

June 20, 2018

OPEN SESSION MINUTES: MONTHLY MEETING  
THE BOARD OF TRUSTEES OF THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

The Open Session of the regular monthly meeting of the Board of Trustees of The Police Retirement System of St. Louis was held on Wednesday, June 20, 2018 at 9:00 A.M. at 2020 Market Street to discuss matters concerning this System. The following Board members were present:

Det. Wallace K. Leopold, Chairman  
Sgt. James H. Long, Retired, Secretary  
Ms. Beverly Fitzsimmons, Deputy Comptroller  
Sgt. Mickey A. Owens  
Lt. Michael J. Anderson, Retired  
Mr. Richard L. Kisser

Trustees James R. Wurm, Stephen J. Schroeder and Kelly Camilleri were absent from the meeting.

Others present were:

Mr. Stephen G. Olish, Executive Director  
Mr. Mark Lawson, Associate City Counselor  
Ms. Rebecca Wright, Associate City Counselor  
Retired Police Officer George Weindel (Arrived at 10:01 A.M.)

Chairman Leopold called the meeting to order at 9:00 A.M. with a quorum of the Board present. The meeting began with the Pledge of Allegiance followed by a moment of silence for the fallen officers and widows and for blessings on all active and retired officers.

1. Roll Call Vote in open session to hold closed meeting

MOTION

Chairman Leopold moved for a Roll Call Vote in Open Session to temporarily adjourn Open Session and hold a Closed Meeting pursuant to the following:

- a. Proceedings to discuss matters involving litigation and causes for legal action as provided by Section 610.021(1) of Revised Statutes of Missouri.
- b. Proceedings to discuss matters involving leasing, purchase or sale of real estate as provided by Section 610.021(2) of Revised Statutes of Missouri.
- c. Proceedings involving hiring, firing, disciplining or promotion of personnel as provided by Section 610.021(3) of Revised Statutes of Missouri.
- d. Proceedings involving mental or physical health of Members as provided by Section 610.021(5) of Revised Statutes of Missouri.

- e. Proceedings to discuss matters involving sealed bid and related documents or documents related to a negotiated contract as provided by Section 610.021(12) of Revised Statutes of Missouri.
- f. Proceedings to discuss matters involving individually identifiable personnel records, performance ratings or records pertaining to employees or applicants for employment as provided by Section 610.021(13) of Revised Statutes of Missouri.
- g. Proceedings to discuss matters involving litigation and causes for legal action as provided by Section 610.022(1)

Motion was seconded by Trustee Long.

Chairman Leopold called for a Roll Call Vote; and upon vote, the following was recorded:

<u>Yes</u>	<u>No</u>		
Lt. Anderson	0	Yes - 6	No - 0
Mr. Kismer			
Chairman Leopold			
Sgt. Long			
Ms. Fitzsimmons			
Sgt. Owens			

Motion passed 6 to 0.

Chairman Leopold temporarily adjourned the meeting at 9:01 A.M.

Mr. Lawson and Ms. Wright left the meeting following Executive Session at 9:28 A.M.

Open Session resumed at 9:32 A.M.

2. Approval of the Open Session Minutes - Copies of the open session minutes for the following Board meetings were included in the agenda documents on the secured portal:

- a. May 2, 2018 Special Board Meeting

MOTION

Trustee Anderson moved to approve the Open Session Minutes of the May 2, 2018 special Board meeting as presented.

Motion was seconded by Trustee Kismer; and upon vote, the following was recorded:

Yes - 6	No - 0	<u>Motion passed 6 to 0.</u>
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- b. May 30, 2018 Monthly Board Meeting

MOTION

Trustee Long moved to approve the Open Session Minutes of the May 30, 2018 monthly Board meeting as presented.

