

**FIREFIGHTERS' PENSION BOARD
MEETING
JUNE 14, 2018**

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

OTHERS PRESENT: Jack Evatt

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting
 - 1. September 20, 2018

CITIZEN COMMENTS ON AGENDA ITEMS ONLY

- There were none.

APPROVAL OF MINUTES

- A. December 14, 2017
- A. March 15, 2018
 - Mr. Baird MOVED, Mr. Gibbs SECONDED approval of the March 15, 2018, and December 14, 2018 minutes. MOTION CARRIED UNANIMOUSLY.

REPORTS

- A. AndCo Consulting, Jack Evatt
 - Mr. Jack Evatt, AndCo Consulting (ACC), drew attention to ACC's Investment Performance Review/Period Ending March 31, 2018, as delineated in the agenda material, commenting general market performance was negative while emerging markets' performance was positive. He pointed out the Fund grew to \$13,932,658 despite market conditions. He reviewed Total Fund Performance, as delineated on page 12, as follows: quarter, 1.22% (2nd percentile); 1 year, 13.52% (4th percentile), further reviewing performance of the individual investment managers as compared to the benchmark, as denoted on pages 15-19. He then drew attention to the Investment Performance Review/Period Ending May 31, 2018, as delineated in the agenda material, noting the Fund had grown 7.13% for the Fiscal Year (FY) as of May 2018. He asserted the Fund performed well given the market's volatility.
 - Mr. Baird inquired as to the poor performance of Real Estate Investment Trusts (REITs), further questioning if real estate was the cause.
 - Mr. Evatt replied in the negative, stating interest rates and investors reallocating funds to opportunities with higher yields accounted for same. He explained publicly-traded

REITS were highly levered and more economically sensitive. He then presented an Introduction to Private Infrastructure: A Primer for Institutional Clients, as delineated in the agenda material, stating the risk in traditional portfolios stemmed from exposure to economic growth which caused returns to decline significantly around recessions; however, infrastructure assets possessed characteristics which could address such challenges, ultimately improving the risk–return characteristics of a traditional institutional portfolio. He spoke in detail regarding the specifics of private infrastructure, as delineated on pages 6 through 11, providing various types of investment vehicles for consideration. He clarified initial investment requirements were significant, a minimum of \$5 million to \$10 million.

- Mr. Albers questioned if the Board could partner with the Police Officers’ Pension Board to meet the minimum.
- Mr. Evatt responded ACC planned to investigate collective purchasing opportunities, noting same were generally successful. He announced due to recent volatility in global bonds, reports on bond managers hedged to the dollar would be presented within the next two quarters.
- Mr. Baird requested materials be sent in advance of meetings.

NEW BUSINESS

- Mr. Briggs stated Ms. Cindy Johnson, Salem Trust, had provided documentation requiring the Board’s signature, expressing uncertainty regarding same.
- Mr. Evatt explained GlobeTax was a firm which recaptured tax withholdings from foreign countries; however, this did not affect the Plan significantly, providing a brief explanation of the recapture process.

UNFINISHED BUSINESS

- A. Follow Up from December 2018 Meeting Discussion regarding Salem Trust’s 20% Fee for Recovered Funds.
 - Mr. Briggs announced a 40% fee reduction.
 - Mr. Evatt explained the fee would be applied to recovered funds related to Dana, speaking in favor of the service.
 - Mr. Gibbs recalled Salem Trust previously absorbed the cost, suggesting same absorb half of the fee.
 - Mr. Baird spoke in favor of Chicago Clearing’s service.
 - Mr. Albers summarized the Board was in favor of the fee reduction.

- A. Follow Up on March 2018 Meeting Discussion regarding Consideration in Investing More Conservatively
- Mr. Albers inquired as to future investment strategies as the Plan was more than 90% funded.
 - Mr. Baird expressed desire to reduce the Plan's risk.
 - Mr. Evatt stated pension plans typically reduced risk by transferring funds from equities to fixed income; however, fixed income was not likely to reduce risk at this time, noting equities had been less volatile than bonds of late. He opined there was no safe alternative strategy available at this time.
 - Mr. Baird questioned if bonds currently posed greater risk.
 - Mr. Evatt replied in the negative, explaining bonds would reduce volatility but risk had increased from historic levels.
 - Mr. Gerow opined current market conditions forced the Board to take on more risk.
 - Mr. Baird commented recent government bankruptcies suggested the bond market would be disrupted.
 - Mr. Evatt recommended the Plan remain unchanged until a suitable alternative was identified, reviewing the potential of infrastructure and bank loans.
 - Mr. Baird spoke in favor of infrastructure, suggesting the Board eventually move half of equities and bonds into same.
 - Mr. Albers inquired as to the timing of transferring funds to infrastructure.
 - Mr. Evatt voiced uncertainty regarding same, explaining suitable managers must first be identified, which might occur by the year's end.
 - Mr. Gibbs recalled discussion of military buy-back, questioning how Maitland had structured their Plan's military buy-back.
 - Mr. Evatt responded Maitland allowed members to pay for their buy-backs up to the time of retirement. He pointed out the language establishing this policy might not be spelled out in their Plan, suggesting Maitland Fire Chief Kimberly Neisler could clarify same.
 - Mr. Gibbs suggested the City's Plan would need an ordinance change, requesting Mr. Evatt obtain the language Maitland used for military buy-back.

ADJOURNMENT

- Meeting Adjourned: 9:53 a.m.

Bill Albers, Chairman

Sara Welch, Recording Secretary