

**FIREFIGHTERS' PENSION BOARD
MEETING
JUNE 13, 2019**

MEMBERS PRESENT: Bill Albers, Chairman
Holden Gibbs, John Briggs, Justin Gerow

MEMBERS ABSENT: David Baird

OTHERS PRESENT: Michael Botha, Brookfield Infrastructure
Kerry Richardville, AndCo Consulting
Dan Osika, AndCo Consulting
Kristin Simeone, Finance Director

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting
- 1. September 19, 2019

CITIZEN COMMENTS ON AGENDA ITEMS ONLY

- There were none.

APPROVAL OF MINUTES

- A. March 21, 2019
- Mr. Gibbs MOVED, Mr. Gerow SECONDED approval of the March 21, 2019 minutes.
MOTION CARRIED UNANIMOUSLY.

REPORTS

NOTE: Brookfield Infrastructure Conference Call was heard prior to Next Scheduled Meeting.

- A. AndCo Consulting--Kerry Richardville
- 1. Brookfield Infrastructure conference call
- Mr. Michael Botha, Brookfield Infrastructure (Brookfield), provided a presentation, as delineated in the agenda material, highlighting Brookfield's qualifications as an infrastructure manager, which included their established investment process, operational expertise and experienced leadership (pages 3-5). He then reviewed the investment strategy for the Brookfield Super-Core Infrastructure Partners Fund (BSIP), explaining its focus on long-lived, essential, predominantly contracted or regulated infrastructure contributed to the fund's lower risk profile (page 6). He then outlined the fund's representative assets (page 7), stating the fund would focus on assets in utilities, energy, power, transportation and public-private partnerships (page 8). He asserted BSIP benefitted investors' portfolio's through its significant cash yield, lower volatility, diversification, inflation protection and long duration (page 10). He stated

\$1.6 billion had been raised for the fund and just under \$300 million had been deployed, concluding with a review of the fund's pipeline (page 15).

- Ms. Kerry Richardville, AndCo Consulting (ACC), questioned how geography factored into the asset selection process.
- Mr. Botha responded Brookfield established a broad geographical area in the fund's mandate in order to deploy capital based on an asset's relative value rather than its location.
- Ms. Richardville inquired as to Brookfield's outlook on investment in American infrastructure.
- Mr. Botha replied recent geopolitical developments had not changed Brookfield's long-term view for same.
- Mr. Albers inquired whether there was any historical data on investment returns.
- Ms. Richardville replied there was none as the BSIP fund was Brookfield's first core fund, noting the net internal rate of return across their infrastructure funds was 12.5%. She then stated the fund had a three year lock up period.
- Mr. Gerow questioned which investment would be replaced by BSIP.
- Ms. Richardville recommended reducing domestic equity exposure by 5% (approximately \$750,000), noting the return assumptions for same were between 6% and 7%, whereas returns for infrastructure were estimated at 7% or more.
- Mr. Gerow MOVED, Mr. Briggs SECONDED to transfer 5% of domestic equity holdings to the Brookfield Supercore Infrastructure Partners Fund. MOTION CARRIED UNANIMOUSLY.
- Ms. Richardville announced ACC would proceed with the transfer, noting the next closing date for investments would be in the middle of September 2019. She then provided members with a copy of the Plan's Investment Policy, recommending changes be made to reflect the Board's motion.
- Mr. Gerow MOVED, Mr. Briggs SECONDED to amend the Investment Policy as approved. MOTION CARRIED UNANIMOUSLY.

NOTE: The March 31, 2019, Performance Report was heard following the Value Manager Search.

2. March 31, 2019, Performance Report

- Ms. Richardville drew attention to ACC's Investment Performance Review, as delineated in the agenda material, for the period ending March 31, 2019, commenting positively on market performance within the first quarter of 2019. She stated uncertainties in the market had caused investors to concentrate on short-term investments, noting the

inverted yield curve on page 9 was a potential long-term indicator of a recession. She then reviewed asset allocations as denoted on pages 11 and 12, commenting the Fund remained closely aligned with its target allocations. She summarized Total Fund Performance denoted on page 15 as follows: quarter, 10.95% (3rd percentile); 3 year, 10.80% (2nd percentile); 5 year, 7.63% (2nd percentile). She then provided an overview of individual investment manager's performance as compared to the benchmark detailed on pages 15 and 16, concluding she had no further recommendations for the investment manager lineup.

