

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT CITY HALL ON
TUESDAY FEBRUARY 6, 2018 at 11:00 AM**

I. ROLL CALL: 11:07 AM

A. Employees' Retirement Board:

A meeting was called to order at 11:07 A.M.

Those persons present included:

Trustees: Richard Collier
Evanna Stephenson

Others: Ken Harrison, Sugarman & Susskind
Kerry Dutton, Resource Centers
Tim Nash, And Co
Eric Leventhal, Kabat, Schertzer, De La Torre, Taraboul
& Co

B. Police Retirement Board:

A meeting was called to order at 11:07 A.M.

Those persons present included:

Trustees: Todd Baer, Secretary
Pam Triolo
Corrine Elliott

Others: Ken Harrison, Sugarman & Susskind
Kerry Dutton, Resource Centers
Tim Nash, And Co
Pete Strong & Nick Lahaye, GRS
Eric Leventhal, Kabat, Schertzer, De La Torre
Taraboulos & Co

II. PLEDGE OF ALLEGIANCE

All in attendance said the Pledge of Allegiance.

III. ADDITIONS/ DELETIONS/ REORDERING:

A. Employees' Retirement Board:

Ms. Stephenson requested to add discussion on the board expenditure policy to the agenda.

B. Police Retirement Board:

C. Employees' and Police Officers' Retirement Board:

IV. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board:

C. Employees' and Police Retirement Boards:

1. Continued Discussion of Financial Fee Increase & 2018 PRC Administrative COLA Request

Mr. Baur thanked the Boards for the long standing relationship. He reviewed the financial fee request letter. He stated the overhead and process which takes place for production of the interim financial statements. He stated the interim financial

fee can be separated from the administration fee. Mr. Baer stated his concerns for the substantial fee increase. Mr. Baur explained the size of the plan has no effect on the task of maintaining the financials. There was a discussion on the interim financials being completed by an outside source for the Police Officers' Board and within the City for the General Employees' Board. Mr. Leventhal suggested an outside CPA to perform the interim financial statement. The Board requested a reduction on the interim financial fee. Mr. Baur suggested a break on administration fee instead. The Boards discussed preforming a request for proposal for administration services.

Action: A motion was made by Ms. Elliott and seconded by Mr. Johnson to complete a RFP for administration services for the General Employees' Pension Plan.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Action: A motion was made by Ms. Elliott and seconded by Mr. Baer to complete a RFP for administration services for the Police Officers' Pension Plan.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Both Boards directed the Plan Attorney to handle to RFP process.

V. NEW BUSINESS:

A. Employees' Retirement Board:

1. City request Letter to Engage GRS

Ms. Dutton reviewed the letter form the City requesting the Board permission to work with GRS for current bargaining items. Ms. Elliott confirmed the need for approval to work with GRS.

Action: A motion was made by Ms. Elliott and seconded by Mr. Collier to approve the City's letter to engage GRS.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

B. Police Retirement Board:

1. Presentation by Pete Strong – GRS

a. Actuarial Valuation report as of October 1, 2017

Mr. Pete Strong appeared before the Board to present the actuarial valuation report for as of October 1, 2017. He introduced a colleague, Nick Lahaye, who recently joined the Firm. He reviewed Mr. Lahaye's background. Mr. Strong reported that for the Police Officers' the City's required contributions for FYE 9/30/19 will be \$2,447,263 compared to \$2,226,690 from FYE 9/30/18, an increase of \$220,573. He reported that for the Police Officers' the PBSO required contributions for FYE 9/30/19 will be \$231,986 compared to \$255,265 from FYE 9/30/18, a decrease of \$23,279. He reported that there was a net actuarial experience gain of \$228,349 for the year which means that actual experience was less favorable than expected. The loss is primarily due to demographic experience, including lower then expectant inactive mortality and employment terminations along with more retirements than expected. The demographic experience was slightly offset by investment gains of 7.7% net of reserves which were higher than the 7.45% expected. He stated there is no COLA payable on June 1st based on the cumulative experience gain overall. He reported that the funded ratio this year is 56.2% compared to 55.1% last year. He reviewed the reconciliation of actuarial value of benefits and assets. He reviewed the calculation of employer normal cost as well as the calculation of actuarial value of assets. He reviewed GASB Statement No. 67 and GASB 68 reports. Mr. Strong suggested reducing the assumed rate of return to be more conservative due to the plan being closed. The Board discussed the recommendation. Mr. Strong stated the rate of return is being phased from 7.45% to 7.3%.

Action: A motion was made by Mr. Baer and seconded by Ms. Elliott to lower the assumed rate of return by .15% each year to a target of 6.5%.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Action: A motion was made by Mr. Baer and seconded by Ms. Elliott to reduce the amortization period down to 10 years.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Mr. Strong reviewed the Plan's mortality table, the same table used by FRS. He explained the adjustment of the experience study and noted the cost may show around the 5 year period. He reviewed the phasing in the last year of losses.

