A Regular Meeting of the Board of Trustees of the Firemen’s Pension Fund of Peoria, Illinois, was held this date at City Hall, 419 Fulton Street, Room 404, Peoria, Illinois, at 9:36 A.M. with proper notice having been given, for the purpose of conducting regular Firemen’s Pension Fund business.

**ROLL CALL**

Roll Call showed the following Board Members present: Ball, Nichting, Troglio, President Nieukirk – 4; Absent: Phillips – 1.

Others present: Mr. Tom McShane, First Vice President – Investments, Senior Investment Management Consultant with Graystone Consulting, a business of Morgan Stanley/Smith Barney in Chicago; Attorney Jim Dobrovolny, and Chief Deputy City Clerk Stefanie Rice.

**INVOCATION**

President Nieukirk requested a moment of silence in remembrance of those Firefighters who lost their lives while serving their community.

**MINUTES**

Recommendation to Approve the Minutes of the Regular Board Meeting held on September 23, 2014, as printed.

Trustee Nichting moved to approve the minutes of the September 23, 2014, Regular Board Meeting; seconded by Trustee Troglio.

Approved by viva voce vote.

**REGULAR BUSINESS**

**ITEM NO. 1** MONTHLY PORTFOLIO PERFORMANCE REVIEW by TOM McSHANE GRAYSTONE CONSULTING (A business of Morgan/Stanley Smith-Barney), and Discussion Regarding Recommendations, Possible Action Regarding the Firemen’s Pension Fund Portfolio Performance, and Discussion and Review of the Asset Allocations, with Request to Receive and File Reports or Take Other Action.

The Performance Update for the period ending September 30, 2014, was previously distributed to all Trustees.

The Performance Update showed the portfolio value at $125,700,479.00. Since its inception, the total portfolio performance returned 6.34% versus the custom benchmark of 6.02%. 
Manager | Ending Market Value
---|---
iShares S&P 500 Index (Large Cap Fund) | $ 9,317,544
Great Lakes (Large Cap Fund) | $12,107,441
Premier (Large Cap Fund) | $17,854,317
Anchor (Mid Cap Fund) | $ 23,540
iShares Russell Mid Cap Index (Mid Cap Fund) | $ 5,047,099
Kayne Anderson | $ 4,890,860
Nuveen/First American (Real Estate Fund) | $ 3,468,937
Harbor (International Equity) | $17,697,983
Lazard (Emerging Market) | $ 8,357,698
Segall – Fixed Income | $30,906,010
SKBA – Fix Income | $ 3,247,623
McDonnell – Fixed Income | $ 5,756,052
Cash Management Account | $ 1
Insured Cash Sweep Account – PCB | $ 7,025,373

Mr. Tom McShane reported that the market saw a lot of volatility in the last few weeks. During that time, he said Graystone Consulting sent commentary to their clients via email. He said this volatility was regarded as a "blip" in the market and was considered as being a time to buy.

Mr. McShane reviewed an article in Graystone Consulting's *Investors Monthly* entitled, "All About That Base (Case)," noting the six-month horizon.

Mr. McShane reviewed the current asset allocation. He reported an over allocation of approximately 60 basis points in cash and cash equivalents. Another over allocation he reported was in equities, which were below the Illinois State Statute recommendation of 65%. He said this over allocation in equities was done by design. The real estate allocation, he reported, was on target with the Investment Policy. He said the emerging markets were under allocated by design, as were the international equities. He said the portfolio was more invested in domestic equities than foreign equities. He remarked that it was Morgan Stanley's opinion that even though the international markets were a bit volatile, they were optimistic that these markets would improve.

Mr. McShane reported that the Board previously terminated Anchor Mid Cap Value and moved those assets into the Russell Mid Cap Index. He said there continued to be some residual money left in Anchor. He noted the portfolio was down 2.49% for the month of September and down 1.64% for the quarter-to-date; however, he remarked the year-to-date return was up 2.31%. He said the Board previously reviewed Great Lakes and determined to place that manager on watch. Even though Premier was below its benchmark, he said the year-to-date return still provided a positive return of 18.87% since its inception. He said Kayne Anderson was not as much of a deep value as Anchor Mid Cap, but provided protection in down markets. Harbor International, he noted, provided a long-term value to the portfolio. He remarked that Lazard Emerging Markets added some value to the portfolio, and since its inception, was 1.68% ahead of the benchmark. Lastly, he noted SKBA had a year-to-date return of 4.26%.

