DRAFT

The Board of Trustees of the General Employees' Pension Plan met on Thursday, February 9, 2017 at 3:04 pm in the City Commission Chambers in City Hall. Members present were: Chair John Mandrick, Beano Roberts, Vee Sellers, Ron Heymann and Steve Herbert.

3. APPROVAL OF MINUTES: The Minutes of the November 10, 2016 Regular Meeting were presented for approval. **A motion was made by Member Roberts, seconded by Member Sellers, to approve the Minutes. Vote upon passage of the motion was taken by ayes and nays and being all ayes, carried.**

4. QUARTERLY/ANNUAL REPORTS:

4.1. BROWN ADVISORY INVESTMENT REPORT FOR QUARTER ENDING DECEMBER 31, 2016: Ms. Mary Gregory stated that she recognized the difficult performance period and noted they had lagged the benchmark for the past three years and she would like to explain what happened and some of the features of the process that will put them in a position to outperform going forward. She also stated that they would like to offer a fee discount of 15% to encourage the board to stay with them. This discount would take the fees down from 80 basis points to 68 basis points. She referred to page 5 of their report which showed the beginning of the investment which dates back to August 2013 and shared that the assets have grown from 2.7 million to just over 3 million with about $300,000 taken out so there was some good growth during that time period. She referenced a chart on page 8 showing the breakdown of investment strategies being offered to clients and the largest one is the strategy this board is invested in which is large cap growth strategy. She referred to page 13 which showed the plan's performance and the trailing of the benchmark by 6.5% versus almost 12% and recognized that was a lot of ground to make up. In 2016 Brown was about 950 basis points behind the benchmark with the focus on yield and she stated that Brown focuses on growth rather than yield. She introduced Kevin Osten, Large Cap Growth Product Specialist, to talk about factors that affected performance in 2016. He referred to page 15 which showed a chart of the year in relation to the benchmark and he stated that there was a rally towards the end of the year. He referred to page 20 which is a picture of the Russell 1000 growth benchmark index breaking down the performance into 4 quartiles which are segmented out by their dividend yield. He stated that he was confident that their process and philosophy was sound but last year was not conducive to what they did. He explained to the board that they had tightened up the execution of their processes and had a consulting firm come in and look at their trading practices.

4.2. ANDCO CONSULTING QUARTERLY PERFORMANCE EVALUATION REPORT FOR QUARTER ENDING DECEMBER 31, 2016: Mr. John Thinnes shared with the board that Bogdahn Consulting is now AndCo Consulting which embodies what the firm is all about, putting the clients first, even in their name. He asked the board for their feedback regarding Brown and there was discussion regarding their report and how the board felt about their performance. He referred to the Large Cap Growth Book, page 6, which showed trailing years for several different managers, including Brown. He stated that those listed were all good managers and he wanted the board to see that they were not the only ones who had not done well recently. He stated the two that he was leaning toward were WellsFargo and MFS but their returns were not any better than Brown at this time. The consensus of the board was to stick with Brown for one year and reevaluate at that time.

He referred to page 18 and 19 of the Investment Performance Review which shows the return at about ½%, the benchmark was 1.9 so we trailed just under 1.5%. Highland had a good strong quarter and it was a tough quarter for international.

4.3. ACTUARIAL VALUATION PRESENTATION BY FOSTER & FOSTER FOR FISCAL YEAR ENDING SEPTEMBER 30, 2016: Mr. Doug Lozen began his presentation by sharing with the board that funding requirements are going down. The primary reason was because payroll went up. Experience during this last year was slightly favorable and we had to change assumptions but the biggest portion of the funding is unfunded liability. If you increase payroll by adding employees and/or giving salary increases near average then dollar payment for unfunded liability is diminished and also there are more members in the plan to help fund the plan. He referred to page 5 which shows the City's current requirement is unchanged at 34.97% but will reduce to 32.85% next year. He went into some detail about what causes the funding to go down and referred to page 7, explaining that not every piece causes the funding to go up or down . He stated that changing the assumptions in total caused the cost to go up 1.1% which is almost entirely due to the mandated mortality assumption from the state. The lowered investment assumption to 7.75% also contributed to the increase in required funding contributions. On page 8 there was a summary of the assumption changes as a result of the experience study that was approved at the November meeting. The first was the salary increases, changed from a flat 5% to one based on service; the second was the mortality rate mandated by the state; the third was retirement rates for normal and early retirement, that assumption was changed to reflect when people retire based on history of when participants actually took retirement; the fourth was withdrawal rates, which is when people leave before early retirement which was changed to match behavior and finally the investment return was lowered to 7.75%. The unfunded liability going forward for gains and losses will be based on 10 years now instead of 30. There was an update on the funded status on page 10, which shows the funded ratio at 66.3% 1 year ago, and the ratio now is 66.5%. Even though that is still slightly higher than last year there are now more conservative assumptions and the City's contribution rate has gone down. **A motion was made by Member Heymann, seconded by Member Roberts, to approve the actuarial valuation as presented. Vote upon passage of the motion was taken by ayes and nays and being all ayes, carried**

