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 physically:
- Doug McDaniel – Human Resources Director (Board Chairman)
- Brandon Kauffman – Finance Director
- Becky Ferguson – Mayoral/Council Appointment
- Eric Augustin – Fire Electee

Members present via Zoom:
- Steve Niemeyer – Police Electee (joins meeting late)
- Greer McCurley – Mayoral/Council Appointment
- Steve Hubka – Mayoral/Council Appointment

Members Absent:
- Guy Pinkman – Fire Electee
- Matt Franken – Police Electee

A quorum is any five physically present Board members.

Human Resources Staff physically present:
- Paul Lutomski – Police and Fire Pension Officer

Others present via Zoom:
- Dale Connors, CFA – Ellwood Associates
- Andy Fiegel, CFA – Ellwood Associates
- Tina Seberg, Vice President of US Bank

Unless otherwise noted, meeting materials were provided to Investment Board members in electronic format, or printed format, a few days preceding the meeting for their advance consideration.

Documents:
US Bank fee summary
Ellwood fee summary
Ellwood 2Q2020 Performance Report
Ellwood July 2020 Preliminary Update
Doug McDaniel calls the meeting to order at 2:00 pm. He takes a roll call and states that a quorum is any five physically present Board members and since there are four physically present members no vote will be possible. Therefore, a vote to approve or edit the minutes of the prior meetings; February 13, 2020, May 14, 2020, and June 11, 2020 will be postponed until the next meeting.

Doug McDaniel calls the for next agenda items, the US Bank and Ellwood fee amounts.

Paul Lutomski reviews the quarterly invoice amounts paid to the plan’s directed trustee, US Bank, and the quarterly invoice amounts paid to the plan’s investment advisor, Ellwood Associates. The amounts are as expected according to the agreements with each.

Doug McDaniel welcomes Tina Seberg, Vice President and Relationship Manager to the meeting. Her thanks her for her help since 2014 and most recently with the Varde and Oak Hill Advisors documents.

Tina Seberg thanks pension administration and the Board for their business and gives a brief summary of US Bank’s history with specifics on the Institutional Trust and Custody division’s trustee and payment services provided to the pension.

Doug McDaniel calls for the next agenda, the 2Q2020 Performance Report.

Andy Fiegel presents that equities had the best quarterly return in 20 years. Credit markets also performed well, helped by Central Bank monetary policy with spreads moving back toward normal. He contrasts various US and world market return losses 1Q vs. gains in 2Q. Low bonds rate at the beginning of the year have been driven down even further to post a 6% gain YTD. Covid-19 brought business to a halt in 1Q. Re-opening poses new risks and the investment outlook is highly uncertain due to this and the political elections. He goes into more detail regarding the equity market recovery, fed actions to support corporate debt markets and stimulus programs support to financial markets. A position in the Pimco Investment Grade bond fund provided returns as that market normalized and we have now moved into the high yield market with Blackrock. The Option Adjusted Spread (OAS) between the Barclays Treasury index and the Barclays High Yield Corporate Index has moved from 680 to 480 bp. Ellwood is recommending to sell when the spread closes to roughly 450 bp. Component’s S&P 500’s return are reviewed indicating technology drove the return in concentration levels not seen since the early 2000’s tech bubble.

The July Preliminary Performance Update showed recovery with the S&P 500 up 5.8%. The Russel 3000 value index was up 3.8% (down 13.5 CYTD) and the growth index was up 7.4% (up 17.1% CYTD). Dispersion of this magnitude has not been seen in quite a while. High yield outperforming. The position is playing out well and fast. Return summary. He reviews YTD, Fiscal YTD, 1, 3, 5 and 10 returns. The total portfolio was up 3.1%, putting the FYTD return at 7.6%. Asset allocation vs. target policy is reviewed. Cash flow is reviewed. Page 6 is new; cashflows by investment for the fiscal year. Started the year at $247M, $7M net cash outflow, investments up $18.9M, to end FYTD at $258.9M. Market value increased from $252M to $259M.

Asset class performance is reviewed by month, YTD, FYTD 1, 3, 5 and 10 years, for public equity, private equity, fixed rate debt, floating rate debt, low volatility and real estate. Noted that private equity returns have been and are expected to be worth the loss of liquidity.
Dale Connors reviews that the Blackrock High Yield Bond Fund was purchased with the intent of selling when the Option Adjusted Spread (OAS) between the Barclays Treasury index and the Barclays High Yield Corporate Index closes to roughly 450 bp. He recommends the Board authorize Ellwood to notify Paul when this condition is met so a sale order can be placed.

Paul Lutomski will research if the Board pre-authorized this sale or if a special meeting is needed for this vote.

Doug McDaniel adjourns the meeting at 2:45 p.m.