He reviewed manager year-to-date returns as follows:

- **iShares S&P**: 8.23% versus the benchmark of 8.35%
- **Great Lakes**: 5.27% versus the benchmark of 8.08%
- **Premier**: 1.33% versus the benchmark of 7.89%
- **Anchor**: 7.46% versus the benchmark of 8.19%
- **iShares Mid Cap**: 6.88% versus the benchmark of 6.88%
- **Kayne Anderson**: -2.53% versus the benchmark of -4.41%
- **Nuveen**: 14.51% versus the benchmark of 13.36%
- **Harbor**: -3.06% versus the benchmark of 0.00%
Mr. McShane said the average annual return on the portfolio was 6.34% since 2003. He reported that the Fund outperformed the benchmark six times over an eleven year period.

Mr. McShane reported the Fund was up 6.34% since its inception, versus a benchmark of 6.02%, net returns. He reviewed the Fund’s activity noting it began with a market value in 2003 of $76 million. Since 2003, he said the Fund withdrew net contributions of $21.354 million, paid fees/expenses in the amount of $1.7 million, received earnings from dividends and interest in the amount of $30 million, and experienced gains/losses in the amount of $42 million. He said the Fund’s activity concluded to date with an ending portfolio value of $125.7 million. He said, based upon the Board’s decisions, the portfolio increased in value by $7 million in the last year.

Mr. McShane distributed an Index Comparison report for Vanguard and iShares. He reviewed the statistical sheet noting the total net assets for the iShares Core S&P 500 at $61.1 billion versus the Vanguard S&P 500 at $21.8 billion. He said the iShares had three times the liquidity. He said the average three month value showed Vanguard at 1.2 million shares versus iShares at 4.2 million. He reviewed the average three-year return for each, noting Vanguard at 19.69% versus iShares at 19.66%. He remarked that Vanguard began in 2000, which contributed to the lack of a five-year track record. Under State Statute, he said it was required for a mutual fund to have a five-year track record in order for a public fund to invest. He said both funds offered nearly the same number of stocks and had the same top ten holdings. He said there was not a big enough dispersion to choose Vanguard over the iShares, and he recommended remaining with the iShares.

Mr. McShane compared Vanguard and iShares mid cap. He reported Vanguard used the Spliced Mid Cap Index as its benchmark and iShares used the Russell Mid Cap. He said Vanguard’s expense ratio was 0.09% versus the iShares at 0.20%. He compared the returns and standard deviation of each. He noted that Vanguard offered 367 stocks whereas iShares offered 837. He noted the turnover for Vanguard was three times higher than the iShares, and the top ten holdings for each mid cap varied greatly.

In conclusion, Mr. McShane recommended continuing the discussion of Vanguard versus iShares. He said he would review the Spliced Index and return with additional information to the Board. He said he had no recommendations at this time.

Trustee Nichting moved to receive and file the Performance Update Report for period ending September 30, 2014; seconded by Trustee Troglio.

Approved by viva voce vote.

ITEM NO. 2 DISCUSSION regarding ACTUARIAL SERVICES with FOSTER & FOSTER, INC., with Request to Approve the Agreement for Actuarial Services.

Trustee Ball said the Board expressed an interested in utilizing Foster & Foster for actuarial services. She said the Board needed to act quickly on this matter due to a short timeframe in which to provide the City Council with a report. She said a copy of the proposed contract with Foster & Foster was distributed to the Board. She said information from last year’s actuarial report was sent to them in order to provide a point of reference. She said the Board needed to provide Foster & Foster with direction. She said Jason Franken of Foster & Foster proposed to have the report completed by November 17, 2014. She recommended the Board have a special meeting shortly after receiving the report in order to address the matter in a timely fashion prior to going to the City Council on November 25.
Trustee Nichting remarked that the Peoria Police Pension Fund utilized the same firm, and their fee was approximately $8,000.00.

