

MINUTES OF A VIRTUAL MEETING OF THE
RETIREMENT INVESTMENT COMMITTEE
SEPTEMBER 2, 2020

The meeting was called to order at 7:37 A.M.

Present: Richard Aginian, Citizen Member; Mark Gerber, Finance
Director/Treasurer; Christopher Conti, Retirement Board Trustee

Also Present: Investment Consultants: David Gasper, Megan Smith, Matt Lasko
and Maureen Mendoza, UBS; Frank Pisano, Library Board; Thelma
Golden, Treasury Consultant; Katrina Shay, Closed Captioning

Chris Conti briefly reviewed the Summary of Assets and noted the increase in the fund
over the past few months and into the third quarter.

Motion by Conti:
Second by Aginian:

To approve the minutes of the meeting held June 3 2020.

ROLL CALL VOTE:

Aginian: Aye
Conti: Aye
Gerber: Aye

David Gasper reviewed the first quarter Retirement Board meeting summary that
included the elimination of Bahl & Gaynor, the addition of the Polen Focus Growth
Strategy, the replacement of Lazard Capital with the MFS International Diversified Fund.

Matt Lasko reviewed the Investment Consultant Report that was distributed under
separate cover. He noted that the second quarter was very strong. There was a
rotation from government bonds to equities. Large-cap growth stock returns far
exceeded returns in value stocks. Fed actions have stimulated the market recovery.
Retail investors have also played a role in the market recovery. They feel that the
market is still valued and that the S&P 500 and equity prices will continue to rise over
time. There are three risk factors that could affect this forecast: Fed policy, a second
wave of the coronavirus, and the elections. He stated that large-cap growth manager
Bahl & Gaynor has been the largest contributor to the underperformance of the fund.
The alternative investments have also contributed to the underperformance but on a
smaller basis.

Frank Pisano believes that alternative investments have been a drag on the portfolio.
He would have preferred that Polen would have been investing sooner and questioned

whether Polen had received the investment policy prior to a recommendation to hire Polen.

Maureen Mendoza stated that the alternative investments have not been additive to the portfolio; however, she feels there are three reasons to keep exposure in alternatives: they offer diversification, they help manage volatility in the portfolio, they give access to trading strategies that aren't available to a typical manager; such as, commodities, futures, long-short, arbitrage.

Whitebox is a credit-focused, multi-strategy hedge fund that has continued to recover. They recommend keeping Whitebox. Graham and Cavendish provide similar exposure but have different trading strategies. Cavendish is a trend-following manager that performs well in a rising inflation, high volatility market. We have been in a low volatility market with very low inflation. They do not believe a trend following manager is beneficial and would recommend selling Cavendish. Graham is a discretionary manager and has 12 different portfolio teams. Graham has a low correlation to the S&P 500 and is continuing to recover. They recommend keeping an allocation in Graham.

Ms. Mendoza stated that they have a fund in mind to replace Cavendish in the future, Balyasny Atlas Enhanced. It is a multi-strategy fund with 1/3 to 1/2 the volatility of the equity market. Their main strategy is long-short equity exposure. They have exposure to a global macro strategy and tend to stay in highly liquid investments. The last piece in their portfolio is event driven, ex. mergers, acquisition, bankruptcies. Their performance is up about 15% net YTD and have average returns of 8.7% over the last three years. The investment committee requested that they be provided with a fact sheet on the new prospective manager and an analysis of the current allocation to alternative investments versus a reduced allocation, 6% vs. 10%.

David Gasper recommends selling Cavendish and holding funds in cash until the Investment Committee has had an opportunity to perform its due diligence regarding the addition of a new manager and/or the allocation to alternative investments.

There are no fees to get out of Cavendish, but they have set times that we can request withdrawals. Once we can request the withdrawal, it will take 45 days before we receive the cash

Motion by Conti:

Second by Aginian:

To recommend to the Retirement Board and Retiree Health Care Fund Investment Committee that the Cavendish Managed Futures Fund be liquidated and to advise them that the committee will provide a recommendation for those funds after they perform a due diligence.

ROLL CALL VOTE:

Aginian: Aye

Conti: Aye

Gerber: Aye

Mark Gerber reviewed the report regarding the recommendation from Polen to revise the investment policy. Polen has indicated they would not be able to manage our portfolio unless the investment policy is changed. He is not opposed to revising the policy.

David Gasper stated that they have reviewed the suggested changes with Polen and Mark Gerber and added that the investment policy is slightly outdated because it would restrict a manager to underweight in certain stocks relative to their peers. He would recommend the adoption of the proposed revision now and a review of the total policy in the future. Polen has stated that they would be able to begin investing as soon as they receive an e-mail stating that the revision to the policy has been approved.

Richard Aginian recommends an independent investment policy review rather than one done by UBS

Frank Pisano opposes making any policy changes until after a thorough review of the investment policy and would suggest placing the cash in an S& P 500 Index.

Mark Gerber recommends that the committee wait until after the investment consultant RFP process is complete before it proceeds with a thorough review of the investment policy.

Motion by Conti:

Second by Aginian:

To forward recommendations to the Retirement Board and the Retiree Health Care Fund Investment Committee to review the asset guidelines for equities in Section IV.A.3.a.I.) of their respective Statement of Investment Objectives and Investment Policy Guidelines to increase the single issuer maximum to 15% at market (10% at purchase) from 5% and to strike the 5% notice requirement.

ROLL CALL VOTE:

Aginian: Aye

Conti: Aye

Gerber: Aye

Mark Gerber will work with the legal advisor to make sure the Board has the authority to revise the policy.

The investment committee directed the investment consultants to forward the investment policy to any prospective managers to make sure they would be willing to comply with the policy prior to making a recommendation.

Mark Gerber explained that the process of adding a new manager takes considerable time. Often there is an application process and reviews by their respective attorneys. In addition, everything takes much longer with so many people working remotely.

Mark Gerber will send out suggested meeting dates for the Committee to work through the investment consultant RFP process.

Motion by Conti:

Second by Aginian:

To schedule the 2021 regular meetings of the Retirement Investment Committee at 7:30 A.M. on March 3, June 2, September 1, and December 1.

ROLL CALL VOTE:

Aginian: Aye

Conti: Aye

Gerber: Aye

Richard Aginian has requested that the investment advisors provide a response to the following prior to the next Retirement Investment Committee meeting.

1. Please provide a C.V. for all individuals assigned to our account.
2. Have there been any disciplinary actions on any of those individuals?
3. What is the total amount of assets under management?
4. How many accounts?
5. What is the type of the account: public, education, institutional, education, private, etc.?
6. What is the average size of the account?
7. In the last two years, how many accounts have been lost and how many accounts have been gained?

Frank Pisano asked Matt Lasko to address the litigation filed by a client. Matt Lasko stated that a private individual filed a complaint that did not name him personally. He does not agree with the complaint and UBS is fighting the allegation. If UBS is successful, they will explore expungement of the complaint from his record. It could be 18-24 months before it is resolved.

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The meeting was adjourned at 9:57 A.M.

Respectfully submitted

Thelma Golden
Treasury Consultant