

**POLICE OFFICERS' PENSION BOARD
MEETING
JUNE 21, 2018**

MEMBERS PRESENT: Dylan Renz, Chairman
Adam Cummings, Thomas Ford,
Samuel Kiburz, Chris Salsman

OTHERS PRESENT: Jack Evatt, AndCo
Mindy Johnson, Salem Trust
Lee Dehner, Board Attorney

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting
 - Mr. Ford announced the next meeting was scheduled for September 20, 2018, at 1:30 pm.

CITIZEN COMMENTS ON AGENDA ITEMS ONLY

- There were none.

APPROVAL OF MINUTES

- A. Approval of Minutes
 - Mr. Kiburz MOVED, Mr. Renz SECONDED approval of the December 14, 2017, March 15, 2018, and May 22, 2018 minutes. MOTION CARRIED UNANIMOUSLY.
 - Mr. Bartell requested the April 19, 2018 minutes be amended to reflect he wished retention of an outside administrator be discussed at a later date.
 - Mr. Kiburz MOVED, Mr. Renz SECONDED approval of the April 19, 2018 minutes as amended. MOTION CARRIED UNANIMOUSLY.

NEW BUSINESS

- A. Elect Chairman
 - Recording Secretary Welch opened the floor for nominations for Chairman.
 - Mr. Salsman NOMINATED Mr. Renz.
 - Recording Secretary Welch called three times for any other nominations.
 - As there were no other nominations, Mr. Renz was appointed Chairman by acclamation.
- B. AndCo Consulting Report
 - Mr. Jack Evatt, AndCo Consulting (ACC), drew members' attention to ACC's Investment Performance Review/Period Ending March 31, 2018, as delineated in the agenda material. He commented general market performance was negative while emerging markets' performance was positive. He noted the Plan finished approximately \$100,000 lower than it had for the period ending December 31, 2017, suggesting performance

was acceptable after accounting for outflows. He reviewed Total Fund Performance, as delineated on page 15, as follows: quarter, .28% (14th percentile); 1 year, 9.69% (65th percentile); 3 year, 6.16% (61st percentile), specifying performance of the individual investment managers as compared to the benchmark, as denoted on pages 15–16. He then distributed a brief performance report on the portfolio for activity through May 31, 2018, briefly reviewing same.

- Mr. Kiburz inquired if the Board should consider reinvesting some of its real estate funds.
- Mr. Evatt responded a million dollar minimum investment had been required for real estate, explaining flexibility was limited. He spoke at length on real estate investment in general and the Plan's investment with ASB Real Estate (ASB) in particular.
- Mr. Ford recalled the purpose in selecting ASB was diversification with the intent to hold through multiple cycles.
- Mr. Bartell then requested the number of investors lost or gained by the investment managers be reported as per their agreements.
- Mr. Evatt voiced uncertainty regarding the specific reporting requirements, suggesting same would only pertain to ASB, Garcia & Hamilton and Dana. He stated ACC requested information related to compliance and a report on the portfolio each quarter, which was used to track substantial outflows and inflows, offering to provide same. He noted outflows would be seen, suggesting same could be attributed to many funds which were overweighted. He then drew members' attention to Emerging Markets Equity Manager Analysis, as delineated in the agenda materials, explaining the manager search was intended to evaluate emerging market equity fund options. He explained the following firms/funds were evaluated: J. P. Morgan Investment Management/JPMorgan Emerging Markets Equity R6 (JEMWX); Neuberger Berman Investment Advisers/Neuberger Berman Emerging Markets Equity R6 (NREMX) (Neuberger); Vanguard Group/Vanguard Emerging Markets Stock Index Admiral Shares (VEMAX) (Vanguard); WCM Investment Management/WCM Focused Emerging Markets Fund Institutional (WCMEX); Wells Fargo Funds Management Subadvisor: Wells Capital Management/Wells Fargo Emerging Markets Equity R6 (EMGDX). He provided a detailed report on vehicles, management fees and investment minimums for each firm, further providing detailed comparisons and noting this type of investment strategy presented a long-term opportunity for higher returns. He concluded by recommending Neuberger.
- Discussion ensued with regard to possible reallocation sources as well as the pros and cons of each firm.
- Mr. Kiburz spoke in favor of Vanguard, requesting Mr. Bartell's opinion.

- Mr. Bartell concurred with Mr. Evatt that in this particular market, professional management should outperform the index; however, he expressed hesitation with regard to making a decision this date.
- Consensus of the Board was to postpone a decision to their next meeting.
- Ms. Mindy Johnson, Salem Trust, drew attention to the Salem Trust Service Report Summary, as delineated in the agenda material, confirming there were no questions. She then expressed concern regarding email fraud, requesting the Board use encrypted email messages when communicating with Salem Trust. She advised she would contact members in the case of questionable requests, noting the firm added cyber security insurance to their policy.
- Mr. Ford confirmed there had been no attempts against the Fund, inquiring as to the level of coverage Salem Trust carried.
- Ms. Johnson responded \$5,000,000 with a \$10,000 deductible. She then announced Chicago Clearing would withhold 12% from recoveries.
- Mr. Kiburz discussed upcoming seminars available to members.

STAFF COMMENTS

- Mr. Lee Dehner, Board Attorney, reminded members to submit their Form 1 Financial Disclosures by July 1, 2018. He advised the Board must include review and approval of their budget on the next meeting agenda, noting same must be submitted to the City along with a listing of all investments prior to October 1, 2018. He stated the Board would need to review and approve administrative expenses incurred for the Fiscal Year ending September 30, 2018, at the first meeting of the next calendar year.
- Mr. Kiburz questioned who was responsible for preparation of the budget.
- Mr. Dehner reviewed the process pension boards typically used to create a budget, speaking in favor of over-budgeting rather than under-budgeting. He announced the Internal Revenue Service required amendments to the ordinance as well as to the rules and procedures. He then advised the disability claim regarding Mr. Lee Coel was moving forward.
- Mr. Ford questioned if replies to the interrogatories should have been received by this time.
- Mr. Dehner replied same were sent on May 23, 2018; therefore, the lack of response at this time was not unusual.

- Mr. Kiburz questioned if an interim meeting was required at this time.
- Mr. Dehner replied in the negative, reviewing typical disability hearing procedures.

ADJOURNMENT

- Meeting Adjourned: 3:16 p.m.

Dylan Renz, Chairman

Sara Welch, Recording Secretary