

LAKE BLUFF POLICE PENSION FUND
REGULAR BOARD MEETING
October 26, 2017 5:30 P.M.

Roll Call

President Vinson called the regular meeting to order at 5:34 P.M. at the Lake Bluff Public Safety Building Conference Room.

Trustees Present: Brad Adams, Mark Betz, and Tom Vinson.

Trustees Absent: Peter Arnstein, Erik Gehrke

Others Present: Treasurer Bettina K O'Connell, Graystone Consulting Advisor Thomas McShane, and Attorney Cary J. Collins

Non-Agenda Items and Visitors

None

Approval of Meeting Minutes

Trustee Adams moved to approve the August, 2017 Regular meeting minutes as presented; seconded by President Vinson and approved unanimously on a voice vote.

1. Treasurer's Report

Treasurer O'Connell reviewed the Statement of Net Assets and Changes in Net Assets reflecting audited net assets as of April 30, 2017 of \$ 9,519,974, with an increase in net plan assets for the fiscal year to date of \$470,716, which is about 66% of the total gain of FY17. She stated in the FY17 audit the net investment gain for the year ended April 30th was 737,882. Also assuming this continued trend and no market divergence the fund should reach total assets of over 10mil, which will allow for the total investment in mutual funds (equities) to maximize at 55%. She explained that while there is some speculation on the interpretation of the State Statute on August 2, 2012 the Illinois Department of Insurance issued an advisory opinion indicating that the total allowable investment in equities can be up to 65%. This will not require an amendment to the investment policy per attorney Cary Collins.

An additional property tax transfer to the Pension Fund will post in October which will bring the YTD property tax amount to approx. 660k, with about 12k in anticipated distributions still due. (Dec)

There was some discussion concerning the year-to-date totals on the asset statements provided, Treasurer O'Connell explained that the values have historically been presented at book value with the market value posted to the general ledger at fiscal year-end. The general ledger also has reflected the activity of each individual investment rather than an overall change based on type. She explained that going forward market value will be presented on the asset statements within types in order to reconcile to the investment report provided by Graystone Consulting. Mr. McShane and Ms. O'Connell discussed the need for year-end cash flow investment data to be generated by Graystone Consulting in order to complete the DOI annual reporting.

Trustee Adams moved to accept the Treasurer's Report, seconded by President Vinson and approved unanimously on a voice vote.

2. Investments Report

Mr. McShane disbursed a quarterly performance review as of September 30, 2017. Mr. McShane highlighted the Fund's performance by category compared to its benchmarks. The Fund's returns were 8.13% year-to-date and 6.83% since inception. The total assets of the Fund at quarter end were 10,299,714.49. He continued with a capital market overview of the third quarter clarifying the positive moment, as emerging economy equity market indices were up for the quarter. This year earnings have caught up with valuations. There was additional discussion related to the total assets exceeding 10 million and the Funds new legal authority to increase the

allocation in equities. Mr. McShane and Attorney Cary agreed that the maximum of 65% could be allocated however that the Board would need to determine how investments would be reallocated. Trustee Adams reviewed the asset class return chart and considered reallocation to Emerging Market Debt (EMD) explaining there could be better returns with less volatility. He requested that Mr. McShane provide additional information at the next meeting on mutual funds and their allocations, with consideration to adding new sectors; reviewing Emerging Market Debt, International Debt and High Yield Debt. Trustee Adams explained that the persistence of low interest rates has caused liabilities to grow and the Fund should be looking to better balance liabilities with assets using longer term bond investments.

The Trustees discussed investment options to increase the allocation in equities. Trustee Adams suggested moving cash and some fixed income to total 300k to Harding Loevner and iShares small cap. The Board requested that Mr. McShane provide additional information to speak to different asset classes and rates of return. *Trustee Adams moved to transfer \$300,000 from cash into equities. The motion was seconded by President Vinson and approved upon a roll call vote. Ayes: Adams, Betz and Vinson. Nays: None. Absent: Arnstein and Gehrke*

3. Review Proposed Rules and Regulations

The Travel Policy changes made by the State of Illinois were discussed. The draft Rules and Regulations were reviewed however additional assessments need to be made in conjunction with some sections. Further consideration will be made at the next meeting.

4. Property Tax Levy Request

Treasurer O'Connell presented the Required Reporting to the Municipality by the Pension Board per 40ILCS 5/3-143 for certification and submittal to the Village Board along with the Pension Board's formal levy letter request for President Vinson to sign. The letter and reporting will be submitted to the Village Board at its November 13th, 2017 meeting.

5. Pension Recipient Benefits

The pension recipients' benefits and 2018 3% increases were reviewed.

President Vinson moved to accept the increase changes, seconded by Trustee Adams and approved unanimously on a voice vote.

6. Board Member Training Updates

Trustee Adams noted that he has completed 8 hours of ethics training through the CFA Institute continuing professional education. He will print out a confirmation to provide for the pension training files.

Items from the Members/Treasurer/Attorney

- Mr. McShane conveyed that he will be arriving at future Pension Board meetings at 6:00 p.m. to present his investment reports.

Next Board Meeting Dates

Trustee Adams moved to change the January 18, 2018 meeting date to January 25, 2018.

The motion was seconded by President Vinson and approved upon a roll call vote. Ayes: Adams, Betz and Vinson. Nays: None. Absent: Arnstein and Gehrke

The 2018 regular meetings are scheduled for the remainder of 2018 as follows:

Thursdays at 5:30 PM on April 19, July 19 and October 18 in the Lake Bluff Public Safety Community Room.

7. Executive Session

At 7:11 p.m. President Vinson moved to enter into Executive Session for the purpose of discussing Personnel (5 ILCS 120/2(c)(2)), *seconded by Trustee Adams and approved unanimously on a voice vote.*

Adjournment

There being no further business to discuss, President Vinson moved to adjourn out of executive session. Trustee Adams seconded the motion and the motion passed on a unanimous voice vote at 7:38 p.m.

Respectfully submitted,



Bettina K. O'Connell
Treasurer/Recording Secretary



Thomas Vinson
President