PROCEEDINGS OF A REGULAR MEETING
OF THE BOARD OF TRUSTEES OF THE FIREMEN'S PENSION FUND
OF PEORIA, ILLINOIS

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 9:35 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 (Arrived at 9:40 A.M.), Nichting, Phillips, President Nieukirk – 4. Absent: Troglio – 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; and Chief Deputy City Clerk Stefanie Rice.

INVOCATION

President Nieukirk requested a moment of silent prayer or silent reflection in remembrance of those firefighters who lost their lives while serving their community.

MINUTES

By agreement, the approval of the minutes were moved to after the Monthly Portfolio Performance Review.

Clerk’s Note: See Page 4.

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.

Mr. Tom McShane previously mailed a copy of the Performance Update for the period ending May 31, 2015, to all members of the Board.

The Performance Update for the Period ending May 31, 2015, showed the portfolio value at $127,107,594.00. Since its inception, the total portfolio performance returned 6.43% versus the custom benchmark of 6.13%.
Manager                                      Ending Market Value
iShares S&P 500 Index (Large Cap Fund)       $10,085,987
Great Lakes (Large Cap Fund)                 $13,042,403
Premier (Large Cap Fund)                     $17,484,396
iShares Russell Mid Cap Index (Mid Cap Fund) $  5,588,028
Kayne Anderson                                $  5,436,250
Nuveen/First American (Real Estate Fund)     $  3,898,951
Harbor (International Equity)                $13,546,172
iShares MSCI EAFE (International Equity)     $  7,319,365
Lazard (Emerging Market)                     $  7,874,748
Segall – Fixed Income                        $31,632,662
SKBA – Fix Income                            $  3,339,114
McDonnell – Fixed Income                     $  5,865,602
Cash Management Account                      $     1
Insured Cash Sweep Account – PCB             $  1,993,915

Mr. McShane reviewed the Tactical Asset Allocation Reasoning, which provided a preview of the Fund’s allocations. He reported the US Stocks were equal weighted, having a positive performance since the global financial crisis. He noted that the economy was beginning to recover. He said emerging market prices, which were commodity related, had settled and were slightly overweighted, and he reported that the fixed income allocations were underweight.

Following discussions regarding REITs investments, Mr. McShane reviewed the Fund’s current allocation. At the end of May, he said the Board’s target and current allocations were as follows:

<table>
<thead>
<tr>
<th>Target Allocation</th>
<th>Current Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>2.00%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>38.00%</td>
</tr>
<tr>
<td>Equity</td>
<td>60.00%</td>
</tr>
</tbody>
</table>

Regarding the money market fund, Mr. McShane reported a recent deposit of approximately $2.6 million from the Personal Property Replacement Tax (PPRT), which brought the money market fund up to approximately $4.5 million, nearly 5.0% of the portfolio. He reported on the fixed income allocation noting it was underweight by design. He said, according to State Statute, equities needed an allocation of 65.0%. He said the current allocation in equities was higher due to appreciation. He said if the Board decided to make an allocation change, it would have to change its target allocation to 65.0%, which would create a need to rebalance the portfolio as it related to REITs and Emerging Markets.

Mr. McShane reviewed the allocations in detail as follows:

<table>
<thead>
<tr>
<th>Target Allocation</th>
<th>Current Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>2.00%</td>
</tr>
<tr>
<td>Mid Cap Equity</td>
<td>3.00%</td>
</tr>
<tr>
<td>Small Cap Equity</td>
<td>3.00%</td>
</tr>
<tr>
<td>Real Estate Equity</td>
<td>3.00%</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>8.00%</td>
</tr>
<tr>
<td>International Equity</td>
<td>16.00%</td>
</tr>
</tbody>
</table>
Large Cap Equity 27.00% 31.95%
Fixed Income 38.00% 32.13%

Mr. McShane reviewed the mid cap and small cap equities noting they were slightly overweighted, which added some value to the portfolio. He said should the Board reallocate, he would recommend reallocating additional funds into emerging markets, wherein he recommended using the Emerging Market Index Fund. Should the Board make a change, he said he would recommend reducing equity exposure from 66.0% to 65.0%. He said the Board could either make no change, or make a change from REITs to the Real Estate Market. In general, he said the biggest decisions the Board made related to cash, bonds or stocks. He remarked that just for a 1.0% change in allocation, he recommended keeping the allocations the same.