Motion was seconded by Trustee Owens; and upon vote, the following was recorded:

Yes - 5            No - 0            Motion passed 5 to 0 to 1.  
Abstain - 1 (Trustee Kismer)

3. Chairman's Report - Chairman Leopold stated that he had nothing to report at this time.
4. Open Forum Session - Chairman Leopold noted there were no guests present at this time.
5. Proposed Filing Dates for Active and Retiree Positions - The three-year terms of office for Trustee Wallace K. (Kent) Leopold (Active) and Trustee Michael J. Anderson (Retiree) expire on September 30, 2018. The following election schedule was presented:

Suggested Filing Dates:

Starting	- 8:00 A.M.	- August 6, 2018
Closing	- 4:00 P.M.	- August 10, 2018
Ballots to be mailed		- August 31, 2018
Results to be announced after 4:00 P.M.		- September 14, 2018
Elected Trustees to take Office		- October 1, 2018

MOTION

Chairman Leopold moved to approve the election dates for the active and retiree trustee positions as presented.

Motion was seconded by Trustee Owens, and upon vote, the following was recorded:

Yes - 6            No - 0            Motion passed 6 to 0.

6. Approval of the September 30, 2017 GASB68 Draft Report - For the Board's review and approval, included in the agenda documents on the secured portal was a copy of the September 30, 2017 GASB68 Draft Report as prepared and submitted by Mr. Robert Offerman with Hochschild, Bloom & Company LLP. Chairman Leopold passed this item down to the July monthly Board meeting to allow additional time to review the report.

7. Approval of the June 2018 Informational Section - For the Board's review and approval, included in the agenda documents on the secured portal was a copy of the June 2018 Informational Section.

MOTION

Trustee Long moved to accept the June 2018 Informational Section as presented.

Motion was seconded by Trustee Owens; and upon vote, the following was recorded:

Yes - 6

No - 0

Motion passed 6 - 0.

8. Deferred Retirement Option Plan (DROP) Participants Report for July 1, 2018 - As of this date, no officer has elected to join DROP on July 1, 2018. Due to the early date of this meeting, the list of those officers who elect to join DROP on July 1, 2018 will be approved by the Chairman at the end of June. A copy of July 1, 2018 DROP Participant Report will be included in the July 18, 2018 agenda documents on the secured portal.
9. Approval of the May 2018 Budget Report - For approval by the Board, a copy of the May 2018 Budget Report was included in the agenda documents on the secured portal.

MOTION

Trustee Anderson moved to accept the May 2018 Budget Report as presented.

Motion was seconded by Trustee Owens; and upon vote, the following was recorded:

Yes - 6

No - 0

Motion passed 6 - 0.

10. Date for October 2018 Meeting - Below is a list of the upcoming board meetings:

- July 18 2018, 9:00 AM - Regular Monthly Board Meeting
- August 29, 2018, 9:00 AM - Regular Monthly Board Meeting
- September 26, 2018, 9:00 AM - Regular Monthly Board Meeting

Discussion ensued regarding dates for the October monthly board meeting.

MOTION

Trustee Kismer moved that the October 2018 regular monthly board meeting be held on Wednesday, October 31, 2018, at 9:00 A.M.

Motion was seconded by Trustee Anderson; and upon vote, the following was recorded:

Yes - 6                      No - 0                      Motion passed 6 - 0.

11. Reports from Legal Counsel - With the absence of Ms. Wright and Mr. Lawson, Chairman Leopold passed this item down to the next monthly board meeting.
12. Reports from the Executive Director - Director Olish reported to the Board on the following:

- a. Approval of Second Addendum to LRS Hosting Schedule dated October 5, 2009 - A copy of this Addendum was included in the agenda documents on the secured portal. Said Addendum has been reviewed and approved by legal counsel and was passed down from the May 30, 2018 Board meeting.

MOTION

Trustee Long moved to approve the Second Addendum to the LRS Hosting Schedule dated October 5, 2009 as approved by legal counsel.

