

# **CITY OF BRENTWOOD POLICE AND FIRE FIGHTERS' PENSION FUND BOARD OF TRUSTEES MEETING MINUTES May 26, 2021**

Mayor Dimmitt called the Board meeting to order by Zoom at 8:31 a.m.

## **ROLL CALL:**

Deputy City Clerk Kelle Silvey proceeded with attendance.

Board Members Present: Mayor Dimmitt, Alderwoman Tice, Corporal Lambert, Captain Niemeyer, Fire Chief Cottrell, and Treasurer Slusser

Board Members Absent: Police Chief Spiess

Others Present: City Administrator Bola Akande; Ronna Alaniz; Legal Advisor Michael Lane of Thompson Coburn; Investment Advisors Alex Nixon and Nathan Burke; Actuary Keith Kowalczyk, and Human Resources Manager, Jason Kotz.

## **CONSIDERATION AND APPROVAL OF MINUTES:**

Pension Board Meetings February 8, 2021

Mayor Dimmitt presented the minutes of the February 8 meeting for approval. Upon motion duly seconded, the minutes of the meeting were approved by acclamation.

## **PENSION FUND REPORT:**

Ronna distributed and presented the pension fund financial statements. A brief discussion of the difference between these and the actuarial valuation followed.

## **INVESTMENT REPORT:**

Mr. Nixon of ACG presented a global overview of the first quarter 2021 investment reports. Mr. Nixon noted that general tone of markets continues to be positive. World governments remain supportive of the economy as COVID restrictions recede. Large companies have more than recovered what was lost in earnings. Strong economic growth prospects loom on the horizon.

Looking forward, Mr. Nixon noted inflation as the largest question. They are closely watching whether this is temporary, and if the Fed will act.

He noted that the market bottom was nearly exactly one year ago. Russell 2000 return is up over 90%, one great example of substantial recovery. Laggards are fixed income returns (less risky). This shows that risk appetite is up. Markets continue to rally on the back of fiscal and monetary stimulus. This is a unique period of good news that could lead to volatility (inflation). Bond yields tend to rise to price in growth and increase in rates. With a higher CPI, companies have begun announcing price increases. This contrasts with consistent federal deficits since

financial crisis that did not result in inflation. Pending inflation concerns, outlook looks positive for risk assets.

Mr. Nixon turned to plan performance through March. Assets stood at 49.5 million at the end of March. Position is within reasonable range of long-term targets. US large cap and small cap have performed the best and are relatively overweight. Some rebalancing was done in Feb and March by raising cash for benefit payments. ACG is keeping an eye on this regarding rebalance.

Plan returns note significant growth in assets over five-year period and shorter, as well as relative to policy index and peer groups. The fund has experienced good returns in absolute and relative terms.

Managers continue to have the confidence of ACG, and they recommend no action items. He noted that Integrity is best over last year, manager is tied to overall economy. Overall, the fund returns have been positive across the board.

The group briefly discussed rebalancing. Mr. Nixon indicated that what may happen is a recommendation to reallocate targets more in line with where portfolio is now, that ranges are permitted in the fund's investment policy statement. Exceeding those would be a trigger to trim back. ACG noted that the IPS allows bands on either side, which the fund is within. Automatic rebalance recommendation is triggered outside these ranges.

Mr. Nixon then presented a brief update since Q1. The fund continues to run ahead of policy index.

### **ACTUARIAL REPORT:**

As an additional agenda item, Mr. Kowalczyk presented the actuarial report.

He first addressed a concern about future equity growth with high p/e ratios. As of 1/1/21, plan is overfunded. He noted that while there is optimism, the market has not had a long-term view of earnings in several years.

Ratio of assets to present value of accrued benefits increased from 111% to 119%. 97% year prior. This indicates significantly more stability in the plan.

Unfunded accrued liability (used for reporting to the state) was -3.5 million negative. The actuarially recommended contribution decreased from approximately 1 million to approx. 800 thousand. The total expected contribution is 1.355 million.

On a termination basis, the plan has 41 million in accrued benefits, 49 million in assets. This results in approximately 8 million in excess assets. Mr. Kowalczyk noted that a salary-based plan should have a 115 ratio of assets to liabilities, and the plan has 119.

Turning to projected liabilities (54 million), he noted that almost all of the liabilities are covered with assets, not only accrued but projected. This a mature plan that makes it very reliant on investment going forward. Plan is using a 7% expected return, which is in line with long term. The next 10-year period may be muted, but he believes 7% is appropriate long term.

Mr. Kowalczyk noted that recommended contributions are highly dependent on returns. GASB requires 5-year amortization of gains or losses; the fund has had substantial gains that are being amortized. As a result, the plan is producing a 1.8 million credit on financial books, net out to about a million gain. This will continue for next three years.

Mr. Kowalczyk presented a new risk exhibit (risk on accrued benefits). No unfunded amounts, meaning that future contributions are needed only to fund accruals. The fund has an excess of 2.8%, meaning that fund can make 2.8% less than assumption and maintain a stable plan.

Mr. Kowalczyk discussed the actuarial assumptions, which are in line with what they would recommend.

There was a discussion of the current return assumptions. It was noted that if the plan made changes in those assumptions, there may be other changes that would at least partially offset any negative impact. While returns may be muted for a period, the plan is in position to weather this.

#### **RETIREMENTS/NEW HIRES:**

Mr. Kotz noted one police disability retirement and three new firefighter hires since last year

#### **OLD BUSINESS:**

RFP for actuarial services. David discussed having history and long relationship with Ekon. A new finance position will want to oversee this process, but the city is currently in a transition. The board decided to wait for better timing on an RFP.

#### **ADJOURNMENT**

Upon motion by Alderwoman Tice, seconded by Treasurer Slusser the meeting was adjourned by acclamation at 9:39 a.m.