

**LAKE BLUFF POLICE PENSION FUND
REGULAR BOARD MEETING**

January 23, 2020 1:00 P.M.

Roll Call

President Vinson called the regular meeting to order at 1:05 P.M. at the Lake Bluff Village Hall Conference Room.

Trustees Present: Brad Adams (via phone), Mark Betz, Tim Morris and Tom Vinson.

Trustees Absent: Erik Gehrke

Others Present: Treasurer Bettina O'Connell, Graystone Consulting Advisor Thomas McShane, Consulting Attorney Jeff Goodloe

Non-Agenda Items and Visitors

None

Approval of Meeting Minutes

President Vinson moved to approve the October 18, 2019 Regular meeting minutes as presented; seconded by Trustee Betz and approved unanimously on a voice vote.

1. Investments Report

Mr. McShane reviewed the Funds quarterly performance as of December 31, 2019. He led with a narrative of the 'Summary of Recent Actions' section providing a timeline of Board action and investment directives for the past year. The capital market overview discussed estimated real Gross Product increase with Morgan Stanley economist forecasting US Real GDP growth at 1.7% in Q4 2019 and 1.8% in 2020. The S& P 500 capped off a historic year for returns in the fourth quarter with its strongest finish since 2013. Equities were up 9.07% on the quarter and gained 32.6% in 2019, while international markets underperformed the US slightly.

Mr. McShane continued to analyze the current equity indicators; inflation was accelerated slightly in the US, according to the Bureau of Labor Statistics. The year-over year Consumer Price Index was 2.2% in November, up from 1.8% in October. Morgan Stanley economists forecast a 2.0% annual inflation rate for Q4 2019 and 2.4% for 2020. He continued with Section two of the performance report, discussing the current and historic valuations for the S&P 500 with elevated earnings for the market place. Trending upward the Fed is creating a lucrative market. The inter year declines chart looking back to the 1980's was reviewed. Historical returns and declines were referenced to forecast the year ahead. Looking back at 1995 returns were up 34% and the following year they declined to 20%.

Section three of the performance report snapshots the Pension Funds portfolio's allocations. A review of the target allocation prompted an evaluation of the cash balances and the monthly transfers associated with annuitant payment.

President Vinson moved to direct Graystone to increase the monthly transfer to the cash account for the pension payments to \$65,000, Trustee Morris seconded and the motion was approved unanimously on a voice vote.

Additionally the Board reviewed the target allocations, which reflected 2.68% over in cash and 1.58%, 1.09% under in fixed income and equities respectively. Mr. McShane recommended that the Board consider reinvesting \$100,000 from the cash account to Madison Investments.

President Vinson moved to direct Graystone to allocate \$100,000 from the cash equivalents to Madison Investments, Trustee Betz seconded and the motion was approved unanimously on a voice vote.

Time weighted returns were reviewed; Mr. McShane pointed out that the Police Pension Fund year to date returns reflected a 17% increase. There was discussion over potential legislation that could grandfather specific investment types. Mr. McShane proceeded to direct the Board's attention to the exchange-traded funds analysis at the end of the performance report and commended that the Board make the exchanges as outlined to

Vanguard Mutual Funds. In summary the recommendation included: a) S&P 500 IVV to Vanguard 500 VFIAX, b) iShares Mid Cap IJH to Vanguard Mid Cap VIMAX and c) iShares Small Cap IJR to Vanguard Small Cap VSMAX.

President Vinson moved to direct Graystone to make the exchanges as stated in section four of the Performance Report, Trustee Morris seconded and the motion was approved unanimously on a voice vote.

2. Treasurer's Report

Treasurer O'Connell reviewed the Statement of Net Assets reflecting un-audited net assets as of December 31, 2019 of \$11,368,571.42, which are 8.43% or \$844,275.38 greater than the FY19 ending net assets. For the fiscal year to date the total gain was \$1,271,676 or 12.59%.

Treasurer O'Connell presented the Board with a listing of the disbursements for the month providing a monthly listing of the payments made dated from the last meeting through the meeting date. She provided the Board with a statement reviewing the pension benefits and 2020 increases. Letters were mailed to each annuitant reflective of their gross net pay amounts and 1099-tax forms were prepared. Treasurer O'Connell also provided additional information on the Fiduciary Liability Insurance renewal policy, indicating that last year the policy expense was \$3,905 and the current policy would cost \$4,121.

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

President Vinson moved to approve the disbursement listing seconded by Trustee Morris and approved unanimously on a voice vote

3. Old Business

The Board discussed the draft of the Administrative Rules and Regulations provided by Attorney Jeff Goodloe. The comments and updates to the draft provide at the October 17, 2020 meeting were reviewed. Attorney Goodloe asked if the Board had any additional changes or questions regarding the administrative rules and regulations. The Board indicated that there were no further changes needed.

President Vinson moved to accept the Administrative Rules and Regulations as presented the motion was seconded by Trustee Betz and approved unanimously on a voice vote

4. New Business

President Vinson discussed the current Board positions and the term ending dates of April 2020. The Board requested that letters of interest be sent to pension members and retirees to determine if any others were interested in board positions.

5. Attorney's Report

Attorney Jeff Goodloe gave a brief update on the State Consolidation process indicating that a Governor's Board will assume investment authority however, a local board will still exist to review disabilities and to issue annuitant payments. He discussed a summary document of Public Act 101-0610 and a nine member interim transition board that would oversee the transition adopting rules of conduct for elections, and policies for asset allocations as well oversee the hiring of some personnel.

6. Next Meeting

The next meeting date April 16, 2020 at 5:30 p.m.

7. Executive Session

None

Adjournment

There being no further business to discuss, President Vinson moved to adjourn. Trustee Betz seconded the motion and the motion passed on a unanimous voice vote at 2:21 p.m.

Respectfully submitted,

Bettina K. O'Connell
Treasurer

Thomas Vinson
President