Since inception, Mr. McShane reported the Fund returned 6.43% versus the custom benchmark of 6.13%. He said the Fund began in 2003 at $76.020 million. Since then, he said the Fund had withdrawals of $26.429 million, fees and expenses of $1.933 million, income of $32.013 million, gains and losses of $47.435 million, ending with a market value of $127.108 million. He reported that, as a result of the decisions the Board had made, the Fund was at $127 million, which added another $6 million to the portfolio since its inception. He reviewed the portfolio's risk/return, noting the Fund had received greater returns with less risk.

Mr. McShane reviewed the year-to-date (YTD) returns, noting the Fund's current returns at 3.10% versus the benchmark of 3.57%. He said Great Lakes was up 2.39% versus a benchmark of 1.40%; Premier was at 2.85% versus the benchmark of 5.83%; Nuveen was down -1.92% versus the benchmark of -1.38%; and Lazard was down -8.28%, which contributed to the portfolio's underperformance. He said Lazard reported its underperformance was due to dropping oil prices.

Mr. McShane distributed a handout entitled, "Large Cap Manager vs. Universe Comparison" dated June 22, 2015. He reviewed Great Lakes, noting that for the last 10 years it returned an average of 8.04%, with a benchmark of 7.21%, which put Great Lakes in the 50% ranking. He continued to review Great Lakes noting a 7-year return of 8.93%, and a 5-year return of 14.73%. He said Great Lakes had a 3-year return of 16.09%, which was slightly less than benchmark. He remarked that the Board could find managers who have done better, but had more concentrated portfolios. He said Great Lakes was a value manager, wherein some of the other managers were less deep value. He said it was difficult to find a manager that stood out on a long-term basis; however, short-term managers could easily be found. He said Great Lakes needed to be compared with another value manager. He noted Great Lakes returns for the last three years have not been good, but for the last two years they had good returns. He said they would continue to watch Great Lakes.

Mr. McShane reviewed Premier noting their underperformance with 10-year returns of 8.72% with a benchmark of 9.36%. He said those returns had put them in the 70.0% ranking. He reviewed them over the last three years noting a return of 16.83% with a benchmark of 16.34%, which put them better than 70% of the managers. He remarked on Premier's volatility, and he commented that Premier would be a manager to watch more closely. He said he would review what was done with the Police Pension Fund and report at the July meeting.

In response to Trustee Nichtig, Mr. McShane said Premier was compared with the Russell 1000 Growth Index. Since its inception, he commented that Premier had done 20 basis points better; however, over the last three years that had not been the case. He said the goal for the managers was to do 1.0% better than the benchmark. Currently, he said 20 basis points was
greater than the benchmark. He said Great Lakes had done well over the last five years, but since inception, they had not done well.

Trustee Ball moved to receive and file the Performance Update Report as of May 31, 2015; seconded by Trustee Nichtig.

Approved by roll call vote.
Yea: Ball, Nichtig, Phillips, President Nieukirk – 4;
Nays: None.

MINUTES

Clerk’s Note: Continued from Page 1.

Recommendation to Approve the Minutes of the Rescheduled Regular Board Meeting held on May 26, 2015, as printed.

Trustee Phillips moved to approve the minutes of the May 26, 2015, Rescheduled Regular Board Meeting; seconded by Trustee Ball.

Approved by viva voce vote.

ITEM NO. 2  Report from Fire Marshal Kent Tomblin of Pension Fund Contributions, which were made by payroll deductions during the MONTH of APRIL 2015, 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>March 21, 2015 – April 5, 2015</td>
<td>April 15, 2015</td>
<td>$ 66,565.46</td>
</tr>
<tr>
<td>April 6, 2015 – April 20, 2015</td>
<td>April 30, 2015</td>
<td>$ 66,820.10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$133,385.56</td>
</tr>
</tbody>
</table>

Trustee Nichtig moved to concur and place on file the Fire Marshal’s Report for April 2015; seconded by Trustee Ball.

Approved by viva voce vote.

