POLICE & FIRE PENSION INVESTMENT BOARD

February 11, 2025

2:00 – 3:30 p.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:

Guy Pinkman – Fire Electee (Board Chairman)
Matt Franken – Police Electee
Derek Dittman – Police Electee
Joe Dondlinger – Finance Director
Barb McIntyre – Human Resources Director
Lyn Heaton – Mayoral/Council Appointment

Members Absent:

Steve Hubka – Mayoral/Council Appointment (Board Secretary)
Lisa Smith – Mayoral/Council Appointment
Eric Augustin – 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
Nicole Gross – Total Rewards Division Leader

Others physically present:

Ian Bray - Principal, RVK Investment Advisors
Keith Peters, attorney, 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 prior 11/14/2025 meeting
- US Bank Fees
- RVK Fees
- RVK 2024Q4 Performance Report
- RVK Hedge Fund Implementation Options

Guy Pinkman calls the meeting to order at 2:00 p.m.

City staff thanks Guy for presenting to the City Council yesterday, during the annual financial and actuarial presentation.

Guy introduces Joe Dondlinger, the new City Finance Director, and the Board welcomes him.

Guy calls for agenda item one, edit or approve November 2024 minutes.

A motion to approve was made and seconded.
All members vote in favor.

Agenda item 2 and 3, US Bank and RVK advisor fees.

US Bank and RVK fees are presented

Paul Lutomski presents US Bank and RVK fees are presented. He notes US Bank transaction fees include those of the Jacobs Levy sub-account.

Guy Pinkman calls for agenda item 4, RVK 2024Q4 performance report.

RVK presents.

In Q4, and Calendar Year-To-Date (CYTD) despite multiple risks to economic growth—including persistent pockets of inflation, ongoing wars, and the prospect of renewed trade disruptions—risk assets delivered robust returns in 2024. This also followed a very good 2023. Valuations are expensive particularly in US Large cap. For the calendar year, the MSCI All Country World Investable Market Index generated returns of 16.9%. In Q4 EAFE had a selloff of about 8% due to potential tariffs. Bonds had a difficult year, 1.25%. Typically, tariffs are inflationary and in Q4 yields climbed. The Treasury yield curve changed from inverted to a positive slope. A recession is not expected.

Matt Franken asks for explanation of Key Economic Indicator: US Govt Debt as % of GDP in that it is currently very high.

RVK states historically the US has had less debt than in the last 10-ish years, so the graph shows current level well above median. Two camps: 1) US can always pay its debt, 2) investors want more yield long-term and as short debt comes due it may be refinanced as LT at a higher rate.

Guy explains the US does not want low coupon bonds, ~2%, to be refinanced at the current higher ~5% rate, as GDP growth has stayed around 2%. The plan holds floating rate bonds.

RVK the private credit allocation is floating rate debt and that gives downside protection, also the plan holds actively managed debt. The US debt is a big issue and may take 10-ish years to transition. In a perfect world the US would transition to pay less on debt service and increase GDP.

Guy states the last month has been volatile and our active managers can earn alpha and lessen the downside.

RVK focuses on the Total Fund.

Market value was down Q3 $344,220,370 to Q4 $338,944,161.

Differences of actual to target (page 13) are: Public equity is 4.7% over and Private equity is 3.8% under as we await cap calls, and because public markets have outperformed private markets, which is in part due to low private market exits. Also, Private equity return reporting has ~ 6-month lag. Real estate is 2.5% under as returns have been low relative to other assets. Cash is 2.5% over target due to year end distributions.

Market return performance for Q4 was reviewed for many asset classes, including S&P 500 as 2.4% qtr. and 25% calendar year, bonds returned -3% qtr. and 1.25% calendar year. It was noted that plan assets earned 9.55% for the year as assets were diversified.

Performance net of fees (page 15) were hurt by exposure to private equity compared to peers, because your peers did not invest as much in private managers.

Larger public pensions have more exposure to alternative and this plan would look good compared to those more advanced funds.

Return Performance against peer Public Pension Plans $250M to $500M

By asset allocation and time period
and
by total fund and time period:
1 year, 9.55%, top 64th percentile
3 year, 2.66%, top 50th percentile
5 year, 7.49%, top 25th percentile
10 year, 7.07, top 42nd percentile

Return vs. Risk Scattergram – 5 years, places Total Fund return of 7.49% above Median of 6.86% and Risk (Standard Deviation) of 10.15% below median 11.79%.