A conference call was placed with Mr. Jason Franken of Foster & Foster at 10:15 A.M.

Mr. Franken said a contract was provided for the Board's review. He acknowledged the quick turnaround in which to have the actuarial valuation report completed. He requested the Board hold a special meeting on November 13, 2014, in order to review the report, and he said he would be willing to reduce the 2014 fee by 10% for this accommodation.

Discussions were held regarding the special meeting date, and it was determined that the Board would hold a special meeting on Thursday, November 13, 2014, at 1:00 P.M. Trustee Nichting said he would attend the meeting electronically, and he requested an electronic copy of the report in advance.

Mr. Franken said he would provide an electronic copy of the actuarial valuation report to the Board by the end of the day on Wednesday, November 12, 2014.

Discussions were held regarding last year's actuarial report. Mr. Franken said the assumptions used were similar to what was used by the Department of Insurance. He recommended using 100% of the unfunded liability as a target for 2040 rather than 90%. He said the Board's goal should be to pay off the entire amount. He said the Police Pension Board also used a target of 100%.

Discussions were held regarding the payroll growth and the numbers to use for that item. It was noted that a number of the assumptions were similar to that of the DOI, and that it would not result in a huge change in liability. Mr. Franken said he would use the cost method used by 95% of the public pension plans across the country. He recommended amortizing the entire 100% of the Fund versus the 90%. He said the goal should be to make sure there would be enough money to pay all the benefits. He said in order to understand where the plan was going, it was recommended to use a sound basis. In summary, it was noted to utilize the normal entry age, 7.00% assumed rate of return, and 100% funding.

In conclusion, Mr. Franken requested the Board to sign the contract, as amended with the 10% discount, and return to him either by email or postal mail.

Attorney Dobrovolny reviewed the contract with Foster & Foster, and at the recommendation of Trustee Nichting, amended item number 12 to delete the word “ERISA” and insert the words “Illinois State Statutes.”

Mr. Franken concurred with the recommended changes.

Conference call concluded at 10:46 A.M.

Discussions were held regarding whether the City of Peoria would pay for half of the Fund's actuarial report costs. Trustee Nichting said that would only occur with an agreement with the City. He said the City paid for half the costs from last year's report; however, he said he could not see the City paying for half the costs this year.

Trustee Troglio moved to approve and execute the contract for Actuarial Services with Foster & Foster, Inc., as amended to include 10% discount and to delete the word “ERISA” and insert the words “Illinois State Statute;” seconded by Trustee Nichting.

Approved by roll call vote.
Yeas: Ball, Nichting, Troglio, President Nieukirk – 4;
Nays: None.
ITEM NO. 3  REQUEST to RECEIVE and FILE the TAX LEVY REPORT for ANNUAL REQUIREMENTS OF THE FUND as Contemplated by Section 4-118 of the Illinois Pension Code, in the Amount of $7,281,994.00.

President Nieukirk advised that he had received a letter from City Manager Patrick Urich regarding the annual required contribution for Fiscal Year 2015.

Trustee Nichting read the letter into the record as follows:

“This letter is to inform the Firemen’s Pension Fund of Peoria that the City has elected to use the Annual Required Contribution (ARC) of $7,281,994.00 as calculated by the Illinois Department of Insurance in accordance with the Illinois compiled Statutes. The use of the ARC prepared by the Illinois Department of Insurance is consistent with the prior year.”

Trustee Nichting advised that the City of Peoria would be using the $7,281,994.00 in its tax levy for 2015 for the Firemen’s Pension Fund.

In addition, Trustee Troglio read into the record following statement from the DOI’s report as follows:

“This report is provided to the Board and Municipality as part of the Public Pension Division advisory services under Section 1A-106 of the Illinois Pension Code. This report should not be relied upon for purposes other than determining the current tax levy required under the Illinois Pension Code. The assumptions have been set based on expectations for all Article 4 funds in the State of Illinois. The actuarial methods are prescribed by the Illinois Pension Code and do not necessarily represent the approach recommended by either the actuary or the Department of Insurance. This report was prepared under the direct supervision of the undersigned.”

