

**POLICE OFFICERS' PENSION BOARD
MEETING
JUNE 20, 2019**

MEMBERS PRESENT: Dylan Renz, Chairman
Harry Bartell, Samuel Kiburz

MEMBERS ABSENT: Chris Salsman

OTHERS PRESENT: Board Attorney Scott Christiansen
Mike Welker, AndCo Consultant
Kerry Richardville, AndCo Consultant
Mindy Johnson, Salem Trust Consultant
Patrick Donlan, Foster & Foster
Kristin Simeone, Finance Director
Karen Smith, City Clerk

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- Mr. Renz announced Mr. Norman Ashworth had resigned from the Board, confirming a new member would be appointed prior to the September 19, 2019 meeting.
- B. Next Scheduled Meeting
- September 19, 2019

CITIZEN COMMENTS ON AGENDA ITEMS ONLY

- There were none.

APPROVAL OF MINUTES

- A. March 21, 2019
- Mr. Kiburz MOVED, Mr. Bartell SECONDED to approve the March 21, 2019 minutes. MOTION CARRIED UNANIMOUSLY.

NEW BUSINESS

- A. Fiduciary Liability Insurance Renewal
- Mr. Renz stated renewal of the policy for Fiduciary Liability Insurance was due by July 2019, noting the annual premium would be \$3,619 for the following three years. He requested the Board renew the policy.
 - Mr. Kiburz MOVED, Mr. Bartell SECONDED to approve the Fiduciary Liability Insurance Renewal. MOTION CARRIED UNANIMOUSLY.
- B. Share Plan Ordinance
- Board Attorney Scott Christiansen explained the proposed ordinance would provide a method for additional funds to be allocated to the Share Plan. He then reviewed the process to adopt same.
- C. AndCo Firm Update and Review of Services

- Mr. Mike Welker, AndCo Consultants (ACC), announced he was present this date to receive feedback on ACC's service and answer members' questions.
- Mr. Bartell opined investment advice on equities was no longer needed, asserting presentations and discussion should focus on the Plan's asset allocations and expected rate of return. He then stated review of managers should concentrate on long-term performance.
- Mr. Welker responded ACC would continue to perform studies such as asset allocation analyses in order to maximize returns and minimize volatility. He agreed discussion of investments' long-term performance was important; however, some discussion of investments' short-term performance was still relevant from a funding standpoint.
- Ms. Kerry Richardville, ACC, drew attention to ACC's Investment Performance Review/Period Ending March 31, 2019, as delineated in the agenda material, stating the portfolio's market value was \$17,865,924 at the end of the quarter. She reviewed the asset allocations as outlined on pages 10 through 12, confirming same were within policy targets.
- Mr. Kiburz inquired as to the process used to rebalance the Fund in case of a significant decline in the stock market.
- Ms. Richardville replied ACC would provide a recommendation to do so, noting a special meeting could be scheduled if necessary.
- Discussion ensued regarding the Investment Policy's provisions for rebalancing the Plan, with consensus of members to review the Investment Policy at the September 19, 2019 meeting.
- Ms. Richardville summarized Total Fund Performance, as delineated on page 15, as follows: quarter, 8.86% (37th percentile); Fiscal Year to Date, -0.09% (64th percentile); 3 year, 8.48% (48th percentile); 5 year, 6.19% (41st percentile); Total Domestic Equity, 14.29%. She then provided an overview of individual investment manager's performance, denoted on page 16, noting uncertainties in the current European markets had negatively impacted the performance of Oakmark International (Oakmark).
- Discussion ensued regarding the history of Oakmark's underperformance and the potential for actively-managed international equity funds to outperform index funds, with members speaking in favor of indexing their investments in international equities.
- Mr. Bartell MOVED, Mr. Kiburz SECONDED to replace Oakmark with the Vanguard Total International Stock Index. MOTION CARRIED UNANIMOUSLY.

