

**Board Meeting
May 10, 2019**

PRESENT: PRESENT: John Rodgers, Chairperson; Mark Pierzchala, Councilmember; Karen Marshall, Human Resources representing the City Manager; Sgt. Chris Peck, FOP Representative, and Derrick Pierson, Union Representative. Also, in attendance were Gavin Cohen, Executive Secretary to the Board; Daisy Harley, Human Resources; Tim Peifer, Finance; Harry Atlas, Venable LLC, and Ryen Sherman, Segal Marco Advisors by phone.

Ms. Lise Soukop, AAME member arrived at 10:30am

Mr. Rob DiSpirito arrived at 11:15pm

ABSENT: Susan Straus

The meeting commenced at 9:00AM.

I. Approval of Minutes April 5, 2019:

Mr. Rodgers asked the Board if they had any changes or comments to the minutes. Seeing none, Mr. Pierzchala made a motion to approve the minutes from the April 5, 2019 Board meeting, Ms. Marshall seconded the motion. The Board voted unanimously in favor of the motion.

II. RFP # 43-18 Deferred Compensation and Defined Benefit Pension Plan:

Mr. Cohen gave a brief update on the status of the RFP. He mentioned that the City had just sent out clarifying questions to all the proposers and the review committee will meet again once all of the responses have been compiled.

III. Retiree Benefit Trust – Trust Agreement:

Mr. Cohen introduced the item mentioning that following the previous meeting, the Board had requested the Trust Attorney, Harry Atlas present the Board with the changes being recommended to the agreement. Mr. Atlas proceeded to address each of the Board members questions starting with those that had been submitted prior to the meeting. There were several additional questions in regard to the Trusts operating relative to the City and the relationship of the Trust and the City when it comes to indemnification.

Mr. Atlas made some changes based on the Board's input and direction, and the Board directed a version of the agreement be circulated by email for a final vote.

An email with the updated final changes was circulated that same day for a final vote.

Mr. Cohen mentioned that once the agreement was passed by the Board it would be forwarded to the Mayor and Council for their approval.

The Board thanked Mr. Atlas for his attendance and work on the Trust agreement.

IV. Retiree Benefit Trust – Investment Policy:

Mr. Cohen introduced this item. He mentioned that this is the first formal investment policy for the Trust. The Trust had previously operated with an informal policy that had an asset allocation strategy of 55% in Equities and 45% in Fixed Income. He mentioned that this same strategy has been implemented within the formal policy. He mentioned that the Policy includes all components of a Policy that represent best current practices.

The Board reviewed the Policy section by section and suggested changes based on questions and responses from Mr. Cohen and Mr. Sherman.

The Board directed a version of the agreement be circulated by email for a final vote.

An email with the updated final changes was circulated that same day.

V. Investment Performance Review quarter ended March 31, 2019:

Mr. Sherman from Segal Marco Advisors presented this report. He began with a general overview of economic conditions including market performances and asset class performances from around the world. He then reviewed the Pension Fund performance report. The Pension Fund returned 8.3% for the 1st quarter outperforming the benchmark return with investment gains of approximately \$2.1million. The asset allocation is following the Board guidelines, although slightly underweight in International Equity and Fixed Income. The Board had a general discussion about rebalancing the portfolio but decided to wait until the September meeting. All the managers are performing in line with expectations.

Mr. Sherman noted some of the Board's previous asset allocation decisions that have added value over the past few years included adding an unconstrained bond fund, real asset fund, and Global Tactical Asset Allocation fund.

Mr. Sherman then reviewed the Thrift Plan performance report. The total assets ended the quarter were at \$37.6 million. The American Funds target date series is the most utilized investment option at 37.6% of assets. The stable value fund has the second highest allocation accounting for 15.8 % of the assets. Mr. Sherman reported that most of the Thrift Plan investments are performing in line with expectations. He noted that the Harbor International Equity Fund had recently replaced the prior sub-advisor, Northern Cross with Marathon. The Board agreed to keep the fund on the watch list.

Mr. Sherman then reviewed the City's 457 Plan performance report. The total assets with Mass Mutual ended the quarter at \$28.9 million. The American Funds target date series are the most utilized investment options with 26.9% of assets followed by the stable value fund with 24% of assets. He noted that 39.1% of new contributions are going into

the target date funds so that allocation should increase over time. There were no recommendations for the Board to make any changes, other than the Harbor International Equity Fund continuing to be on the Board watch list.

Mr. Sherman then reviewed the Retiree Benefit Trust performance report. The fund returned 7.3% for the first quarter which lagged the benchmark return of 8.5%. Since inception the return is 8.5% which is in line with the benchmark.

Mr. Sherman noted that Manning & Napier were terminated at the end of the quarter and the assets were transferred to the new managers, Harding Loevner and Western Asset.

VI. Supplemental Employee Contributions:

Mr. Cohen presented this item. Mr. Rodgers asked each Member for their comments on a draft letter to be submitted to the Mayor and Council. Each Member affirmed that the draft as presented, attachment A in the Board packet, was ready to be submitted to the Mayor and Council. Mr. Rodgers asked the Board, based on comments received from Ms. Straus, if there was interest in having the Plan Actuary present this topic at a future Board meeting. The Board concurred with asking the Actuary to present his calculation that appeared on page 11 and 12 of the FY 2019 actuarial valuation report at the meeting to be held on September 6th, 2019.

V. Future Agendas:

Mr. Cohen reviewed several agenda items for the Board meeting in March 2019 as listed below:

- Status Update on the Board RFP
- Bolton Partners Actuary on SEC
- US Small Cap Core Equity Fund Search
- Benefit Index – Funds held with Principal Financial Group

Sgt. Peck made a motion to adjourn the meeting at 11:45 AM. Mr. Pierzchala seconded the motion.

All Board Members voted in favor of the motion.

THE NEXT REGULAR MEETING IS FRIDAY SEPTEMBER 6, 2019