**Lewiston City Council**
**POLICE RETIREMENT BOARD AGENDA**
**July 10, 2023 - 4:00 PM**
**Bell Building - 2nd Floor Conference Room - 215 D Street**
**Lewiston, Idaho 83501**

Seating will be available on a first-come, first-served basis. All others who wish to observe this meeting may watch and listen to the livestream on their own device(s) by visiting the City of Lewiston's Facebook page or the City's website at cityoflewiston.org.

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**I. CALL TO ORDER**

**II. ACTIVE AGENDA**

Please note that identifying an item as an "Action Item" does not require the City Council to vote on that item.

**A. APPROVAL OF MARCH 14, 2022, MEETING MINUTES:** - Action Item

**B. INVESTMENT REPORT - POLICE RETIREMENT INVESTMENT FUND AND CEMETERY PERPETUAL CARE FUND:** - Presentation (Jeff Trudeau)

**III. UNFINISHED AND NEW BUSINESS**

**A. BOARD MEMBER COMMENTS**

**B. STAFF COMMENTS**

**IV. ADJOURNMENT** - Action Item

The City of Lewiston is committed to providing access and reasonable accommodation in its services, programs, and activities and encourages qualified persons with disabilities to participate. If you anticipate needing any type of accommodation or have questions about the physical access provided at this meeting, please contact City Clerk Kari Ravencroft at least forty-eight (48) hours in advance of the meeting at 208-746-3671, ext. 6203.

**LEWISTON POLICE RETIREMENT BOARD**
MONDAY, MARCH 14, 2022 – 5:00 PM
Lewiston City Library, 411 D Street, Lewiston, Idaho 83501
Second Floor Meeting Room

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**PRESENT**: Mayor Johnson, Council President Liedkie, Councilor Blount, Councilor Forsmann, Councilor Kleeburg, Councilor Schroeder, Councilor Tousley, Marsh, Ravencroft, Trudeau, Hogaboom, Gordon

## I. CALL TO ORDER

Board Chair Johnson called the meeting to order at 5:00 p.m.

## II. ACTIVE AGENDA

### *A. APPROVAL OF FEBRUARY 25, 2021, MEETING MINUTES*

A motion was offered by Board Member Liedkie to approve the February 25, 2021, meeting minutes. Board Member Schroeder seconded the motion and it carried unanimously.

### B. *INVESTMENT REPORT – Jeff Trudeau*

Administrative Services Director Marsh reported that the Police Retirement Board is required to hold an annual meeting. The uniqueness of this Board is that it is comprised of three retirees, as well as the full City Council. He noted there is also a Finance Committee that meets quarterly. There are currently about 32 retirees or widows under the Police Retirement program.

Mr. Marsh introduced Mr. Jeff Trudeau with U.S. Bank to provide an investment report, and Ms. Jenny Hogaboom, representing the compliance portion of the plan.

Mr. Trudeau explained that the City has entrusted him and U.S. Bank to manage the Police Retirement Fund assets. It has to be assumed how long the participants will live, as well as a certain rate of return. In the past, assumed rates of return were very high at 10 to 12 percent. Rates have tumbled dramatically, so responsibility has fallen on the city to make sure the pension is funded and covers some of the gaps. Mr. Trudeau said that the Fund is very close to being fully funded, if not a little overfunded now. Based off all standard assumptions, it has done fairly well, but things can change. Investments do come down and so have the assets of the pension fund. The assumption is that the actuaries will get about 6 percent, which is what is needed to ensure enough money to fund the pensioners for life. Interest rates are very low so in order to get that

6 percent as conservatively as possible, equities are needed in order to make up some of the difference.

Mr. Trudeau shared a snapshot of the Pension Fund at the end of February, noting that it sat at just under $15 million. Fixed income is steady by means of stable investments for immediate cash needs, such as the money going to the pensioners at about $94,000 per month. The cash within fixed income is about 28 percent, and there is not a need to invest this in longer term bonds as they have been declining in value. Mr. Trudeau explained that there is an investment policy statement that caps equities at 95 percent and 25 to 30 percent between cash and fixed incomes. It is very positive to have this much in equities because they perform so well. However, it is hard to say that now as this has been a rough year with rising rates, spiking energy prices and the war with Ukraine.

