

**FIREFIGHTERS' PENSION BOARD  
MEETING  
MARCH 21, 2019**

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

**OTHERS PRESENT:** Greg Peters, Dana Investment Advisors  
Dave Stamm, Dana Investment Advisors  
Kerry Richardville, AndCo Consulting  
Jack Evatt, AndCo Consulting

**CALL TO ORDER/ANNOUNCEMENTS**

- A. Roll Call
- B. Next Scheduled Meeting
- 1. To Be Determined
- Consensus of members was to meet on June 20, 2019.

**CITIZEN COMMENTS ON AGENDA ITEMS ONLY**

- There were none.

**APPROVAL OF MINUTES**

- A. November 29, 2018
- Mr. Baird MOVED, Mr. Gerow SECONDED approval of the November 29, 2018 minutes.  
MOTION CARRIED UNANIMOUSLY.

**REPORTS**

- A. Dana – Greg Peters and Dave Stamm
- Mr. Greg Peters, Dana Investment Advisors (Dana), stated domestic market performance was poor in the fourth quarter of 2018, noting the portfolio underperformed compared to its benchmark; however, the portfolio had outperformed its benchmark as of March 19, 2019.
- Mr. David Stamm, Dana, presented Dana's Portfolio and Economic Update, as delineated in the agenda material. He provided an equity market update, as denoted on pages 5 through 9, commenting on concerns which had resulted in strong negative market performance in the fourth quarter of 2018. He discussed Dana's strategy profile, top strategy contributors and detractors, current equity market conditions and portfolio characteristics, as noted on pages 10 through 20, opining Dana's high quality portfolio would offer long-term downside protection. He concluded by reviewing the Economic & Market Update, drawing members' attention to the United States Earnings Snapshot, reporting for the first quarter of 2019 the S&P 500 Year/Year EPS Growth

was below zero, clarifying they were likely to see negative earnings growth for the first quarter; however, there would be rapid acceleration as the year progressed. He opined earnings estimates for the full year were probably too high and were likely to move lower, and perhaps causing a bit more volatility within the market.

- Discussion ensued regarding earnings growth.
- Mr. Baird inquired if Dana was adjusting the portfolio to reduce international exposure.
- Mr. Stamm replied the portfolio currently had a domestic bias in certain areas.
- Mr. Baird questioned which sectors offered opportunities.
- Mr. Stamm replied he expected lower interest rates would benefit higher-yielding sectors such as real estate, consumer staples and utilities.
- Mr. Albers pointed out Dana's presence had been requested due to their long-term performance.
- Mr. Stamm commented poor performance in 2016 was depressing their performance in trailing returns, explaining he had not wanted to change the portfolio's investments based on one year's performance.
- Discussion ensued regarding Dana's active management versus investment in the Russell 1000 Value Index with Mr. Stamm asserting active management typically provided downside protection.
- Mr. Albers confirmed AndCo Consulting (ACC) could present information on alternative active managers and the Russell 1000 Value Index at the next meeting.

B. AndCo Consulting, Kerry Richardville

1. December 21, 2018 Performance Report

- Ms. Richardville drew members' attention to ACC's Investment Performance Review/Period Ending December 31, 2018. She reviewed asset allocations as noted on pages 10 and 12, noting the Fund remained closely aligned with its target allocations. She summarized Total Fund Performance, as stated on page 15, as follows: quarter, -9.53% (87<sup>th</sup> percentile); 1 year, -3.23% (28<sup>th</sup> percentile); 3 year, 6.78% (16<sup>th</sup> percentile); 5 year, 5.63% (32<sup>nd</sup> percentile). She then provided an overview of individual investment manager's performance as compared to the benchmark, concluding managers had performed reasonably well in an extremely challenging quarter.

2. February 28, 2019 Flash Report

- Ms. Richardville presented the Investment Performance Review/Period Ending February 28, 2019, provided in the agenda material, noting total fund performance was 2.78% in February 2019. She stated all managers had outperformed the benchmark in February

2019 with the exception of Dana, concluding the Fund's asset allocations remained in alignment with its target allocations.

