

POLICE & FIRE PENSION INVESTMENT BOARD

May 14, 2013

Summary Minutes

The information in these meeting minutes is intended to assist Police and Fire Pension members in understanding the activities of the Investment Board. The information is not intended to provide investment or financial advice to any individual or organization and should not be relied upon for that purpose. While we attempt to keep the content accurate we cannot guarantee that all information is current, accurate or complete.

Members present: Doug McDaniel - Personnel Director (Board Chairman)
Michael Donnelly – Mayoral/Council Appointment
Mark Westphalen – Mayoral/Council Appointment
Gerry Finnegan – Mayoral/Council Appointment
Russell Fosler – Police Electee (Board Secretary)
Steve Niemeyer – Police Electee
Jeremy Gegg – Fire Electee
Steve Hubka – Finance Director

Members absent:
Guy Pinkman – Fire Electee

Personnel Dept.
Resource Staff: Paul Lutomski – Police and Fire Pension Officer

Others present: Todd Peterson - Smith Hayes Financial Services Investment Consultant
Mark Dolton - Smith Hayes Financial Services Investment Consultant

Doug McDaniel calls the meeting to order at 2:37 pm.

Doug McDaniel asks for a motion to approve or amend the minutes of the last meeting on February 12, 2013.

Michael Donnelly made a motion to approve the minutes without amendment.

Russ Fosler seconded the motion.

Doug McDaniel calls for a vote and the motion passed unanimously.

Doug McDaniel requests those having recently attended conferences to brief the board.

Steve Niemeyer briefs the Board on recently attended Opal Financial Public Funds Summit (January 2013, also attended by Guy Pinkman). The conference was more upbeat than past conferences. Real estate was a topic; specifically distressed properties in Florida that are too small for big players and too big for small players that are priced attractively. As money flows into those markets the potential returns will decrease. Individual Master Limited Partnerships for energy transmission were discussed. Emerging markets were discussed as being a good opportunity, although the returns don't look that good. Economic forecasts included a 2.5% inflation rate and 6.8% consensus return on stocks. Opal and NCPERS conferences are good.

Paul Lutomski: As you know the pension has an investment in an energy transmission MLP index under the symbol AMJ. I read that the oil and gas in the North Dakota area are much larger than originally thought and the US may achieve energy independence in 2035. That bodes well for this investment.

Steve Niemeyer: The fund may cost more than direct investment in a MLP.

Michael Donnelly: Paul and I attended the Smith Hayes Retirement Plan conference and it was excellent. The conference was designed mainly for private company plans with presentation on disclosures.

Mark Dolton briefs the Board: Returns by Equity Style (page 4) discussed as all good. Returns by Sector (page 5) discussed with note that trailing P/e ratio for S&P500 16.4 v 19.5 for 20 year average. Fixed Income Yields and Returns and price impact of 1% rise/fall discussed (page 33). Duration of bonds in portfolio has been decreased to decrease risk of loss if returns increase. Employment rates (page 25). Inflation and subcomponents (page 27). Global Equity Market returns (page 39). Europe inflation and unemployment (page 48) note that Greece and Spain unemployment is 25%. discussed. on global and US economic conditions, statistics and expectations, market sector returns.

Gerry Finnegan asks if Smith Hayes would like to comment on Japan and if this might be a (the start) of a big turn for them .

Mark Dolton replies that they have implemented change to help their economy, resulting in a lower value of Yen to Dollar. Japan is a huge creditor to the US, so it is good to see they are taking steps to become more stable.

Todd Peterson reviews current allocations and performance for 4Q2012, 1 year and 3 year returns. He reviews return of asset allocation classes. The return for 2013Q1 was 5.75%.

Paul Lutomski adds that AMJ, the energy MLP, returned 19.5% in 2013Q1, 22% for prior year. Also that fiscal YTD return is 11.8% thru April.

Todd Peterson recommends no changes to investments. The next area discussed is the watchlist. Watchlist criteria is listed.

Removed from the watchlist:
Dodge and Cox

Mutual global Discovery
Nuveen Global Infrastructure
Pioneer Strategic Income

Added to watchlist:

Wells Fargo Advantage Growth
Each fund on the watchlist was reviewed.
American Century Equity Income
Wells fargo Advantage Growth
American Funds Capital World Growth and Income
Ivy Mid Cap Growth
Perkins mid Cap Value
Royce Special Equity
Blackrock Global Allocation
Van Eck Global hard Assets
ING Global Real Estate
Wells Fargo Advantage Short Term high Yield Bond
Calamos Growth and Income

Paul Lutomski states his appreciation for the watchlist review and manager detail information as being thorough and valuable to the Board. He asks what peer rank the Ivy Asset Strategy Fund had, as it earned better than the Blackrock fund for the last quarter and year.

Todd Peterson responds that it was ranked in the top 25% of its peers with Blackrock ranking in the 64% percentile for the last year.

Steve Hubka states he is comfortable with the process used to monitor the investments.

Mark Dolton hands out a "Snapshot" of the stock dividend portfolio, describes the investment selection process and the mix of the resultant portfolio. The report show hypothetical 1, 3, 5 and 10 year returns and outperformance compared to the S&P 500.

Paul Lutomski states the pension is receiving a lot of proxy voting requests due to the ownership of these 25 stocks. He states that he has been voting as recommended by the stock /company Board of Directors, and would like the Investment Board's input.

Todd Peterson recommends the Board have an official vote to direct pension staff regarding how the proxy votes should be handled.

The Board discusses this item and notes that other mutual funds also request proxy voting.

Gerry Finnegan recommends voting with the stock /company Board of Directors but asks that items to be voted upon that were placed on the ballot by shareholders receive individual attention as they may have merit and not endorsed by the Board of Directors.

Russ Fosler makes a motion the Investment Board allow pension staff to vote all proxy votes as recommended by Gerry Finnegan.

Jeremy Gegg seconds the motion.

All members vote to approve.

Doug McDaniel asks if there are any other items for Board discussion. There being none, the meeting is adjourned at 3:21.