Motion was seconded by Chairman Leopold; and upon vote, the following was recorded:

Yes - 6                      No - 0                      Motion passed 6 to 0.

- b. Approval of OEM User Agreement as part of the LRS Hosting Schedule dated October 5, 2009 and relating to the SendGrid products/services - A copy of this Agreement was included in the agenda documents on the secured portal. Said Agreement has been reviewed and approved by legal counsel and was passed down from the May 30, 2018 Board meeting.

MOTION

Trustee Long moved to approve the OEM User Agreement as part of the LRS Schedule dated October 5, 2009 and relating to the SendGrid products/services, as approved by legal counsel.

Motion was seconded by Chairman Leopold; and upon vote, the following was recorded:

Yes - 6                      No - 0                      Motion passed 6 to 0.

- c. Classroom HVAC Unit Update - For the Board's review and consideration, a copy of the proposal from C J Seliga & Co.

for replacing classroom HVAC unit was included in the agenda documents on the secured portal. Director Olish reported that bids to replace the classroom HVAC unit have been received and the proposal from C.J. Seliga, who currently maintains the building's HVAC system, came in as the lowest bid at \$7,600.00.

MOTION

Chairman Leopold moved to accept the proposal dated June 1, 2018 from C J Seliga & Co. to furnish and install a rooftop HVAC unit for the classroom as outlined in said proposal at a cost of \$7,600.00.

Motion was seconded by Trustee Long; and upon vote, the following was recorded:

Yes - 6            No - 0            Motion passed 6 to 0.

- d. Class Action Litigation Update - Saxena White is researching the feasibility of the PRS involvement as lead plaintiff in a class action lawsuit whereby the System's loss could be approximately \$200,000.00. Updates will be forthcoming as available.
- e. Capital Call/Distribution Updates: The following capital calls, totaling approximately \$2 million, were recently received and are being met as scheduled:
  - (1) EntrustPermal Special Ops Fund IV:
    - Capital Call: \$304,226.00 (6/14/2018)
    - Capital Call: \$480,351.00 (6/21/2018)
  - (2) NB Secondary Ops Fund III LP:
    - Distribution: \$356,443.46 (6/18/2018)
  - (3) Harbourvest Dover Street IX Fund:
    - Capital Call: \$948,796.00 (6/25/2018)
    - Distribution: \$56,321.205.00 (6/25/2018)
- f. Lobby Pictures Update - This project is winding down. In consideration of the upcoming trustee elections, updating the lobby photos will be completed following the election.
- g. Website Posting/"Handbook" Update - The "Handbook" has been reviewed and uploaded to the PRS website.
- h. Pension Board Member Education Seminar - For the Board's review and approval, included in the agenda documents on the secured portal was a copy of the email invitation to attend the Pension Board Member Education seminar on September 6, 2018 in Independence, MO.

2018 in Independence, MO.

MOTION

Chairman Leopold moved that the Board approve attendance of the Pension Board Member Education seminar on September 6, 2018 in Independence, MO by any interested trustee or staff member.

Motion was seconded by Trustee Owens; and upon vote, the following was recorded:

Yes - 6

No - 0

Motion passed 6 to 0.

13. Investment Committee Report - Passed down at this time
14. Acceptance of May 2018 Investment Reports - Passed down at this time
15. Legislative Committee Report - Committee Chairman Anderson passed out a letter that he wrote for retirees only and asked the Board's permission to send the letter to all retirees informing them of the outcome of this year's legislative efforts and seeking their email addresses to build up the System's data base to facilitate ongoing communication and electronic elections in the future (on file in the office).

MOTION

Chairman Leopold moved that the Board approve mailing the letter, as submitted by Trustee Anderson, to all retirees.

Motion was seconded by Trustee Long; and upon vote, the following was recorded:

Yes - 6

No - 0

Motion passed 6 - 0.

