

GENERAL EMPLOYEE'S PENSION COMMITTEE
CITY OF SEWARD, NEBRASKA
MINUTES
March 12, 2019

The Committee meeting was called to order at 1:30 p.m. by Committee Chair Bryan Duer. The committee members present were: Nick Wolf, Bob Miers, Jodie Niebrugge, Alan Cihal, Bryan Duer, Gary Janicek and Ed Gonzalez. Absent: None. Other officials present: Bonnie Otte, Assistant Administrator/Clerk-Treasurer/Budget & Human Resource Director and Greg Butcher, City Administrator. Presentations and meeting information were presented by Josh Ruhnke of Ameritas.

Chairman Duer announced that a copy of the Agenda for this meeting is posted on the north wall of the Municipal Building and copies are available on the north wall where a copy of the Open Meetings Act is also posted for public inspection. The City General Employee's Pension Committee reserves the right to adjust the order of items on this agenda if necessary and may elect to take action on any of the items listed.

1. APPROVE MARCH 21, 2018 GENERAL EMPLOYEE'S PENSION COMMITTEE MEETING MINUTES

Miers moved, seconded by Niebrugge, to approve the minutes as presented.

Aye: Wolf, Miers, Cihal, Janicek, Niebrugge, Gonzalez, Duer

Nay: none

Absent: None. Motion carried.

2. ELECTION OF CHAIRPERSON

Miers nominated Bryan Duer for Committee Chair; seconded by Janicek. No other nominations were made.

Aye: Wolf, Miers, Cihal, Janicek, Niebrugge, Gonzalez, Duer

Nay: none

Absent: None. Motion carried.

3. ELECTION OF SECRETARY

Miers nominated Nick Wolf for secretary, seconded by Janicek. No other nominations were made.

Aye: Wolf, Miers, Cihal, Janicek, Niebrugge, Gonzalez, Duer

Nay: none

Absent: None. Motion carried.

4. INTRODUCTION OF NEW MEMBERS TO THE COMMITTEE

New members to the Committee: Nick Wolf, Alan Cihal, Gary Janicek. Department members remaining as representatives on the Committee: Ed Gonzalez and Bryan Duer. Representatives serve a two-year term.

5. 2018 MARKET OVERVIEW

Josh Ruhnke provided several handouts and fun performance information. 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.

6. 2018 ANNUAL PLAN REVIEW

The Committee adopted an Investment Policy Statement at their annual meeting in March, 2018 and 28 individuals met with Josh for one-on-one education meetings in November 2018. As of December 31, 2018, the Plan had \$4,828,607 in assets, with 46 participants. There were \$265,827 in total contributions; \$29,413 Voluntary Contributions; and \$217,981 in distributions.

The average account balance is \$104,970; the average age of participant is 53 years of age; and, the average years of service is 16 years.

In 2018, the overall earnings was -1.43%; however, as of February 28, 2019, the earnings was up to 4.95%. He stated that prior to 2008, an expected rate of return was around 10-12%. Now, a realistic rate is closer to 6-8%.

Mr. Ruhnke reviewed the hi-lites of the plan. All full-time employees who have completed 6 months of service are eligible to participate in the plan. There is a one-time opt-out. If an employee chooses to not participate at the 6-month date, they can never get into the plan. The employee contributes 6% of wages and the City matches at 6%. He stated the City also offers a 457 Plan, but the City does not match the contribution. A participant is 100% vested when reaching 7 years of participation in the plan. Normal retirement age is 65. Withdrawals cannot be made from the plan unless the employee leaves the plan or upon reaching age 62.

7. MESIROW FIDUCIARY SERVICE PREMIER LIST REVIEW

On the Mesirow watch list: Fidelity Advisor Small Cap and Ivesco Developing Markets (performance), and Loomis Sayles Investment Grade Bond (consistent style). Mr. Ruhnke stated Ameritas also has a watch list. They also have Invesco Developing Markets listed and will be removing it from their platform some time in 2019. He did not know when this would happen and what fund they would use for replacement. Ameritas also has Loomis Sayles Investment Grade Bond (fund manager and investment strategy) and Vanguard Real Estate Index (investment strategy) on the watch list. He said the Committee could take action to change the funds listing at this time, including removing Invesco, or wait for Mesirow and Ameritas to make changes. The Committee briefly reviewed the expense ratios for the funds and alternative funds within the categories of the funds listed on the watch lists. The Committee felt comfortable leaving the funds in the plan at this time.

Mr. Ruhnke stated currently there are 53% of the investments in the Guaranteed Investment Account which pays a guaranteed minimum of 3%. This fund has the potential for a Market Value Adjustment due to rising interest rates. There has not been a Market Value Adjustment for many years but wanted to mention that it could happen in 2019.

8. 2019 INITIATIVE

A. Participant Meetings

Bonnie will work with Josh on getting a couple dates set up for individual meetings possibly in June and November, 2019. A group meeting may be added.

9. MOTION TO ADJOURN

Moved by Gonzalez, seconded by Miers to adjourn the meeting.

Aye: Wolf, Miers, Cihal, Janicek, Niebrugge, Gonzalez, Duer

Nay: none

Absent: None. Motion carried.

Nicholas Wolf
Secretary