

## **POLICE & FIRE PENSION INVESTMENT BOARD**

**In-person only**

**November 16, 2021**

**9:30 – 11:30 a.m.**

### **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 physically:

Doug McDaniel – Human Resources Director (Board Chairman)  
David Young – Interim Finance Director  
Derek Dittman – Police Electee  
Steve Hubka – Mayoral/Council Appointment (Board Secretary)  
Becky Ferguson – Mayoral/Council Appointment

#### Members Absent:

Matt Franken – Police Electee  
Eric Augustin – Fire Electee  
Greer McCurley – Mayoral/Council Appointment  
Guy Pinkman – Fire Electee

A quorum is any five physically present Board members. Action can be taken when 5 members approve.

#### Human Resources Staff physically present:

Paul Lutomski – Police and Fire Pension Officer

#### Others physically present:

Dale Connors, CFA – Ellwood Associates  
Andy Fiegel, CFA – Ellwood Associates  
Keith Peters, attorney at Cline Williams law firm  
Kate Larsen, associate at Cline Williams law firm

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:

Minutes of meetings: August 12, 2021  
Ellwood invoice summary  
US Bank invoice summary  
Ellwood 3Q2021 Performance Report  
Preliminary Performance Report for October 2021  
Draft Conflict of Interest Policy and Disclosure Form

Doug McDaniel calls the meeting to order at 9:30 a.m.

Five member's attend in person, so a quorum exists.

Doug McDaniel states agenda item 1, approve or amend minutes of the August 12, 2021 meeting will be addressed later in the meeting so Paul can print and distribute the minutes to Board members.

Doug McDaniel calls agenda item 2 and 3, US Bank and Ellwood fees.

Paul Lutomski reviews the quarterly invoice amounts paid and states the amounts are as expected according to agreements with each.

Doug McDaniel calls agenda item 4, the 3Q2021 Performance Report and asks Elwood to report.

Dale Connors and Andy Fiegel thank the Board the opportunity to work with them since 2014. They recap that the number of investments in the portfolio has decreased, returns have increased and risk has been reduced. They wish the Board continued investment success.

The Total Fund asset class and individual manager market values are reviewed. Asset classes are found to be within target ranges other than cash, which at \$7.3 million is above the range max of \$4 million. Cash is expected to decline as Private Equity capital calls are received and monthly benefits paid. Asset classes are close to their targets, with the exception of Private Equity (target 10% actual 6.2%) as we await capital calls.

- Cashflows for the Calendar Year to Date show net cash flow -\$3 million. Investment return of \$30 million. Overall assets increased from \$289 to \$316 million.
- Cashflows for the Fiscal Year to Date (September 2021) show net cash flow -\$2 million. Investment return of -\$4 million. Overall assets decreased from \$322 to \$316 million.

- Return summary for Total Fund, Policy Index and Actual Allocation Index for QTD, YTD, FYTD, 1, 3, 5, 10 years are reviewed. Examples,
  - 1 Year Total Fund was 22%, exceeding the Policy Index of 19.4% and exceeding the Actual Allocation Index of 18.8%
  - 5 year Total Fund was 10.4%
  - 10 year Total Fund was 9.9%
- Attribution effects reviewed
  - Total Fund Manager selection effect was greater than allocation effect
- Return comparison of Fund vs. other Public Plans \$250M - \$1B for various time periods: bar graphs
  - For YTD, 1, 3, 5 and 10 years, return is above average
- Annualized Return vs. Annualized Standard Deviation comparison of Fund vs. other Public Plans \$250M - \$1B for 3 and 5 year periods: scatter graphs
  - 3 and 5 year Total Fund return is above average and risk below average
- Sharpe ratio risk adjusted return for 5 year period vs. other Public Plans \$250M - \$1B: scatter graphs
  - Total Fund measure above average

Preliminary Performance Report for October 2021.

September was down, but October Major Benchmark Returns were up in every category including floating rate debt, but fixed income declined.

For the 2 months in Fiscal YTD plan assets are up 1.7% and above the Policy Index.

Asset Allocation vs. Targets. Asset classes are found to be within target ranges other than cash, which at \$9.8 (corrected to \$5.9 after the meeting) million is above the range max of \$4 million. Cash is expected to decline as Private Equity capital calls are received and monthly benefits paid. Asset classes are close to their targets, with the exception of Private Equity (target 10% actual 6.1%) as we await capital calls.

Cashflows for October show net cash flow -\$1.3 million. Investment return of \$9.2 million. Overall assets increased from \$316 to \$324 million. The only asset to lose money in October was the Vanguard Emerging Markets fund and JP Morgan Core Bond fund.

The Performance Summary was reviewed. It was noted that Private Equity 5 year return was 23% and that Bain Capital Senior Loan Fund was the #1 returning fund in that category. Real Estate consists of two funds, Rreef and PRISAIII. Both are open ended funds and together have

earned 8.8% average over 5 years.

Dale Connors and Andy Fiegel thank for Board the opportunity to work with them and wish them continued success.

Doug McDaniel and the Board members thank Dale and Andy.

Doug McDaniel revisits agenda item 1, asking for edits or a motion to accept the minutes of the August 12, 2021 meeting.

David Young moves to approve the minutes.

Becky Ferguson seconds the motion.

All members vote to approve.

Doug McDaniel introduces Keith Peters and Kate Larsen of the Cline Williams law firm. He ask Keith to proceed with agenda item 5, the presentation regarding fiduciary duty and conflict of interest.

Keith Peters presents regarding fiduciary duty and conflict of interest. The presentation is confidential privileged attorney client information and therefore will not be detailed in these minutes.

Doug McDaniel calls for a vote to approve the Conflict of Interest Policy.

Steve Hubka moves to approve the Conflict of Interest Policy.

Becky Ferguson seconds the motion.

All members vote to approve.

The following members and staff complete the Conflict of Interest Annual Acknowledgement and Disclosure Form:

- Steve Hubka
- Douglas J. McDaniel
- Derek Dittman
- Rebecca Ferguson
- Paul Lutomski

Doug McDaniel introduces Agenda item 6, Vote for a Chair of the Investment Board. He states that he is currently the Chair of the Investment Board and that he will retire in January 2022. The Board decides a vote for Chair is better suited to a meeting when more of the employee

members of the Board were able to attend, so the vote for Chair is postponed to the February 2022 meeting.

Doug McDaniel adjourns the meeting at 11:30 a.m.