Committee Chairman Anderson then addressed this year's legislative package and noted that he continues to be in support of dropping mandatory retirement at age 65. Discussion ensued regarding a meeting that was held with the Police Commissioner to discuss the age 65 mandatory retirement. Director Olish reported that the Commissioner expressed that he will remain neutral in this matter because legislation failed to pass. Having cited several benefits to dropping the mandatory retirement at age 65, discussion turned to sending an informational letter to the Director of Personnel with copies to the Director of Public Safety and the Commissioner seeking their support of requests for extensions for members turning age 65.

MOTION

Chairman Leopold moved that an informational letter be drafted by the Executive Director and sent to the Director of Personnel with copies to the Director of Public Safety and the Police Commissioner and that said letter outline the benefits of dropping the age 65 retirement requirement and seek support of requests to extend a member's active service beyond age 65.

Motion was seconded by Trustee Owens; and upon vote, the following was recorded:

Yes - 6

No - 0

Motion passed 6 - 0.

Discussion then turned to the Board's legislative package for next year's legislative session. Director Olish reported having spoken earlier with Mr. John Bardgett who urges the Board to formulate its legislative package and to submit the package to him no later than August 1, 2018. Mr. Bardgett requested a Legislative Committee meeting so that he could be teleconferenced in to discuss this year's legislative calendar. After discussion, Committee Chairman Anderson scheduled a Legislative Committee for Friday, June 22, 2018 at 1:00 PM.

Pensioner George Weindel arrived for the meeting - 10:01 A.M.

Chairman Leopold noted that representatives from three timberland/farmland investment firms and Marquette Associates were scheduled to speak to the Board starting at 10:00 A.M. and moved to Open Session Agenda Item 13 at this time.

13. Investment Committee Report - Committee Chairman Long reported that in addition to Mr. Brian Goding and Mr. Tom Latzke with Marquette, representatives from Molpus Woodlands Group, Hancock Natural Resource Group and Campbell Global will be presenting to the Board on this date. Chairman Long then turned the meeting over to Mr. Goding and Mr. Latzke.

a. Timberland/Farmland Investment Manager Presentations & Interviews - Passed down at this time

- b. Marquette Associates - Mr. Brian Goding and Mr. Tom Latzke with Marquette Associates passed out copies of Marquette's monthly Executive Investment Summary Report for the month ending May 31, 2018 (on file in the office) and walked the Board through the report noting the following highlights:

- Total fund's market value: \$755,361,923.00

- Performance, net of fees, was as follows:
  - Monthly return: +0.7% outperforming the benchmark's +0.5%
  - Quarterly return: +0.2% outperforming the benchmark's +0.1%
  - Calendar year-to-date return: +0.6% slightly outperforming the benchmark's +0.5%
- No asset reallocation is needed at this time.

When asked where money would be taken from if the Board decides to invest in timberland/farmland, Mr. Goding recommended moving the investment funds from public REITS into timberland/farmland, and Mr. Latzke noted that the PRS has approximately \$15 million invested in the public REITS. With no further questions regarding the investment performance, Mr. Goding and Mr. Latzke then moved to timberland/farmland investment.

- a. Timberland/Farmland Investment Manager Presentations & Interviews - Before inviting the scheduled timberland/farmland speakers in to the meeting, Mr. Goding and Mr. Latzke passed out copies of Marquette's "Timberland and Farmland Education" presentation booklet (on file in the office) and walked the Board through the general information regarding timberland/farmland funds. It was noted that Molpus and Campbell are closed-end funds and similar to private equity funds and Hancock is an open-ended fund similar to infrastructure funds. In comparing timberland and farmland the following were noted:

- Benefits are basically the same.
- Risks are basically the same with weather being a slightly greater factor for farmland.
- United States is largest geographical opportunity for both.
- In timberland, diversification comes from soft woods and hardwoods; and in farmland, diversification is in the types of crops, row or annual crops which are more commodity based crops, or permanent crops which are those that grow on a tree or vine.