ITEM NO. 3  Report from Fire Marshal Kent Tomblin of Pension Fund Contributions, which were made by payroll deductions during the MONTH of MAY 2015, 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>April 21, 2015 – May 5, 2015</td>
<td>May 15, 2015</td>
<td>$ 66,912.82</td>
</tr>
<tr>
<td>May 6, 2015 – May 20, 2015</td>
<td>May 29, 2015</td>
<td>$ 66,992.49</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$133,905.31</td>
</tr>
</tbody>
</table>
Trustee Ball moved to concur and place on file the Fire Marshal's Report for May 2015; seconded by trustee Phillips.

Approved by viva voce vote.

**ITEM NO. 3 Request to Approve the following BILLS:**

- Pensions for May 2015 (dated May 31, 2015).................................................. $987,301.08
- Heinold Banwart, Ltd................................................................. 13,900.00
- Lauterbach & Amen (Professional Services for May 2015)................... 3,230.00
- Reimer Dobrovlny & Karlson, LLC............................................... 1,103.50
- Stefanie Rice – 2nd Quarter 2015 Administrative Services.................. 1,100.00
- **SUB-TOTAL FOR JUNE 2015.......................................................... $1,007,634.58**

**GRAND TOTAL FOR JUNE 2015....................................................... $1,007,634.58**

Trustee Ball moved to approve the bills in the grand total amount of $1,007,634.58; seconded by Trustee Phillips.

Approved by roll call vote.

- **Yea:** Ball, Nichtig, Phillips, President Nieukirk – 4;
- **Nay:** None.

**ITEM NO. 4 MONTHLY FINANCIAL REPORTS from LAUTERBACH & AMEN, LLP for the Month of MAY 2015, 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 Phillips moved to approve the monthly financial reports from Lauterbach & Amen, LLP for the month of May 2015, 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; seconded by Trustee Ball.

Approved by roll call vote.

- **Yea:** Ball, Nichtig, Phillips, President Nieukirk – 4;
- **Nay:** None.

**ITEM NO. 5 RECEIPTS and DISBURSEMENTS REPORTS for PEORIA COMMUNITY BANK and HARRIS BANK from Patrick Nichtig, Treasurer, for the Month of MAY 2015, with Recommendation to Receive and File.**

Trustee Ball moved to receive and file the Receipts and Disbursements Reports for Peoria Community Bank and Harris Bank from Patrick Nichtig, Treasurer, for the months of April and May, 2015; seconded by Trustee Phillips.

Approved by viva voce vote.
ITEM NO. 6  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 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; seconded by Trustee Phillips.

Approved by viva voce vote.

ITEM NO. 7  Discussion and Review Regarding the SUMMARY OF FINDINGS of the ILLINOIS DEPARTMENT OF INSURANCE as of December 31, 2012, with REQUEST to ACCEPT or DENY the Findings.

Trustee Ball reviewed the Summary of Findings from the Illinois Department of Insurance as of December 31, 2012. She said Attorney Dobrovolny submitted a written request to the Illinois Department of Insurance requesting a 30-day extension to respond, which would provide until the end of July to submit a formal response. She said the response had to reflect whether the Board agreed or disagreed with the findings. She said if the Board agreed with a finding, then the error needed to be corrected and the finding would remain as part of the report with a notation of a correction. If the Board disagreed with a finding, then a detailed statement with supporting documentation had to be submitted. She said if the DOI agreed with the Board’s Final Statement, then the final report would be revised. Once complete, she said the Board would need to sign off on the report and return to the DOI. She said the DOI would need copies of the minutes from the meetings wherein this report was discussed.

Trustee Ball reviewed the DOIs Summary of Findings. In it, she said it stated that the Board’s Treasurer, Patrick A. Nichting, was not a required signer on all accounts. She said a copy of the signature card was obtained, and Trustee Nichting was on the card. She said the report identified contributions and benefits errors for William Akers, Gary Shehan, Clarence Holmes and Dorothy Lynch. For William Akers and Gary Shehan, Trustee Ball remarked that Section 4.109 of the Code was amended to increase the amount from 1/12th of 2% to 1/12 of 2.5%. She said that amount was amended in 1999 after the individuals had gone on disability. She said Attorney Dobrovolny reported that the two individuals should continue to receive the amounts they were getting. She said this opinion was supported by case law, which would be included in each of the files.