5. REPORT FROM ATTORNEY SCOTT CHRISTIANSEN: Attorney Scott Christiansen reminded the board about approving an expected rate of investment return for the next year, the next several years, and the long term thereafter. He questioned Mr. Thinnes about a reasonable expectation based on the asset allocation. Mr. Thinnes replied 7.75% is a reasonable rate of return for the next year, the next several years, and the long term thereafter. There was some discussion regarding declaring the expected rate of return. **A motion was made by Member Roberts, seconded by Member Sellers, that based on the advice of the consultant the board expects to get a 7.75% investment return for the next year, the next several years, and the long term thereafter. Vote upon passage of the motion was taken by ayes and nays and was as follows:**

Member Roberts:	**Aye**
Member Sellers:	**Aye**
Member Herbert:	**Nay**
Chair Mandrick:	**Aye**
Member Heymann	**Aye**

Motion carried.
Attorney Christiansen noted that as Brown had offered a 15% fee reduction the Board should authorize him to prepare an addendum to that effect. **A motion was made by Member Heymann, seconded by Member Roberts, authorizing the Attorney to prepare an addendum reducing the fee for Brown by 15%.**

He provided a legislative update to the board and the only item he had was not a pension issue. Senate Bill 306 has to do with voting conflicts. Currently you are not allowed to vote on any issue that inures to your special private gain. Proposed legislation would not say "special private gain" but would just say "gain". He stated that there is an exception that if the action is general and applies to a broad spectrum of population you can vote on it.

6. APPROVAL OF INVOICES ALREADY PAID AS PER AGREEMENT OR CONTRACT: The following invoices were on the agenda for consideration:

5.1.	BOGDAHN CONSULTING, LLC INV. #20075	$ 4,375.00
5.2.	CHRISTENSEN & DEHNER, P.A. INV. #29739	$ 816.30
5.3.	HIGHLAND CAPITAL MANAGEMENT, LLC INV. #14223	$ 4,095.25
5.4.	AGINCOURT CAPITAL MANAGEMENT, LLC INV. #6198	$ 2,629.30
5.5.	FIDUCIARY TRUST INTERNATIONAL QUARTERLY FEES	$ 2,199.85
5.6.	BROWN ADVISORY INV. #20161231-220-24761-A	$ 6,147.53
5.7.	AMERICAN CORE REALTY QUARTERLY FEES	$ 4,584.18
5.8.	FOSTER AND FOSTER INV. #10014	$24,168.00

A motion was made by Member Roberts, seconded by Member Herbert, to approve the invoices already paid per agreements or contracts including the invoice for Foster & Foster which was presented at the meeting. Vote upon passage of the motion was taken by ayes and nays and being all ayes, carried.

7. OLD BUSINESS: There were no items for discussion under Old Business.

8. NEW BUSINESS: Member Sellers advised the board that there was an Ethics training class scheduled for March 1 at 8:00am in the Chambers that would last about 2 hours.

9. REQUESTS FROM THE PUBLIC TO BE HEARD ON ITEMS NOT ON THE AGENDA: There were no requests to be heard at this time.

10. OTHER BOARD DISCUSSION: There were no items for discussion under other board discussion.

11. ADJOURNMENT: There being no further business to come before the Board of Trustees of the General Employees' Pension Plan the meeting was adjourned at 4:21 pm.

John Mandrick, Chair

Beano Roberts, Secretary