

Minutes of the City of Plano
RETIREMENT SECURITY PLAN COMMITTEE
February 13, 2019

Committee Present

Myra Conklin, Chairperson
Bob Gehbauer
Karen Rhodes
Greg Rushin
Sean Sullivan, Vice Chairperson

Staff Present

Natalie Chavez
Andrea Cockrell
Teresa Exley
Victoria Huynh

Frost Present

Steve Klein

RVK, Inc. Present

Marcia Beard
Jennifer Sandberg

A public meeting of the Retirement Security Plan Committee was called to order by Chairperson Myra Conklin on Wednesday, February 13, 2019 at 3:03 PM in the Executive Conference Room of the Plano Municipal Center, 1520 K Avenue.

Public Comments: There were no public comments.

Approval of minutes from the December 18, 2018 meeting

Action: Karen Rhodes moved to approve the minutes from the December 18, 2018 meeting and Bob Gehbauer seconded the motion. The motion was approved and carried 5-0.

Update from Frost Bank

The 4th quarter report covers 10/01-12/31/18. Steve Klein reported that the ending balance was \$140,006,695.28. The employer contributions were \$1,500,691.53; 2,631 total pension payments totaling \$1,288,090.28; 5 lump sum distributions totaling \$40,230.39; 1 rollover to IRA totaling \$1,214.60; fees and expenses totaling \$96,950.03; and 2 miscellaneous credits total \$1,647.58. In May 2020, Frost's trust system conversion will take place. They will be rolling off the FCI system and signing on with ITech. This will change how they provide data to the City and how the City will provide data to Frost.

Presentation from RVK, Inc.

Marcia Beard and Jennifer Sandberg with RVK, Inc. presented the quarterly investment performance analysis, period ended December 31, 2018.

Review and direction on investment manager contract modifications and review of investment guidelines for Hancock Whitney (tabled at the December 18, 2018 meeting)

Action: Karen Rhodes moved to remove from the table and Bob Gehbauer seconded the motion. The motion was approved and carried 5-0.

Victoria Huynh, Legal Counsel, discussed the modifications to Hancock Whitney's investment manager contract. One of the modifications is removing the word "sole" since there are currently multiple investment managers. The investment objectives (Attachment A) are the final versions and, if approved, will be incorporated into the amendment so that Hancock Whitney will have the guidelines and parameters to follow in the investment guidelines as well as the investment policy. The contract term provision will be changed to evergreen with the 30-day written notice to terminate.

Action: Karen Rhodes moved to approve the modifications of the investment manager contract and Bob Gehbauer seconded the motion. The motion was approved and carried 5-0.

Action: Sean Sullivan moved to adopt the investment guidelines and Karen Rhodes seconded the motion. The motion was approved and carried 5-0.

Consideration of additional Committee members

Action: Karen Rhodes moved to recommend to the City Manager to add two members (a retiree out of the RSP Plan and an active staff member) to the RSP Committee and Bob Gehbauer seconded the motion. The motion was approved and carried 5-0.

Ratification of payment to Hancock Whitney

Invoice from Hancock Whitney dated January 15, 2019 in the amount of \$54,900.22 for the period October 1 through December 31, 2018 for investment management fees was presented to the Committee for payment.

Action: Sean Sullivan moved to ratify the payment and Karen Rhodes seconded the motion. The motion was approved and carried 5-0.

Ratification of payment to Milliman

Invoice from Milliman dated November 5, 2018 in the amount of \$16,900.00 for actuarial audit (complete) was presented to the Committee for payment.

Action: Bob Gehbauer moved to ratify the payment and Karen Rhodes seconded the motion. The motion was approved and carried 5-0.

Ratification of payment to RVK, Inc.

Invoice from RVK, Inc., dated January 1, 2019 in the amount of \$15,000 for the period October 1 through December 31, 2018 for investment consulting services was presented to the Committee for payment.

Action: Bob Gehbauer moved to ratify the payment and Greg Rushin seconded the motion. The motion was approved and carried 5-0.

Ratification of payment to participants

New monthly benefits and one-time lump sums to participants totaling \$41,054.10 (new monthly benefits \$11,397.95 and one-time lump sums \$29,656.15) were presented to the Committee for payment.

Action: Sean Sullivan moved to ratify the payment and Greg Rushin seconded the motion. The motion was approved and carried 5-0.

Items for future agendas

- U.S. Equity Structure
- Wellington International Opportunities Investment Manager

Adjournment: Meeting adjourned at 4:50 PM

Attachment A

INVESTMENT OBJECTIVE:

The goal of the core fixed income strategy, while not guaranteed, is to outperform the Bloomberg Barclays US Aggregate Bond Index (net of fees) and exceed the performance of the median U.S. core fixed income manager over full market cycles.

BENCHMARK:

The Benchmark is the Bloomberg Barclays US Aggregate Bond Index, measured in U.S. Dollars.

