

POLICE & FIRE PENSION INVESTMENT BOARD

August 8, 2024

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)
Eric Augustin – Fire Electee
Steve Hubka – Interim Finance Director and
Mayoral/Council Appointment (Board Secretary)
Matt Franken – Police Electee
Derek Dittman – Police Electee

Members Absent:

Lisa Smith – Mayoral/Council Appointment
Vacant position – Finance Director
Barb McIntyre – Human Resources Director
Vacant – Mayoral/Council Appointment (vacant as of 2/01/2024)

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

Others physically present:

Ian Bray - Principal, RVK Investment Advisors
Tony Johnson, Director of Midwest Consulting, Principal – RVK Investment
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 05/09/2024 meeting
- US Bank Fees
- RVK Fees
- RVK 2024Q2 Performance Report
- RVK Asset Allocation Review

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

Agenda item one, edit or approve May 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 introduces agenda item 4. He states the Chairperson term is 2 years. Guy Pinkman's term as chair will expire 8/10/2024. He asks for a nomination and to elect chairperson for term 8/11/2024 to 8/10/2026.

Eric Augustin nominates Guy Pinkman. He accepts the nomination. All members vote in favor. Motion carries.

Guy Pinkman calls for agenda item 5, RVK 2024Q2 performance report.

RVK presents

During Q2, broad global equity markets experienced subdued volatility and continued appreciation, while aggregate fixed income was flat. Within equity markets, results were once again driven by mega cap growth stocks, including NVIDIA and others expected to benefit from further adoption of AI. Within fixed income, the lack of movement in monetary policy and persistently tight spreads among corporate debt led to marginally positive returns for broad fixed income indexes, but longer duration asset prices declined modestly as long-term Treasury yields rose in Q2. Inflationary conditions improved as highlighted by the personal consumption expenditures deflator reading of 2.6% in May (the preferred inflation measure of the US Federal Reserve). The headline Consumer Price Index also

came in below expectations at 3.0% in the June reading. The Federal Open Markets Committee (FOMC) indicated that “greater confidence” was necessary regarding the downward path of inflation prior to considering major policy changes. The “dot plot” released by the FOMC indicated dispersion in rate forecasts among the group with the median member indicating that the Federal Funds Rate would decline by 25 basis points by the end of 2024. The June outlook released by the World Bank forecasted global GDP growth of 2.6% in 2024 and 2.7% in 2025. Global inflation levels were forecasted to be 3.5% this year with expectations that reductions will be more gradual than in prior projections. US Equity, Non-US Equity, Fixed Income and Alternatives market segments were reviewed.

Total Fund

Market value was \$331,479,127.

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

Actual Allocation vs. Target Allocation

Public Equity +3% above allocation and Private Equity 3.4% below allocation awaiting capital calls

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, 10.09%, top 64th percentile

3 year, 3.55%, top 24th percentile

5 year, 8.14%, top 18th percentile

10 year, 6.81, top 36th percentile

Return vs. Risk Scattergram – 5 years, places Total Fund return of 8.14% above Median of 7.49% and Risk (Standard Deviation) of 10.07% below median 11.54%.

Total Fund Attribution (shown for quarter and year) shows 1 year performance versus the policy benchmark.

1 year return of 10.09% derived from

11.43% Strategic Asset Allocation

-0.49% Tactical

-0.05% Style Selection

-0.80% Manager Skill

10.09%

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
and
Alternative Investment Unfunded Commitments totaling \$18,821,539.

The Fee schedule lists each manager's percentage fee schedule, Market value and estimated Annual Fee with total of 0.51%. The individual fees and total fee are deemed to be appropriate for this portfolio.

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,

RVK states that after the 2024Q2 end, the plan's US Equity was restructured to include both an active and passive US large-cap core strategy with 30% active and 70% passive management. That US equity large cap active manager Jacobs Levy has been funded with \$30 million, Vanguard Total Stock market index was sold and re-invested in Northern Trust's Russell 1000 Index vehicle with securities lending.

Guy Pinkman calls for agenda item 6, the RVK Asset Allocation Study.

RVK presents.

The current strategic asset allocation (SAA) was approved at the May 2023 meeting and included an allocation to hedge funds. Now that equities have been restructured, we can revisit hedge funds. RVK would like to affirm no changes to the hedge fund current target allocation.

RVK recommends removing sub-targets within Public Equity to US, Non-US and EM as these have been addressed in structuring decisions and are not necessary to be specifically outlined within policy.

The risk and return for the current SAA with (6.85%, 11.44) and without hedge (6.94%, 11.94) funds is presented. Hedge funds will diversify assets, lower expected return and risk.

RVK did not ask for a vote at this meeting but will ask for Board feedback at the November meeting.

Guy Pinkman calls for agenda item 7: RVK to advise regarding the deadline for the pension to become a Ares Pathfinder extending partner.

RVK states they will monitor the Ares pathfinder assets and advice regarding the pension becoming a Ares Pathfinder extending partner to allow such within the deadline. The Extending Partner Election Form needs to be submitted prior to the 18-month Anniversary of the Final Closing Date (approx. May 2024 + 18 months). If YES, the investment period will be effectively extended 2 years by automatically participating in subsequent fund series and will continue to be extended for two-year periods unless the pension elects to be a Liquidating Partner.

Guy Pinkman calls for any New Business.

Paul Lutomski reminds the Board that there is an empty mayoral appointment position on this Board. He described the process of onboarding new managers as complex and time consuming. RVK and the Board discuss and encourage the plan to engage Keith Peters for more assistance with this task.

Guy Pinkman adjourns the meeting.