The Total Fund was graphed as having the same return but less risk than the Total Fund Target Allocation Index. RVK explains the Total Fund earned the same but took less risk than the weighted benchmark it is measured against. The benchmark data is listed below:

City of Lincoln Police & Fire Pension Plan **As of December 31, 2024**
Custom Index Definitions

Account Name	From Date	To Date	Benchmark
Total Fund	06/01/2023	Present	31.00% Russell 3000 Index, 18.00% MSCI ACW Ex US IM Index (USD) (Net), 18.00% Bloomberg US Agg Bond Index, 10.00% S&P UBS Leveraged Loan Index, 10.00% Russell 3000 +3% w/ FLAT RATE INDEX, 13.00% Real Estate Custom Index
	08/01/2022	06/01/2023	21.00% Russell 3000 Index, 11.00% MSCI ACW Ex US Index (USD) (Net), 18.00% MSCI ACW Index (USD) (Net), 15.00% Bloomberg US Agg Bond Index, 10.00% S&P UBS Leveraged Loan Index, 10.00% Russell 3000 +3% w/ FLAT RATE INDEX, 15.00% Real Estate Custom Index
	04/01/2022	08/01/2022	21.00% Russell 3000 Index, 11.00% MSCI ACW Ex US Index (USD) (Net), 18.00% MSCI ACW Index (USD) (Net), 15.00% Bloomberg US Agg Bond Index, 10.00% S&P UBS Leveraged Loan Index, 10.00% Russell 3000 +3% w/ FLAT RATE INDEX, 15.00% Real Estate Custom Index
	07/01/2021	04/01/2022	50.00% MSCI ACW Index (USD) (Net), 10.00% R 3000 Index+3%, 15.00% Bloomberg US Agg Bond Index, 10.00% S&P UBS Leveraged Loan Index, 15.00% Real Estate Custom Index
	06/01/2020	07/01/2021	45.00% MSCI ACW Index (USD) (Net), 10.00% R 3000 Index+3%, 15.00% Bloomberg US Agg Bond Index, 10.00% S&P UBS Leveraged Loan Index, 5.00% Low Volatility Custom Index, 15.00% Real Estate Custom Index
	12/01/2018	06/01/2020	45.00% MSCI ACW Index (USD) (Net), 10.00% R 3000 Index+3%, 10.00% Bloomberg US Agg Bond Index, 10.00% S&P UBS Leveraged Loan Index, 10.00% Low Volatility Custom Index, 15.00% Real Estate Custom Index

Guy asks why private equity is benchmarked against the Russell 3000 + 3%.

RVK states private equity can be benchmarked against the Russell 3000 + a flat amount, and that maybe 2% is more appropriate now, or can be benchmarked against a non-investible peer median of a large group of private equity funds. Benchmarking against a Russell 3000 + a flat is more understandable and has less tracking error but may make you look worse in a return comparison. Both ways have plus and minus.

Total Fund Attribution (shown for quarter and year) shows 1 year performance versus the policy benchmark.
1 year return of 9.55% derived from

11.20% Strategic Asset Allocation
-0.31% Tactical
-0.22% Style Selection
-1.12% Manager Skill
9.55%

Market value of individual funds and their asset allocation were reviewed.

Asset Allocation & Performance for Total Fund, Allocation Classes and individual managers displayed with benchmarks for Qtr., 1, 3, 5, 10 years.

Alternative Investment Private Equity Fund Performance Listing
By Private Equity and Private Credit, by Fund name with metrics.

Alternative Investment Unfunded Commitments totaling $18,830.659.

The Fee schedule lists each manager's percentage fee schedule, Market value and estimated Annual Fee with total of 0.53%. The individual fees and total fee are deemed to be appropriate for this portfolio.

Joe Dondlinger asks how RVK regards Catastrophe Bonds.

> A catastrophe bond is designed to raise money for companies in the insurance industry in the event of a natural disaster.

RVK explains they do not recommend investing in catastrophe bonds given their risk and as it may be seen as taking advantage of other's misfortune.

The report section on Public Equity compares rolling 3 year returns vs benchmark, lists top 10 holdings, portfolio characteristics, sector weights and performance attribution by sector.

The report section on Fixed Income compares rolling 3 year returns vs. benchmark portfolio characteristics, sector weights.

The report section on Manager Profiles details metrics on each manager relevant to the type of investment,

Guy Pinkman calls for agenda item 5, Hedge fund Implementation Options.

RVK presents.

A 5% allocation was approved in May 2024. This is roughly $16M.

Diversification among hedge fund strategies is essential as not every strategy will work in every market environment. The easiest way to achieve instant diversification is through fund of hedge funds, multi-strategy, and multi-manager hedge funds.

For each of these 3 implementation options:

1) fees, liquidity, volatility and returns are presented.
2) An example of manager specifics is presented.

Board discussion occurs regarding these items in general and specific. A tentative consensus is reached that a Multi-Portfolio Manager approach best suits the objectives and needs of the plan.   Discussion includes that a 3-8% allocation is the range for peers, that the plan will be giving up return in normal markets for down market upside or protection.

The Board asks RVK for Multi-Portfolio Manager return data specific to 2008 and 2020 ranges.

RVK concludes the presentation with discussion of benefits and risks associated, the need for clear objectives, and determination of the suitable implementation structure.

RVK states more hedge fund progress is expected in the May meeting.

Guy Pinkman calls for New Business and asks RVK to advise regarding Private Credit for venture capital at their earliest convenience.

There being no other new business Guy Pinkman adjourns the meeting.