Action: A motion was made by Mr. Baer and seconded by Ms. Elliott to accept the Actuarial Valuation Report as of October 1, 2017.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Action: A motion was made by Mr. Baer and seconded by Ms. Elliott to direct the plan administrator to send declaration letter to the State for the Assumed Rate of Return of 7.3%.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

C. Employees' and Police Retirement Boards:

1. **Presentation by Eric Leventhal, CPA**
 - a. **Audited Financial Statements as of October 1, 2017**
 - b. **Representation Letters**

Mr. Leventhal appeared before the Board to present the audit report for the fiscal year ending September 30, 2017. Mr. Gordon reviewed the financial statements of both Plan's and issued the Board a clean unqualified opinion letter on the financial statements. He noted that no material weaknesses in the financial statements had been discovered and also that no deficiencies were identified with internal controls and procedures for either Plans. He reported the net assets as of September 30, 2017 were in the amount of \$70,340,708 for the General Employees' and \$30,722,155 for the Police Officers'. He reported that the General Employees' total contributions were \$5,188,979 which was less than 2016 contributions. He reported that the Police Officers' total contributions were \$586,018 which was also less than 2016 contributions. He reviewed the active member and retirees for both plans. He reported that the net investment income for the General Employees Plan was \$3,021,517, and 47,819,417 for the Police Officers' Plan. He reviewed the GASB67 schedules.

Action: A motion was made by Mr. Baer and seconded by Ms. Elliott to accept the 2017 auditor's report as presented.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Action: A motion was made by Ms. Elliott and seconded by Ms. Stephenson to accept the 2017 auditor's report as presented.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Action: A motion was made by Ms. Elliott and seconded by Mr. Johnson approved the management Representation letter as presented.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Action: A motion was made by Ms. Elliott and seconded by Mr. Baer approved the management Representation letter as as presented.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

2. **Investment Consultant Report - Tim Nash, And CO**
 - a. **Quarterly Investment Report as of 12-31-17**

Mr. Nash briefly reviewed the performance of the market environment for major market indexes as of December 31, 2017. Mr. Nash reported that for quarter ending December 31, 2017 the assets for the General Plan were \$69,371,082 and the Police Plan were \$28,765,207. He reviewed the asset allocation during this quarter for the General Plan: 47.4%

Domestic Equity, 16.8% International Equity, 21.9% Fixed Income, 12.8% Real Estate and 1.2% Cash Equivalent. He reviewed the asset allocation during this quarter for the Police Plan: 41.7% Domestic Equity; 17.3% International Equity, 25.3% Fixed Income, 14.7% Real Estate and 1.2% Cash Equivalent. He reported that for quarter ending December 31, 2017 the General Employees' total fund (Net) was 3.27% versus the bench mark at 3.93% and the Police Plan was 2.77% versus the bench mark at 3.93%. He confirmed the EuroPacific fund is instructed to have funds pulled for funding benefit payments. Mr. Nash reviewed the asset allocation guidelines for each manager on both plans. He reviewed the individual performances by investment managers for both plans. Mr. Nash reviewed the compliance list stating the total fund is meeting all requirements.

Action: A motion was made by Ms. Elliott and seconded by Mr. Johnson to approve the December 31, 2017 Investment Performance report as presented.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Action: A motion was made by Ms. Elianor and seconded by Mr. Baer to approve the 2017 Investment Performance report as presented.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Mr. Nash reviewed the Tactical assets allocation. He reviewed and compared the four suggested funds. Mr. Nash recommended BlackRock and Westwood together for possible addition to the portfolio. He stated the both would complement the portfolio by gaining more market exposure while still offering some protection. He noted BlackRock and Westwood are a good substitute for U.S. income. The Board discussed the options for funding the new fund.

Action: A motion was made by Ms. Elliott and seconded by Mr. Collier to take 10% of each total fund and place 5% in BlackRock and 5% in Westwood.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Action: A motion was made by Ms. Elianor and seconded by Mr. Baer to take 10% of each total fund and place 5% in BlackRock and 5% in Westwood.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Mr. Nash reviewed the drafted Investment Policy Statement. He notated the specific updates contained in the new drafted IPS. He stated the only changes made were in the target allocations, the performance objectives sections. The Board reviewed thoroughly.

Action: A motion was made by Ms. Elliott and seconded by Mr. Collier to approve the 2018 Investment Policy Statement as presented.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Action: A motion was made by Ms. Elianor and seconded by Mr. Baer to approve the 2018 Investment Policy Statement as presented.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

D. Board Attorney's Report:

1. Legislative Update

Mr. Harrison notified the Board of colleague, Dustin Watkins leaving the firm due to his father becoming ill. Mr. Harrison updated the Board on the SB326 regarding workman's compensation. He informed the Board the bill does not directly impact the board however it could become applicable in disability requests.

E. Administrators Report:

1. 2018IRS Mileage Rate

Ms. Dutton Noted the new mileage rate for calendar year 2018.

2. 2018 Conference Schedule

Ms. Dutton reviewed the 2018 conference schedule. She requested the trustees notify her of intention to attend.

VI. CONSENT AGENDA:

A. Employees' Retirement Board:

1. Warrants for Accounts Payable
2. Benefit Approvals

B. Police Retirement Board:

1. Warrants for Accounts Payable

C. Employees' and Police Retirement Boards:

1. Interim Financials

Action: For the Employees' Retirement Board a motion was made by Ms. Stephenson and seconded by Mr. Collier to approve the Consent Agenda which included the warrant for accounts payable and benefit approval as presented.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

Action: For the Police Retirement Board a motion was made by Ms. Triolo and seconded by Ms. Elianor to approve the Consent Agenda which included the warrant for accounts payable as presented.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

VII. PUBLIC COMMENTS:

There were no Public Comments.

VIII. ADJOURNMENT:

There being no other business and the next meeting was scheduled for the General Employees' on April 3, 2018 at 11:00 a.m. therefore the General Employees' and the Police Officers' Pension Boards adjourned the meeting at 11:23 a.m.

MINUTES APPROVED: June 5, 2018



Pam Triolo, Chair Employees' Retirement Board



Christopher Johnson, Chair Police Officers' Retirement Board