Trustee Ball reported that Dorothy Lynch had died in March, and her amount was based on her husband’s amount. She said additional research needed to be conducted. She reported that it was the Board’s Attorney’s opinion that because the Fund was already paying that amount and 35 days had passed, it should not be changed.

Trustee Ball said there was an indication that Jared Siebenthal’s medical report was not in the file. She said that was an oversight and his report was in the file.

Regarding CUSP number for investment stocks, Trustee Ball said investments and stocks needed to have individuals CUSP numbers. Trustee Nichting said those were required for stocks otherwise they would be reported as a mutual fund.

Mr. McShane said that was the reason the class action was not able to get information because the DOI did not have the individual holdings. He said Lauterbach & Amen currently received information from his office on an annual basis.
Trustee Nichting said Lauterbach & Amen should work with the Fund to get the individual CUSPs in order to download information easily and efficiently.

Trustee Ball said the summary noted that the appointment for herself and Trustee Nichting expired in 2013, which she said was incorrect on the annual statement. She said that item had to be corrected. She said she just provided information for this year’s annual statement last week wherein the terms were corrected.

Lastly, Trustee Ball said the DOI reported an issue with the April 2011 minutes wherein Ralph Phillips was elected. During that election, she said someone had written Joe Troglio’s name on the ballot and the DOI took it as the minutes did not reflect that Joe Troglio was elected. It was noted that Joe Troglio was elected the previous year and this was Ralph Phillips’ election. The minutes reflected that Ralph Phillips won the election and the minutes were correction.

Regarding Clarence Holmes and Dorothy Lynch, she said she would provide additional information at the next Fire Pension meeting. Currently, according to the Board’s Attorney, Trustee Ball said that the Fund disagreed with the DOI and would provide documentation regarding the same. According to Attorney Dobrovolny, she said the Board would not change the amounts because 35 days had passed in order to make changes. She said she would provide more information at the next meeting in order to finalize the response and the Board could then sign the form.

Trustee Phillips moved to defer this matter to the July 27, 2015, Firemen’s Pension Board meeting; seconded by Trustee Nichting.

Approved by viva voce vote.

UNFINISHED BUSINESS

ITEM NO. 1 REPORT BACK on the Status of PHYSKIE GREEN, with Request to Receive and File or to Take Other Action.

Trustee Ball distributed a report from Ms. Tamara Lott. She recommended deferring this matter to the next Firemen’s Pension Fund meeting for counsel to be present.

Discussion was held regarding the co-payments for medical appointments in this matter and whether those would continue should the Board discontinue this matter.

Trustee Nichting moved to defer this matter to the July 27, 2015, Firemen’s Pension Board meeting; seconded by Trustee Phillips.

Approved by viva voce vote.

NEW BUSINESS

Application for Occupational Disease Disability of Firefighter Dan McGann
Trustee Ball reported that Firefighter Dan McGann had applied for occupational disease disability. She said the scheduling doctor appointments was in process. She said the Board was currently working with Woodlake Medical in Palatine in order to schedule the doctor appointments. She said two of his appointments were scheduled in the middle of July. She reported that the Board’s new policy called for a Special Board Meeting once all the reports
were received back from the doctors. She said this was the first time the Board had worked with Woodlake, and she said they had been responsive to her requests and things had progressed smoothly.

**Actuary Report**
Trustee Nichting said once the DOI report was complete, it would be forwarded to Mr. Jason Franken of Foster and Foster to begin the actuarial report. He said he would speak to Mr. Franken about the funding, noting the Fund received separate deposits throughout the year, which affected the unfunded liability. He said he would work with Mr. Franken to let him know when funds were deposited into the accounts. He said it was his hope to have the actuary report completed by the July Fire Pension Meeting and to schedule the City Manager to attend the August Board meeting.

**CITIZENS’ OPPORTUNITY TO ADDRESS THE BOARD OF TRUSTEES**

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

**EXECUTIVE SESSION**

It was determined that an Executive Session was not needed.

**ADJOURNMENT**

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

Approved by viva voce vote.

The meeting adjourned at 10:34 A.M.

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

/sr