POLICE PENSION BOARD

The Police Pension Board meeting was held on November 14, 2013 at 10:00 a.m. with Chairman Mullaney presiding. Members present were Mr. Lynn, Mr. Stallings, Mr. Koenig, and Chief Hosfelt. Mr. Bonar and Mr. Unterkofler were absent.

AGENDA ADDITIONS/DELETIONS

By unanimous consent, the agenda was adopted as presented.

Approval of Minutes - Police Pension Board Meeting of August 8, 2013

Mr. Stallings moved for approval of the minutes of the Police Pension Board meeting of August 8, 2013, seconded by Chief Hosfelt and unanimously carried.

Quarterly Performance Review *(Quarter Ending September 30, 2013) (Milliman, Inc.*)

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the Quarterly Investment Monitor Summary Report for the Quarter Ending September 30, 2013. Referring to Page 3 - Market Indices, he stated that the returns for most asset categories were positive over the past year. Equities had been very good. Mr. Marzinsky indicated that interest rates had risen approximately 1% year to date, which would affect plan liabilities in a positive way. Mr. Marzinsky explained that there were positive economic signs globally; U.S. unemployment was lessening, jobs were being added, gross domestic product (GDP) was expanding, personal spending was up, and there were indications that interest rates would be kept low over the next couple of years. Mr. Marzinsky stated that the overall outlook for the market was positive; however, he advocated "treading cautiously" over the next couple of months, noting that the stock market was very high and there could be a "pullback" related to equities.

Referring to the Investment Committee Meeting Notes - 11/14/2013, Mr. Marzinsky indicated that assets totaled approximately $11.4M, an increase from approximately $11M at the prior quarter end. Over the last year, contributions and pay-outs were approximately equal and the asset allocation was in line with the target ranges set in August 2013. Mr. Marzinsky explained that the American Funds New Perspective and Harding Loevner Equity funds were global investments that invest in U.S. and emerging market stocks, as well as investments in Europe and Asia, and this was causing overlap in the portfolio with other investments within the plan. The performance of these funds had been adequate; however, the overlap could cause correlation that was not desired in the portfolio. He stated that Milliman would present recommendations at the next meeting for potential replacements for these investments.

Referring to Page 10 of the Report, Investment Policy Review - Active Management, Mr. Marzinsky stated that the Return Rank reflected that investments were performing very well overall compared to their asset category peers. Most investments ranked in the top half or better, and the Ivy High Income I fund was in the top 1% of investments in its category. Some underperformance to the benchmark was seen in the Excess Rank for 3 Years and 5 Years but, in general, the rank within each category was strong and Mr. Marzinsky indicated that there were few better investments available on the Wells Fargo platform to choose from. He did not feel that the underperformance was significant.

Mr. Marzinsky noted that the Investment Option Return Summary on Page 12 reflected that the majority of the investments were outperforming their indexes. There was slight underperformance in some areas, but nothing to be concerned with at this time. The plan had a return of 3.3% over the last three (3) months and 6.7% over the last year. The target established in the asset allocation policy was 6% - 7% and over the last year the plan had fallen within that target, with overall good performance and appreciation in assets, which had helped cover the benefits going out of the plan. The growth in the assets and the regular contributions had kept the plan in a status where the payments could be made in a timely manner.

In summary, Mr. Marzinsky informed members that positive returns had been seen for just about all the investments over the past quarter and year to date. Bonds had trailed slightly; however, overall, the plan had positive returns and had appreciated. Individually, the investments were performing well compared to their peers and no changes were recommended at this time; however, a recommendation would be presented regarding the American Funds New Perspective and Harding Loevner for potential changes at the next meeting.

He noted that a revised Investment Policy Statement would be presented to the Board before the August meeting, when a discussion would be held regarding asset allocation and the Plan's investment policy.

Responding to Mr. Mullaney, Mrs. Mitchell stated that the last actuarial review for the Police Pension Fund was conducted for the period ending in June 2011 and an interim valuation report was completed for June 2012. She noted that a new review would be conducted soon.

Chief Hosfelt moved for adjournment, seconded by Mr. Stallings and unanimously carried.

Meeting adjourned at 10:09 a.m.

Timothy Mullaney
Chair

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