

**CITY OF BRENTWOOD POLICE AND FIRE FIGHTERS'
PENSION FUND BOARD OF TRUSTEES MEETING MINUTES
May 17, 2016**

Mayor Thornton called the Pension Board meeting to order at 9:03 a.m.

ROLL CALL:

Deputy Clerk Pittman proceeded with attendance.

Board Members Present: Police Officer Retzlaff, Fire Fighter Niemeyer, Treasurer Reynders, and Police Chief Fitzgerald, Alderman Kramer, Mayor Thornton, Interim Fire Chief Kurten

Board Members Absent: None

Others Present: City Clerk/Administrator Bola Akande; Finance Director Karen Shaw; Deputy City Clerk Octavia Pittman; Legal Advisor Michael Lane of Thompson Coburn; Investment Consultant Patti Haffner of Asset Consulting Group; and Actuary Keith Kowalczyk of Ekon Benefits

CONSIDERATION AND APPROVAL OF MINUTES:

Pension Board Meeting April 6, 2016

Deputy Clerk Pittman presented the minutes of the April 6, 2016 meeting for approval. Upon motion by Treasurer Reynders and seconded by Police Chief Fitzgerald, the minutes of the April 16, 2016 Board meeting were unanimously approved by acclamation.

QUARTERLY PERFORMANCE REPORT:

Ms. Haffner presented her report as of March 31, 2016, copies of which were distributed to Board members. She discussed overall market conditions. She noted that fixed income returns have been the strongest asset class for the quarter. January and February were down months for equities, but March saw a rebound. Concerns about the international economy are driven by slow growth in Europe and slowing growth in China. The U.S. economy continues to perform relatively well. Overall, this points to continued volatility.

After the close of the quarter, there has been a pullback in the equity markets, while fixed income classes have risen. She noted that the fund has exposure to a broad range of classes.

The fund allocation is currently within the target ranges outlined in the IPS. Over the last three to six months, the fund has outperformed the policy index, net of fees. She also noted that the risk profile of the fund remains close to the policy index. It was also noted that compared to a

peer group of similarly sized plans, the fund has performed at the median of the range, net of fees.

Ms. Haffner noted that real estate and large cap classes have been the best performing classes since the inception of the current investment strategy. The small cap class has been impacted by the low performance of one manager, but Ms. Haffner noted that it is not unusual for a particular manager to under-perform for a similar period.

There was a discussion of the current real estate allocation, including the types of properties in which the manager invests. Ms. Haffner indicated that the manager focuses on properties with long-term leases and high quality assets.

There was a discussion of the overall economy, in particular the low interest rates and the large balance sheet carried by the Federal Reserve. Ms. Haffner noted that the length of time these conditions have persisted is highly unusual.

ACTUARY'S REPORT:

Mr. Kowalczyk presented the actuarial report as of January 1, 2016, copies of which were distributed to the Board. Mr. Kowalczyk noted that the flat investment return for 2015 resulted in an actuarial loss of 7% (the fund's assumed rate of return). He noted that the fund began using the new mortality table published by the Society of Actuaries, which reflects increased life expectancies. The new mortality table added 5% to the plan's liabilities, as compared to the prior table. This was partially offset by a 1/2% decrease in the salary increase assumption. Overall, Mr. Kowalczyk noted that the last 18-20 months have been a difficult period for pension plan funding in general. It was noted that a more normal interest rate environment would greatly improve the outlook.

Mr. Kowalczyk noted that the current accrued benefit security ratio was 98%, down from 106% last year. He noted that the goal under the current funding method is 120%. There was a discussion of this goal, and Mr. Kowalczyk explained the actuarial rationale. Currently, the fund has around \$6.7 million in unfunded accrued liability, versus around \$4 million in last year's report.

Mr. Kowalczyk highlighted additional details from his written report. It was noted that the total expected contributions for the year would fall short of the recommended contribution.

The group discussed the GASB disclosure and the change in the mortality assumption. Mr. Kowalczyk indicated that the goal was to bring the actuarial report more in line with the required GASB reporting numbers, which helps avoid confusion.

The group discussed the plan's current risk profile and the current target investment allocations. There was a discussion of whether there were any restrictions on the types of investments that could be made by the plan. Mr. Lane noted that the board has significant flexibility in setting the

investment strategy, subject to its fiduciary responsibilities. Mayor Thornton noted that the current strategy was approved by the board based on advice from ACG.

PENSION FUND REPORT:

Ms. Shaw distributed and presented the current and prior pension fund reports dating to December 31, 2015. It was noted that contested taxes were lower than in the past. Following up from a discussion last meeting, Ms. Shaw noted that the December report was revised to reconcile with the trust statements.

OLD BUSINESS:

None

NEW BUSINESS:

Mayor Thornton opened the floor to a discussion of the fund's current investment objectives and strategy. Treasurer Reynders described the recent developments in the fund's investments and strategy. He described the differences in the investment strategy and how that strategy has changed since ACG was hired as an investment consultant. It was noted that in the prior meeting ACG presented on the addition of a long-short equity fund, which could be incorporated into the current investment mix.

Mayor Thornton called a short recess. Mr. Kowalczyk and Ms. Haffner left the meeting. The meeting resumed at 11:00.

The Board resumed the discussion of the allocation strategy, the performance of the fund and the performance of ACG. Police Officer Retzlaff noted that ACG's recommendations helped streamline the investments and improve the plan's fee structure. It was further noted that recent market conditions have limited the ability to achieve the actuarially assumed returns. The group discussed the pros and cons of adding additional risk to the portfolio in an effort to increase returns.

ADJOURNMENT:

The meeting was adjourned at 11:48 a.m.