3. April 2019 Flash Report

- Ms. Richardville reported on the Investment Performance Review for the period ending April 30, 2019, from the agenda material, noting total fund performance was 3.42% in April 2019; however, total fund performance in May 2019 was -3.51% which negated the previous month's returns. She stated while volatility in the markets might continue, no changes were recommended.

NOTE: The Value Manager Search was heard following approval of minutes.

4. Value Manager Search

- Ms. Richardville drew attention to page 2 of the Value Manager Search Packet from the agenda material, noting Brandywine Global Investment Management, Dimension Fund Advisors, Dodge & Cox and the Dreyfus Corporation were being presented as alternatives to Dana Investment Advisors. She provided a detailed comparison of each which focused on their history, strategies, teams, portfolio construction, composition, characteristics, sectors and market capitalization, all detailed in the agenda material. She concluded by recommending either Brandywine or Dodge & Cox replace Dana Investment Advisors.
- Discussion ensued comparing Dodge & Cox and Brandywine, with members commenting favorably on Dodge & Cox's experience in actively managing funds.
- Mr. Briggs MOVED, Mr. Gerow SECONDED to replace Dana Investment Advisors with Dodge & Cox. MOTION CARRIED UNANIMOUSLY.

NOTE: Bank Loan Manager Discussion was heard following April 2019, Flash Report.

5. Bank Loan Manager Discussion

- Ms. Richardville drew members' attention to the Credit Suisse Asset Management (CSAM) presentation included in the agenda material, stating CSAM's minimum investment was \$250,000; therefore, CSAM was the only manager accessible to the Fund. She provided an overview of assets under management and product offerings from CSAM, both detailed on pages 6 and 7. She reviewed the characteristics of

floating rate high income funds enumerated on page 11, noting durations for same were short-lived. She stated the overall US Loan Composite Performance was below investment grade; however, she was comfortable recommending allocations of funds for same as Dodge & Cox provided the needed balance.

- Mr. Gerow clarified the recommendation was to divide investments evenly between Templeton and CSAM.
- Mr. Albers confirmed the return on investment for Templeton was 2.25% over five years compared to CSAM's return of 4.17%.
- Mr. Gerow inquired as to the current volatility of bank loans.
- Ms. Richardville replied annualized volatility was between 5% and 6%, speaking in favor of bank loans due to their seniority in capital structure.
- Mr. Albers verified daily liquidity was available for bank loans and the yield for the first quarter of 2019 was 3.80%.
- Mr. Gibbs MOVED, Mr. Gerow SECONDED to reallocate half of Templeton's funds to Credit Suisse's Floating Rate High Income Fund. MOTION CARRIED UNANIMOUSLY.
- Ms. Richardville announced discussion of international managers would be held at the September 19, 2019 meeting.

B. Salem Trust--Mindy Johnson

- Ms. Mindy Johnson, Salem Trust (Salem), announced Salem was recently purchased by TMI Trust. She stated clients would not be affected and Salem's operations would remain unchanged; however, TMI Trust would begin providing operations support by March 2020. She then drew members' attention to the Quarterly Service Report and Money Market Funds Comparison sheet detailed in the agenda material, summarizing the performance of each.

NEW BUSINESS

- A. Correction to October 1, 2018 Valuation Report--Patrick Donlan, from Foster & Foster
- Mr. Briggs stated Mr. Patrick Donlan, Foster & Foster, had provided an amendment to the October 1, 2018 Actuarial Valuation Report to account for drop money which was not calculated, noting acceptance of same would increase the City's contribution by \$12,000.
 - Mr. Gerow MOVED, Mr. Gibbs SECONDED to accept the amended Actuarial Valuation Report from Foster & Foster. MOTION CARRIED UNANIMOUSLY.

STAFF COMMENTS

- Ms. Kristin Simeone, Finance Director, announced current language in the Plan's ordinance prevented the City from auditing the Plan, explaining language to amend

that provision would be presented in the future. She confirmed members were in favor of allowing the City's auditors to audit the Plan.

ADJOURNMENT

- Meeting Adjourned: 9:21 a.m.

Bill Albers, Chairman

Leah Pues, Recording Secretary