Discussions were held regarding the $7.2 million for the tax levy and the actual liability amount of $8.2 million as reflected in the Actuarial Valuation Report. It was noted that the $7.2 million represented the 90% amount versus the 100%.

CLERK’S NOTE: No vote was taken, but the consensus was to receive and file this item. There were no objections.

ITEM NO. 4  Report from Fire Marshal Kent Tomblin of Pension Fund Contributions, which were made by payroll deductions during the MONTH of SEPTEMBER 2014, from the active members of the Peoria Fire Department and which checks were turned in to the City Treasurer’s Office by Director of Finance/Comptroller, with Recommendation to Concur and Receive and File.

<table>
<thead>
<tr>
<th>Payroll Period</th>
<th>When Deducted</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 6, 2014 – September 20, 2014</td>
<td>September 30, 2014</td>
<td>$66,162.82</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$132,586.21</td>
</tr>
</tbody>
</table>

Trustee Ball moved to concur and place on file the Fire Marshal’s Report for September 2014; seconded by Trustee Troglio.

Approved by roll call vote.

Yeas:  Ball, Nichting, Troglio, President Nieukirk – 4;
Nays:  None.
ITEM NO. 5  Request to Approve the following BILLS:

Pensions for October 2014 (dated October 31, 2014).......................... $960,584.84
Segall Bryant & Hamill – Mgmt Fees for 7/1/14 to 9/30/14......................... 13,408.13
Mesirow Financial (Renewal Fiduciary Liability)................................. 6,060.00
Lauterbach & Amen – Services for the Month of September 2014........... 3,170.00
IPPFA – 2015 Annual Membership Dues........................................ 775.00
Jack Nieukirk (IPPFA 2015 Prepay Lodging)........................................ 563.13*
Patrick Nichting (IPPFA 2015 Prepay Lodging)..................................... 322.34*
Small World Solutions (12-month reporting service)............................. 370.00
City of Peoria - Copy Service and Postage Reimbursement...................... 104.42
One Counseling & Wellness (Physkie Green)....................................... 20.00
Jack Nieukirk Reimbursement for Hotel Advance – IPPFA 2015............. (10.85)

SUB-TOTAL FOR SEPTEMBER............................................................... $939,210.80

Premier Asset Management LLC – Mgmt Fees as of 9/30/14...................... 20,081.83**
Great Lakes Advisors – Mgmt Fees 4/1/14 to 6/30/14............................ 15,269.18**
Kayne Anderson Rudnick – Mgmt Fees 10/1/14 to 12/13/14...................... 9,781.00**
SKBA Capital Management – Mgmt Fees 1/7/14 to 9/30/14...................... 1,611.82**

GRAND TOTAL FOR SEPTEMBER......................................................... $985,954.63

*Previously received checks earlier in the month.
**No check should be processed for this amount. This amount is to be automatically deducted from the account.

It was noted that the reimbursement amount of $229.07 from Joe Troglio to the Pension Fund was not reflected in the total for September. Said amount will be included in the October bills for approval by the Board.

Trustee Ball moved to approve the bills in the grand total amount of $985,954.63; seconded by Trustee Troglio.

Approved by roll call vote.
Yeas: Ball, Nichting, Troglio, President Nieukirk – 4;
Nays: None.

ITEM NO. 6  REQUEST for REMOVAL from PENSION ROLLS of MAXINE C. HUMPHREY, due to her Death on September 24, 2014. RECOMMENDATION to Pay the Sum of $927.4159 for 24 days of September 2014 to the Estate of Maxine C. Humphrey and to Receive and File the Death Certificate.

Trustee Ball moved to approve the payment of $927.4159 to the Estate of Maxine C. Humphrey for 24 days of September, 2014, and to receive and file the Death Certificate; seconded by Trustee Nichting.