Committee Chairman Long thanked Mr. Goding and Mr. Latzke for the informational presentation and invited the representatives from Molpus in to the meeting.

- (1) Molpus Woodlands Group Fund V - Mr. Edgar Marshall, Managing Director of Business Development and Mr. Bob Lyle, President of Molpus Woodlands Group were present and passed out copies of their presentation booklet (on

file in the office).

- Prior 4 funds NAV as of 3/31/2018: \$1.353 billion
- Prior 4 funds Total Commitment as of 3/31/2018: \$1.426 billion

Walking the Board through the presentation book, Mr. Lyle began by providing general information about Molpus Woodlands Group noting that it is an employee-owned timber management company that invests solely in timber and has approximately 112 employees. While its focus is in North America, the firm has biologically and geographically diverse properties on which they grow more timber than they harvest.

Mr. Marshall then offered the following about Fund V:

- This is the firm's fifth com-mingled fund. The firm has already raised \$190 million for this fund.
- It has had its first close, and the final close is planned for the first quarter 2019.
- Minimum investment is \$5 million, and the investment period is 36 months with an option to extend 12 months.
- Investment Term is 15 years with two optional one-year extensions.
- This is a totally North American mandate and will include 5-8 different properties.
- Fees are:
  - Management fee is 1% on called capital only. There are no fees on commitment.
  - Carried interest is 15% over 7% preferred return.

Following their presentation and discussion, Mr. Lyle and Mr. Marshall thanked the Board and left the meeting at this time.

(2) Hancock Timberland Farmland Fund (HTFF) - Mr. Tim Cayen, Managing Director, Business Development, with Hancock Natural Resource Group was present and passed out copies of his presentation booklet (on file in the office).

- Hancock Natural Resource Group - AUM (timberland + farmland): \$13.9 billion
- The Hancock Timberland Farmland Fund (HTFF) invested capital was \$157.2 million. (The initial capital raise was \$706,150,000.)
- As of June 5, 2018, HTFF invested capital was \$219.2 million.

Walking the Board through the presentation book, Mr. Cayen began by providing general information about Hancock Natural Resource Group noting the following key attributes of the firm:

- Hancock is the largest of the timberland investment managers with 60% in the United States and 40% non-United States and is one of a few who combine timberland with farmland.
- The firm is very integrated with its own foresters and farmers who directly operate the farms.
- Investment characteristics include:
  - Provide diversification benefits with low to negative correlation with major asset classes and inflation hedge.
  - Risks for timberland are 80%-90% price, fire/disease and asset value. Timberland risks are limited by geography, species, products and types of trees.
  - Risks for farmland are water, weather and credit when the farms are leased to tenant farmers. Farmland risks are diversified by the types of crops and the water supply.
- Hancock Timberland and Farmland Fund is 35% invested and closed in January 2018. It is not currently open to new subscriptions but is expected to open in 2019. Once established, the fund will have no less than 30% in either farmland or timberland with no more than 60% in the United States.
- Minimum investment is \$5 million with an initial 3-year lock-up with an annual extension.
- Term is open ended.
- Management fee 1% on called capital only. There are no fees on commitment.
- Target return is 9%-11% total return before tax and fees with 4% cash yield.

(3) Campbell Global Timber Fund - Mr. Steven King, Director of Global Business Strategy and the Portfolio Manager of the Campbell Global Timber Fund and Ms. Jenny West, Director of Business Development with Campbell Global were present on this date and passed out copies of the presentation booklet (on file in the office).

- As of December 31, 2017 Campbell Global had approximately \$5.6 billion in assets under management.
- The Campbell Global Timber Fund has approximately \$416 million in committed capital.