- Ms. Richardville continued with a review of individual investment managers' comparative trailing returns, located on page 34 and 35. She drew members' attention to the Investment Performance Review/Period Ending May 31, 2019, stating the fund had a market value of \$17,522,814 at the end of May 2019. She noted escalating tensions with China had presented a challenge for the portfolio that month. She recommended reallocating funds from Vanguard 500 Index to the Vanguard Total Stock Market Index Fund since members had removed Oakmark as their value manager.
 - Mr. Kiburz MOVED, Mr. Bartell SECONDED approved as recommended. MOTION CARRIED UNANIMOUSLY.
- D. Salem Trust Service Report
- Ms. Mindy Johnson, Salem Trust (Salem), announced Salem was recently purchased by TMI Trust. She stated clients would not be affected and Salem's operations would remain unchanged, noting ownership would be the only difference. She then reviewed the quarterly service report from the agenda material.
- E. Operating Rules / Proposed Ordinance
- Board Attorney Christiansen reported City Council adopted the ordinance which the Board had recommended to City Council on March 21, 2019. He then requested approval of the amended Police Officers' Retirement System Operating Rules and Procedures.
 - Discussion ensued with members confirming the proposed changes were comparable to other pension plans' operating rules and procedures.
 - Ms. Kristin Simeone, Finance Director, explained the current language in the Plan's ordinance prevented City staff from auditing the Police Officers' Pension Plan, explaining language to amend that provision would be provided in the future.
 - Board Attorney Christiansen stated he had no concerns with removing Rule 12.2 from the operating rules and procedures as the City's audit process had not delayed the release of State funds.
 - Mr. Kiburz MOVED, Mr. Bartell SECONDED to approve the Operating Rules and Procedures as amended.
 - Mr. Bartell confirmed Rule 12.2 Conflicts of Interest would be removed as well.
 - MOTION CARRIED UNANIMOUSLY.
- F. Designation of Records Management Liaison Officer (RMLO)

- Board Attorney Christiansen explained the State required each agency to designate a RMLO, expressing uncertainty as to who was responsible for maintaining Board's records.
 - City Clerk Karen Smith offered to take on the role as the Board's RMLO.
 - Members spoke in favor of designating City Clerk Smith as the Board's RMLO.
 - Board Attorney Christiansen stated he would draft a resolution to designate the City Clerk as the RMLO for consideration at the September 19, 2019 meeting for approval.
- G. Discussion on Hiring Pension Plan Administrator
- Mr. Bartell commented on the benefits of hiring a plan administrator.
 - Discussion ensued with members speaking in favor of hiring a third party to assume administrative duties for the Board.
 - Mr. Kiburz MOVED, Mr. Bartell SECONDED to instruct Board Attorney Christiansen to prepare a Request for Proposal (RFP) to hire a third party plan administrator. MOTION CARRIED UNANIMOUSLY.

UNFINISHED BUSINESS

- A. Foster & Foster Presentation of Experience Study
- Mr. Patrick Donlan, Foster & Foster, presented the Actuarial Experience Study included in the agenda material. He stated the majority of pension boards were working to gradually lower their investment assumptions, explaining if the Board chose to do so, contributions would have to increase. He reviewed the impact of lowering the investment rate assumption on the required contribution to the Plan (page 6), acknowledging the Board's fiduciary responsibility was to Plan members.
 - Discussion ensued regarding establishment of a reasonable investment assumption and expected rate of return, with members speaking in favor of considering same at the September 19, 2019 meeting.
 - Mr. Donlan continued his review of the Actuarial Experience Study, providing a detailed account of assumptions related to salary increases, retirement and termination. He provided a summary of the Study's results (page 13), concluding the City's required contribution would not increase if the proposed changes were approved.
 - Discussion ensued with consensus of members to add discussion of investment assumptions to the September 19, 2019 meeting agenda.
 - Ms. Simeone noted changes to the Plan's assumptions would impact the City's budget, opining caution should be used when adjusting assumptions.

STAFF COMMENTS

- Board Attorney Christiansen reminded members to complete their Financial Disclosure

forms by July 1, 2019. He stated the annual budget of administrative expenses for Fiscal Year 2019/2020 would be discussed at the September 19, 2019 meeting. He then gave a brief update on legal proceedings related to Mr. Lee Cole, noting a criminal pre-trial conference was scheduled for September 6, 2019. He concluded by requesting authorization to update the Summary Plan Description as same required revision biennially.

- Mr. Kiburz MOVED, Mr. Bartell SECONDED approval of the update. MOTION CARRIED UNANIMOUSLY.
- Mr. Renz announced RFP responses were distributed and would be discussed at the September 19, 2019 meeting.
- Mr. Kiburz inquired as to the process to issue another RFP.
- Board Attorney Christiansen explained he required authorization to submit the RFP to another group.
- Mr. Kiburz MOVED, Mr. Renz SECONDED to reopen and send the RFP to Vanguard. MOTION CARRIED UNANIMOUSLY.
- Mr. Renz inquired as to the disability application submitted recently.
- Board Attorney Christiansen replied he was unaware of the application and would research same.

ADJOURNMENT

- Meeting Adjourned: 3:29 p.m.

Dylan Renz, Chairman

Leah Pues, Recording Secretary