### 3. Brookfield Infrastructure Review

- Ms. Richardville noted investment in infrastructure or bank loans would require amendment of the Fund's Investment Policy. She then presented the Brookfield Super-Core Infrastructure Partners (Brookfield) Strategy Review, as delineated in the agenda material. She spoke regarding the firm's history and performance as well as the strategy's characteristics, philosophy and process for selecting and managing assets, reviewing associated fees and terms. She offered to answer any questions.
- Mr. Baird inquired as to the division of North American investment between the United States, Canada and Mexico.
- Ms. Richardville expressed uncertainty regarding same, stating she believed assets were evaluated based on their location, type and characteristics. She recommended Brookfield call in to the next meeting to answer members' questions.
- Mr. Albers questioned if additional infrastructure investment managers should be considered.
- Ms. Richardville replied opportunities had been limited; however, she could watch the space for further opportunities.
- Discussion ensued regarding particulars of the Brookfield fund.
- Mr. Baird inquired if investment in greenfield projects was barred to the Plan due to higher minimums.
- Ms. Richardville stated she believed so.

### 4. Bank Loan Primer

- Ms. Richardville presented Introduction to Bank Loans, as delineated in the agenda material, explaining bank loans were an alternative to high-yield bonds. She noted bank loans generally offered higher returns than high-yield bonds and minimized interest rate sensitivity. She then spoke on the history and structural features of bank loans, their risk-adjusted return potential and diversification. She reviewed considerations for implementing bank loan allocations, recommending long-term investment of 2% to 2.5% of the Fund's portfolio.
- Mr. Baird expressed concern bonds would be a high-risk asset. He spoke in favor of diversification, expressing uncertainty if bank loans were the most appropriate choice to achieve diversification.
- Consensus of the Board was for Ms. Richardville to present information on bank loan managers at the next meeting.

5. Discussion of Japan and International Equity Managers
- Ms. Richardville recalled Mr. Baird had inquired as to the EuroPacific Growth Fund's exposure to Japan, reporting the index's exposure to Japan was 17% as of December 31, 2018. She confirmed ACC had alternative managers with much lower exposure to Japan, suggesting same would have significant tracking error. She reported managers believed Japan was currently undervalued and could perform strongly in the future, recognizing Japan had a difficult fourth quarter in 2018. She stated she had a roster of international equity managers with less exposure to Japan than EuroPacific, offering to present same at the next meeting. She then confirmed Mr. Baird desired copies of the articles she reviewed in researching this topic.
  - Mr. Albers requested Ms. Richardville's recommendations regarding investment in Japan, Brookfield and bank loans.
  - Mr. Gerow confirmed Ms. Richardville could include information on American Funds' New Perspective Fund.
  - Ms. Richardville requested authorization to exchange the Fund's current holdings in Wells Fargo Growth Fund's Institutional Share Class for their R6 Share Class as it was five basis points cheaper.
  - Mr. Gibbs MOVED, Mr. Baird SECONDED to transfer from the Wells Fargo Growth Fund's Institutional Share Class to the R6 Share Class. MOTION CARRIED UNANIMOUSLY.

#### **UNFINISHED BUSINESS**

- Mr. Albers expressed desire to reschedule the meeting.
- Discussion ensued with consensus of members to reschedule the next meeting to June 13, 2019, at 8:00 a.m., and additional meetings for September 19, 2019, and December 19, 2019, at 8:00 a.m.
- Mr. Gibbs reported the Firefighters' Union contract would soon be finalized, noting same would affect the Plan. He then confirmed Board Attorney Ken Harrison should prepare materials related to the Plan changes for the next meeting.

#### **ADJOURNMENT**

- Meeting Adjourned: 9:43 a.m.

---

Bill Albers, Chairman

---

Sara Welch, Recording Secretary