INVESTMENT GUIDELINES:

Unless specifically prohibited, the Manager may invest in all sectors of the U.S. dollar investment grade fixed income market, subject to the following constraints:

- A. Allowable Asset Types
 - a. Fixed income securities denominated in U.S. dollars that are either registered and publicly traded in the United States or are exempt from registration under Section 3(a), Rule 144A or Regulation S of the Securities Act of 1933.
 - b. Any security in the Benchmark (including both the forward and backward universes of securities) may be held.
 - c. Futures, Options and Swaps
 - d. Short-term instruments
- B. Except for Treasury or Agency debentures, pass-thru or REMICs, no more than 5% of the Portfolio's assets may be invested in securities of a single issuer.
- C. Portfolio effective duration shall be within +/- 25% duration of the Benchmark at all times.
- D. The Portfolio will maintain an investment grade weighted-average credit quality, as defined by the Bloomberg Barclays US Aggregate Bond Index.
- E. All securities must be at least Investment Grade as defined by Bloomberg Barclays US Aggregate Bond Index Methodology. In the event that a security is downgraded below the credit quality guidelines, the Manager shall provide the Plan an evaluation and plan of action.
- F. All securities must be denominated in U.S. dollars. No more than 35% of the Portfolio market value may be invested in obligations of foreign obligors (excluding Canada or its provinces).
- G. Rule 144A securities shall not exceed 25% of the Portfolio market value. Private placements, which do not qualify under SEC Rule 144A, are permissible up to 10% of the Portfolio.
- H. Derivatives, defined above, may be used for hedging, yield curve management and relative value trading. The duration of all derivatives, weighted by their notional market value, must be included in the calculation of overall Portfolio effective duration.
- I. Short Sales are prohibited (this prohibition does not include short futures positions). Intra-day sales of US Treasury securities that are not held by the Portfolio at the time of the sale to facilitate trading, that are covered by close of business, shall not be considered short sales.
- J. Cash for the purchase of securities with forward settlements may be invested in cash and cash equivalent securities. Cash and cash equivalent securities shall be defined as high-quality fixed income securities with a maturity of 13 months or less or the short-term investment fund (STIF) for the Account.

INVESTMENT OBJECTIVE:

The goal of the US equity strategy, while not guaranteed, is to outperform the Russell 3000 Index (net of fees) and exceed performance the median U.S. all cap manager over full market cycles.

BENCHMARK:

The Benchmark is the Russell 3000 Index (Total Return).

INVESTMENT GUIDELINES:

- A. The portfolio shall be fully invested under normal circumstances (except for transactional cash) with a maximum cash allocation of 10%.
- B. The maximum investment in any one issuer should be limited to the greater of 5% or 1.5 times the Benchmark's weighting (at the time of purchase).
- C. The maximum investment in any one sector should be limited to 200% of the index weight. Sector definition will be based on the Global Industry Classification Standard (GICS).
- D. Investment in non-U.S. issuers will be limited to 15% (in aggregate) of the portfolio's market value at the time of purchase. Exposure to these non-U.S. issuers may be obtained through either locally (foreign) traded issues, depositories (such as ADRs, GDRs), securities listed on a U.S. exchange, or sold in the U.S. Over-The-Counter (OTC) market. Non-U.S. issuers shall be limited to those domiciled in developed countries (as classified by the Contractor).
- E. The Manager has discretionary authority for the investment and maintenance of all cash and cash equivalents held in the Account. Eligible investments for cash and cash equivalents include:
 - 1) Individual Securities –Includes direct obligations of the U.S. Treasury, obligations of the U.S. government agencies and domestic certificates of deposit (issued or endorsed by a domestic bank, or a savings and loan association, organized and supervised under federal or any state laws and in which principal and interest are fully insured and unconditionally guaranteed by the U.S. government with A+1/P+1 ratings) with maturities not exceeding 13 months.
 - 2) Pooled Investment Vehicles – Includes money market mutual funds (registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and subject to Rule 2a-7) or short-term investment funds provided by the Custodian. Pooled funds must seek to maintain a net asset value of \$1.00, invests in high quality instruments, have average maturities of 90 days or less, and an average credit quality of AAA.

For purposes of equitizing transactional cash, the Account may use exchange traded funds, depository receipts, or other derivative instruments.

PROHIBITED INVESTMENTS:

The Manager shall not invest in or utilize the following:

- A. Options

- B. Swaps
- C. Futures
- D. Structured notes
- E. Real Estate (excluding REITS)
- F. Non-marketable securities (including private debt securities, directed placements and/or restricted stock)
- G. Fixed Income instruments except those noted above under cash and cash equivalents
- H. Commodities or commodity futures
- I. Short sales
- J. Non-dollar denominated securities
- K. Margin purchases
- L. Investments used to leverage the Account
- M. Master Limited Partnerships
- N. Publicly Traded Partnerships

Derivatives cannot be used to achieve exposure or increase overall risk beyond that allowed in these investment guidelines.

The Account shall not incur leverage.