Approved by roll call vote.
Yeas: Ball, Nichting, Troglio, President Nieukirk – 4;
Nays: None.
ITEM NO. 7  REQUEST for REMOVAL from PENSION ROLLS of LIAM DOUGLAS BRIGNALL
Due to Attaining the Age of 18 on October 10, 2014. Recommendation to Pay
Guardian for Liam D. Brignall in the Amount of $569.80 for 10 days of October
2014.

Trustee Ball reported that Liam Brignall, son of deceased Firefighter Doug Brignall, attained the age
of 18 on October 10, 2014. She said Liam aged out of the system, and she referred to 40 ILCS 5/4-110.1 as provided by Attorney Dobrovolny.

Trustee Troglio said there was money left in the Fund from what Doug Brignall had paid in
contributions. He said there would need to be a refund of those funds.

Trustee Nichting said Lauterbach & Amen needed to be advised of the status of the same.

Discussions were held as to how those funds would be disbursed.

Trustee Ball said she would contact Lauterbach & Amen to get the actual amount left from Doug
Brignall’s contributions.

Trustee Ball moved to remove from the pension rolls Liam Douglas Brignall due to his attaining the
age of 18 on October 10, 2014, and to pay the guardian for Liam D. Brignall in the amount of
$569.80 for 10 days of October 2014; seconded by Trustee Troglio.

Approved by roll call vote.
Yeas: Ball, Nichting, Troglio, President Nieukirk – 4;
Nays: None.

ITEM NO. 8  MONTHLY FINANCIAL REPORTS from LAUTERBACH & AMEN, LLP for the
Month of SEPTEMBER 2014, which Includes the STATEMENT OF PLAN NET
ASSETS, STATEMENT OF CHANGES IN PLAN NET ASSETS, SUMMARY of
CASH AND INVESTMENTS, BALANCE SHEET, REVENUES and REVENUE
REPORT, EXPENSES and EXPENSE REPORT, PAYROLL JOURNAL, and
VENDOR CHECKS REPORT, with Recommendation to Approve.

Trustee Ball moved to approve the monthly financial reports from Lauterbach & Amen, LLP for the
month of September 2014, which includes the State of Plan Net Assets, Statement of Changes in
Plan Net Assets, Summary of Cash and Investments, Balance Sheet, Revenues and Revenue
Report, Expenses and Expense Report, Payroll Journal and Vendor Checks Reports; seconded by
Trustee Troglio.

Approved by roll call vote.
Yeas: Ball, Nichting, Troglio, President Nieukirk – 4;
Nays: None.

ITEM NO. 9  RECEIPTS and DISBURSEMENTS REPORTS for PEORIA COMMUNITY BANK
and HARRIS BANK from Patrick Nichting, Treasurer, for the Month of
SEPTEMBER 2014, with Recommendation to Receive and File.

Trustee Ball moved to defer this matter to the November 24, 2014, Fire Pension Board meeting;
seconded by Trustee Troglio.

Approved by viva voce vote.
ITEM NO. 10  REQUEST for APPROVAL of a RESOLUTION Authorizing Trustee Patrick Nichting the POWER TO INVEST, and Authorize Trustee Nichting to Maintain a Minimum of $10,000.00 in the HARRIS BANK ACCOUNT.

Trustee Ball moved to approve the Resolution authorizing Trustee Patrick Nichting the power to invest, and authorize Trustee Nichting to maintain a minimum of $10,000.00 in the Harris Bank Account; seconded by Trustee Troglio.

Approved by viva voce vote.

ITEM NO. 11  REQUEST to RECEIVE and FILE the SMALL WORLD REPORT as of SEPTEMBER 2014.

Trustee Ball provided an update on the September 2014 Small World Report noting that Small World missed the recent death of a widow Maxine Humphrey. She said the Board just paid for another year of service.

Trustee Ball moved to receive and file the Small World Report as of September 2014; seconded by Trustee Troglio.

Approved by viva voce vote.

ITEM NO. 12  DISCUSSION Regarding Possibly Setting Interviews with Attorneys PUCHALSKI, GOODLOE & MARZULLO, LLP and REIMER & KARLSON.