Walking the Board through the presentation book, Ms. West began with a brief profile of the firm noting a few key attributes of the firm after which Mr. King reported on the Campbell Global Timber Fund. Below are highlights from their presentations:

- Campbell, located in Portland, OR, is the only company with a team of investment management experience. As such, Campbell has married its investment team with its forestry team. The management team uses a data-driven approach.
- Some properties are owned, and some are leased.
- The Campbell Global Timber Fund is a com-mingled, closed-strategy, global fund with focus on the most developed core countries that have decades of institutional developments.
- Portfolio construction includes:
  - 5-8 capital investors
  - Minimum investment \$100 million
  - 20% performance fee after investor received 10% annual rate of return on invested capital
  - No third party leverage
  - Final close on December 31, 2018

b. Marquette Associates - Previously addressed

c. PetroCap Due Diligence Trip - Director Olish reported that Mr. Lane Britain with PetroCap has arranged a due diligence trip to an oil rig in Durango, CO on July 23-24, 2018 for anyone interested and travel details are being worked out at this time.

#### MOTION

Trustee Long moved that the Board approve a due diligence trip to PetroCap's location in Durango, CO which is currently scheduled for July 23-24, 2018 by any interested Board member and staff.

Motion was seconded by Trustee Owens; and upon vote, the following was recorded:

Yes - 6

No - 0

Motion passed 6 - 0.

d. Marquette's 2018 Investment Symposium scheduled for September 28, 2018 in Chicago, IL - For the Board's review and consideration, a copy the "save the date" email to Marquette's 2018 Investment Symposium was included in the agenda documents on the secured portal.

MOTION

Chairman Leopold moved that the Board approve attendance of Marquette's 2018 Investment Symposium scheduled for September 28, 2018 in Chicago, IL by any interested Board member and staff.

Motion was seconded by Trustee Long; and upon vote, the following was recorded:

Yes - 6            No - 0            Motion passed 6 - 0.

14. Acceptance of May 2018 Investment Reports, for informational purposes - For the Board's review and approval, a copy of the April 30, 2018 Market Value Report was included in the agenda documents on the secured portal. In compliance with the April 27, 2011 Open Session Board Motion, the May 2018 Investment Statements from The Northern Trust Company were available during the meeting for review.

MOTION

Chairman Leopold moved to accept the May 31, 2018 Monthly Investment Report as presented.

Motion was seconded by Trustee Long; and upon vote, the following was recorded:

Yes - 6            No - 0            Motion passed 6 - 0.

15. Legislative Committee Report - Previously addressed
16. IFEBP's Washington Legislative Update Report - Director Olish attended this conference and passed out copies of his conference notes (on file in the office). Director Olish noted that the topic most interesting to him was the Public Employee Pension Transparency Act (PEPTA) which outlines reporting requirements, can remove tax exempt status, ties liabilities to Treasury fixed income rates for funding ratio, and is basically designed to kill defined benefit plans. During the presentation, U.S. Representative Devin Nunes encouraged everyone to write Congress in opposition of this Act. Director Olish advised that he plans to write a personal letter to his Congressmen and will share his letter with those interested in acting either personally or as a Board.
17. Disability Committee Report - Committee Chairman Anderson stated that he had nothing to report in Open Session.

- MOTION

Yes - 6                      No - 0                      Motion passed 6 to 0.


- MOTION

Yes - 6                      No - 0                      Meeting adjourned at 12:08 P.M.

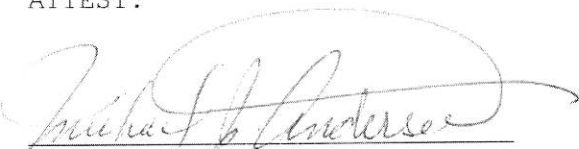
Submitted to the Board of Trustees by Trustee Michael J. Anderson.

Minutes prepared by Cheryl Donofrio, Kelly Briley and Stephen G. Olish.

BOARD APPROVED: 7-18-2018

  
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Wallace K. Leopold  
Chairman, Board of Trustees

ATTEST:

  
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Michael J. Anderson  
Trustee, Board of Trustees