Retirement Board Meeting
January 26, 2017

Present:	Commissioner	Thomas Chernisky William Smith Mark Wissinger
	Controller	Kristine Segear Dana Descavish
	Treasurer	Lisa Kozorosky
Absent:	Controller	Ed Cernic

Pledge of Allegiance

Commissioner Chernisky called the meeting to order at 10:34 a.m.

Motion was made by William Smith to approve the minutes from the Retirement Board meeting held on December 22, 2016. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 4-0.

Old Business:

Frank Burnette presented to the board that we had a really nice year for the pension fund. In December, the fund returned approximately 7.5% making the return for 2016 to 9.25% versus the actuarial of 7.25%. It was a really interesting year and all the attention is currently on the election dynamic, but the truth of it was the economy started getting stronger in the summer and continued throughout the fall into early December. Most of what transpired was due to this and then you add the fuel of the election. Going forward this is going to be a different form of government that we will need to wrap our heads around. Those that are going to do well in investments are the ones that are going to be able to grasp how much of a change is going to be occurring. The fund currently is fully invested in 63% of publically traded equities and also 4-5% in master limited partnership and 7% in private equities. This fund has a lot of equity type returns and that is how we are getting these type of returns. Mark Wissinger asked if there would be some interest rates change in inflation. Frank advised that you will see some interest rate increases but nothing that won't be accompanied with strong economic growth.

The reason for today's meeting is to educate the Board on two new asset classes for the fund. A goal in pension funds is to continue to diversify into asset classes for the fund to become more predictable and less volatile. The big thing with these investments, as with the Constitutional Capital Partners private equity investments we did eighteen months ago, you are clearly moving out of plain vanilla safe harbor public municipal trustee position. You are moving into an area that you need professional advice and professional advisors that require additional explanation on the investment they are offering.

To date our private equity investments have been our best returns. With these new investments you would be moving away from assets that can be sold and liquidated in one or two days to assets that may take a month, three months or six months to liquidate or in some cases like the private equity we did in the past that takes twelve plus years for liquidity. The two investments we are looking at are just like publically traded stocks, publically traded bonds or publically traded RE; the difference is these investments don't get priced off of the stock market they get priced off their original cost and the cost flow that is generated off of those investments. Both of the asset classes are positions such that the underlying holdings they have whether in real estate with a government tenant or a loan with a private corporation the stated return on that asset is currently yielding 8 – 9 % that would be very agreeable with our investment goals.

Michael Bee presented on behalf of Boyd Watterson. Boyd Watterson is headquartered in Cleveland, OH and is a wholly owned subsidiary of Titanium Asset Management Company. At quarter-end assets under management totaled $7.5 billion of which almost $2 billion is in real estate. Historically, Boyd Watterson has been predominately a fixed income based firm. In 2009, Boyd Watterson decided to get in the real estate business. Firm wide there is around seventy employees and plans are to add five additional executives in 2017. The product they are talking about today is the real estate product which predominantly focuses on facilities leased to federal government. The fund itself will allot up to 85% in federal facilities and the remaining 15% in nonfederal General Services Administration (GSAs). The predominant source of income of this is coming from the federal government and the leases themselves are backed by the full faith and credit of the government. The funds objective is to generate a relatively high, stable stream of income with the opportunity for longer term capital appreciation through the purchase of real estate assets from the General Services Administration (GSA). The GSA, which was established in 1949, is an independent agency of the U.S. Government that overseas over 9,000 owned and leased properties which provides work space to over one million federal workers across sixty agencies. The locations are in more than 2,200 markets nationwide. The GSA favors facilities it can control for enhanced security, whether they be single-tenant or multi-tenant buildings. This trend has likely contributed to the GSA becoming the largest office tenant in the United States. The real benefit of this strategy is driven at looking for predictability and high cash flow plus appreciation over time. We are trying to achieve with this strategy to generate about an 8% cash flow with inflation over time targeting a 10% total return over the long term. The benefits are the safety of income because the leases are guaranteed by federal government, a good stable return over time and low principal risk with these assets. The cap rates over a 10 year treasury is 7.44% for the GSA versus the NCREIF Annual average cap rate of 5.72% versus the 10 year treasury yield of 2.12%. What is unique about the federal government is that they are built to suit so the facility would have particular security measures making the renewal rate much better than a traditional real estate. In terms of liquidity, this is an open ended fund. Funds can be received on a quarterly basis with a sixty day notice. Frank Burnette pointed out that if the cash is not available, the fund does have the ability to make you wait until the funds are available. The investment philosophy is an emphasis on stability of income and principal growth. Boyd Watterson uses a top down deterministic approach to researching, creating and maintaining strong relationships with the GSA agency, the tenant agency and the property tenant. A bottom up deterministic approach is used in exploiting inefficiencies in medium sized properties and emphasis "mission critical" properties with a high probability for lease renewal. Also, in terms of the portfolio we want to diversify that across the agencies, as well as geographically and lease terms. The fees for this type of investing are higher than other investing fees. The fee is 1.25% on invested not committed capital. The expected 8% return is after the fees. Roughly about 70 percent of the investors in this fund do a dividend reinvestment or you can take the cash flow. The choice is entirely up to the investor.

Paul Ahrens presented on behalf of White Oak Advisors. White Oak Advisors is an SEC registered investment firm headquartered in San Francisco, CA with 72 employees and $3 billion in assets under management. White Oak offers both closed end and open end commingled funds specializing in originating private senior loans to support the growth, refinancing and recapitalization of small and medium enterprises. White Oak offers qualified borrowers financing offerings including senior secured term loans, asset-based loans, equipment financing and opportunistic credit. We lend to clients that cannot get direct loans from banks such as PNC, Wells Fargo, etc. We work directly with businesses to fund the capital to grow their business. Most loans are only three years because of the high rates. Due diligence is done through operational, legal and structural by our management team and if necessary third party experts are called in to assure that who we are loaning money to is able to pay it back. White Oak has written 110 loans since 2007, sixty of those loans have been realized of those sixty loans there have been two realized losses. What was done with the losses is that we went in and took ownership of those companies to work with them and build them back up. Of the remaining loans still on the books they are working through their terms. Reporting is done on a quarterly basis giving the credit summary of every new loan and existing value of loans already in the portfolio. There are two structures that this firm offers. One is a seven year lock up draw down fund. The course of the investment period is five years and by the time you get your funds back it is seven years. The targeted return of funds is 10-12%. Then there is a structure called the Evergreen Structure where you invest on day one and every quarter the fund provides liquidity as cash flow becomes available. The targeted return is 7% net of fees. The fee structure for these funds is 1% plus 15% performance fee and a 1.25% plus 10% performance fee respectively. The fees are only paid on invested capital and the performance fee is based after a range.

New Business:

1. Motion was made by Mark Wissinger to reschedule the monthly meeting for April 13, 2017 to April 11, 2017 at 1:00 p.m. Motion was seconded by William Smith. Motion carried. Vote unanimous 4-0.

2. Motion was made by Mark Wissinger to ratify the action taken by the Commissioner's office at the recommendation of the Controller's office on the following January retirees: William Kuzeck, John Yarnevic, Gary Eisenhuth and Theresa Carlson. Motion was seconded by Tom Chernisky. Motion carried. Vote unanimous 4-0.

The next Retirement Board meeting will be held on Monday, February 13, 2017 at 10:00 a.m. in the in the Commissioner's Meeting room 3rd floor. DFA and Twin Capital are scheduled to attend.

Motion was made to adjourn the meeting by William Smith. Meeting adjourned at 11:50 a.m.

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Ed Cernic, Jr.