Attorney Dobrovolny said, due to various reasons, he would be merging with the firm Reimer & Karlson. He said he intended on retaining his current clients and that this merger would provide for better service. He noted that Reimer & Karlson currently represented Peoria Police Pension Fund. He said he would continue to be the contact for Peoria Firemen’s Pension Fund.

In discussions, a meeting with Attorney Rick Reimer was proposed for the next regular Board meeting on November 24, 2014. Attorney Dobrovolny said he would provide Attorney Reimer’s contact information to Trustee Ball.

Trustee Ball moved to schedule a meeting with Attorney Rick Reimer on Monday, November 24, 2014, and with Puchalski, Goodloe & Marzullo on Thursday, November 13, 2014, to discuss legal services; seconded by Trustee Troglio.

Approved by roll call vote.

Yeas: Ball, Nichting, Troglio, President Nieukirk – 4;
Nays: None.

ITEM NO. 13  DISCUSSION Regarding Setting Dates for the NOVEMBER and DECEMBER REGULAR BOARD MEETINGS, Due to the Holidays. Recommendation: Take Action Deemed Appropriate. (Possible Dates: November 17, or 24, and December 15 or 22, or Cancel.)

Trustee Ball said the Board cancelled the December meeting the last two years. She reported that the November meeting would have four potential regular retirements. She recommended cancelling the December meeting with the understanding that a meeting could be scheduled should an issue arise that needed the Board’s immediate attention.
Trustee Ball moved to cancel the December 2014 Firemen's Pension Board meeting, but to hold the November Board meeting on its regular date of Monday, November 24, 2014; seconded by Trustee Nichting.

Approved by roll call vote.
Yeas: Ball, Nichting, Troglio, President Nieukirk – 4;
Nays: None.

UNFINISHED BUSINESS

ITEM NO. 1 CONTINUED DISCUSSIONS on the REPORT BACK on the Status of PHYSKIE GREEN, with Request to Receive and File the Information from Tamara Lott dated October 7, 2014.

Attorney Dobrovolny recommended the Board to receive and file and defer this matter to the next Fire Pension Board meeting.

Discussions were held regarding HIPPA regulations and whether the reports in this matter were considered public record.

After further discussions, it was determined that the Board could go into Executive Session to review additional medical records. It was noted that should the reports need to be made public, the Board could do so. Attorney Dobrovolny said at some point the records would have to be made public if the Board were to act on them.

Trustee Nichting moved to receive and file and defer this matter to the November 24, 2014, Regular Fire Pension Board meeting; seconded by Trustee Troglio.

Approved by viva voce vote

ITEM NO. 2 CONTINUED DISCUSSIONS Regarding the Public Officials Bond, with Request to Receive and File.

Trustee Nichting provided additional information regarding the Public Officials Bond. He said he was covered by the City of Peoria, and he noted that the Board was never covered under ERISA.

Trustee Ball moved to receive and file the information regarding the Public Officials Bond; seconded by Trustee Troglio.

Approved by viva voce vote.

NEW BUSINESS

VanVoorhis QILDRO
Discussions were held regarding the VanVoorhis QILDRO. Trustee Ball provided the current status of the VanVoorhis QILDRO. Attorney Dobrovolny said a QILDRO could be filed by either party. He provided a brief overview of how to file a QILDRO and the fees associated with it.

Mr. Tom McShane left the meeting at 11:30 A.M.
CITIZENS’ OPPORTUNITY TO ADDRESS THE BOARD OF TRUSTEES

It was determined there were no citizens present to address the Board of Trustees.

EXECUTIVE SESSION

It was determined that an Executive Session was not needed at this time.

ADJOURNMENT

Trustee Troglio moved to adjourn the Regular Firemen’s Pension Board Meeting; seconded by Trustee Ball.

Approved by viva voce vote.

The meeting adjourned at 11:33 A.M.

Beth Ball, MMC, City Clerk
Trustee and Board Secretary,
Firemen’s Pension Fund of Peoria, Illinois

/sr