitoring the investment option for style consistency and performance over three consecutive quarters. Mesirow was not recommending any changes to the listing at this time.

Mr. Ruhnke stated Ameritas has these two funds on their watch list, along with Vanguard Real Estate Index Fund for investment strategy. He stated Ameritas will be removing Invesco Developing Markets Fund from their platform some time in 2019, but he did not know the exact date. He stated that he also does not know what will be offered in place of Invesco. He stated the Committee could choose to make changes now in the funds line-up or wait for Ameritas to make the change.

The Committee consensus was to leave the funds line-up as it is and to wait for Ameritas to make any fund changes.

D. 2019 Initiative: Participant Meetings

Mr. Ruhnke stated that 54% of the investments are in the Guaranteed Investment Account, which has a 3% guaranteed minimum return. 41% are in the Target Date and Balance Funds. Mr. Ruhnke stated that Ameritas has not had a Market Value Adjustment for many years; however, with interest rates rising, there is a possibility that a Market Rate Adjustment could happen in this next year.

There was a brief discussion about the T. Rowe Price Target Date Funds. Mr. Ruhnke stated that currently the line-up only has the 10-year increment funds, but the Committee could easily add the 5-year increments as an investment option.

Moved by Hecker, seconded by Peters to add the 5-year increment T. Rowe Price Target Date Funds to the investment options.

Aye: Hecker, Johnson, Peters.

Nay: None

Absent: Owens. Motion carried.

There was additional discussion regarding some on-site educational training at the police department, especially with regard to the investment options and utilization. Mr. Ruhnke stated he would look at some dates in April or May to set up a site visit at the Police Department.

Mr. Ruhnke encouraged all plan participants to set up on-line access to their pension funds and to review their account periodically to monitor any type of fraud on their account.

There was a question as to whether the fees were periodically reviewed at which Mr. Ruhnke stated Ameritas lowered their fees a couple of years ago and they do go through a benchmarking review periodically and adjust fees accordingly to remain competitive.

2. INVESTMENT POLICY STATEMENT

No changes to the investment policy statement that was updated in 2018.

Moved by Peters, seconded by Hecker to adjourn the meeting.

Aye: Johnson, Peters, Hecker.

Nay: None

Absent: Owens. Motion carried.

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