With regard to performance in the past year, through the end of February, Mr. Trudeau noted that it was up about 6 percent. In comparing the Fund to the global benchmarks in equity and fixed income, it was beating benchmarks on a 1-year, 3- year and five year look. Over the past three years, total equities have averaged 17.04 percent and fixed income has averaged about 3 percent, when the global benchmark was only at 2.5 percent. More money was put into stocks and it paid off. Though the market is continuing to sale off, Mr. Trudeau said that from his experience, the worst thing to do is to sale when the market is down. It's important to not panic, and to stay on the equities or add to them.

Mr. Trudeau stated that investments in growth have not done well, but have still done good overall. He said his plan is to remain steady, as there is currently not a significant amount of money in those equities. Most of the Police assets are in large companies and investment rate bonds which are the highest quality of bonds. Taking chances on small companies would not be equitable.

Continuing, Mr. Trudeau said that he doesn't venture too far away from the indexes weights, currently sitting at about 21. Technology has been hit very hard as compared to other categories, so funds are a little light in that area and heavier in consumer discretionary and healthcare. Apple, Google and Microsoft are the Fund's biggest positions. Facebook was down 40 percent for the year and gave up $250 billion worth of market cap in one day.

Principal risk, inflation risk and interest rate risk are all potential problems. If there is $2 million in the money market earning nothing, then there is the risk that the inflation will eat away the purchasing power. If interest rates go up, then the value of the fixed income goes down. The Fund's bonds are very short term in this category as they are better protected in the rising interest rate market and will help the fixed income values.

The City has had an actuarial study done every 2 years which notes how well the pension fund has done. With 6 percent as the target, the performance from October 2020 to February 2022 was over 15 percent which shows the direct benefit of investing in equities. This percentage is currently averaging about 13 since that last snapshot, and for the benefit of the pensioners, long-term is the right allocation.

Mr. Trudeau mentioned that the Cemetery Fund has not done well. Changes have been made to make it look more like the police pension fund so it is expected that the numbers will prove to be better. As it currently stands, the Perpetual Care Fund has been more volatile and not doing as well, but it is expected that it will recover.

As far as economics, Mr. Trudeau said that the bank's position is very neutral. He said he doesn't feel any reason to be heavier in one category than the standard recommended allocation. It is expected that 4 to 5 rate hikes will hit this year, the war in Ukraine is adding to the already temperamental supply chain and that is being closely watched. If that winds down, there could be a potential 5 percent increase very quickly.

Finally, Mr. Trudeau reported that earnings have been going up. The fourth quarter was a fairly good earnings period and it is expected to rise. With earnings ultimately driving the stock prices, this could have some stability to the pensioners' assets.

*C. BOARD MEMBER COMMENTS*

None.

D. *STAFF COMMENTS*

Administrative Services Director Marsh explained that the City is allowed to do one type of transfer, which is from the Cemetery Fund to the Perpetual Care Fund. Approximately $50,000 will be transferred this year as the last actuarial report indicated that $13.8 million was needed based upon mortality rates, cost of living, inflation, etc. The retirees receive the same COLA as active members. He stressed the importance of an actuarial report every two years, noting that Accounting Manager Gordon would launch that next fall to get the next renewal moving forward.

Mr. Marsh encouraged the Board to reactivate the Finance Committee.

Noting that the City contributed $1 million to the Police Fund each year, that is now done as the account is fully funded. A win for the City is that now that money will be redirected to streets and arterials.

In looking at some of the past decisions made for the Police Retirement Fund, Board Member Johnson asked if they have been more aggressive or more conservative. Mr. Marsh replied that in 2007, the Council decided to go in debt to put $4.5 million into the Fund and it was an uphill climb from there on moving forward. That debt has now been paid off. He noted that Mr. Trudeau is required to follow the IP Plan and cannot exceed about 70 percent in order to not get too aggressive.

## III. UNFINISHED AND NEW BUSINESS

None.

## IV. ADJOURNMENT

There being no further discussion to come before the Police Retirement Board, the meeting adjourned at 5:35 p.m.