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 110, Peoria, Illinois, at 9:30 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: Phillips, Troglio, President Nieukirk – 3. Absent: Ball, Nichting – 2.

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.

MINUTES

Recommendation to Approve the Minutes of the Special Board Meeting held on April 28, 2014, and the Regular Board Meeting held on May 19, 2014, as printed.

Trustee Phillips moved to approve the minutes of the April 28, 2014, Special Board Meeting minutes and the May 19, 2014, Regular Board Meeting minutes; 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.

Mr. Tom McShane previously mailed a copy of the Performance Update for the period ending May 31, 2014, to all members of the Board.

The Performance Update for the Period ending May 31, 2014, showed the portfolio value at $124,798,218.00. Since its inception, the total portfolio performance returned 6.59% versus the custom benchmark of 6.22%.

<table>
<thead>
<tr>
<th>Manager</th>
<th>Ending Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>iShares S&amp;P 500 Index (Large Cap Fund)</td>
<td>$ 9,027,051</td>
</tr>
<tr>
<td>Great Lakes (Large Cap Fund)</td>
<td>$12,022,905</td>
</tr>
<tr>
<td>Premier (Large Cap Fund)</td>
<td>$17,417,049</td>
</tr>
<tr>
<td>Anchor (Mid Cap Fund)</td>
<td>$ 2,363,381</td>
</tr>
</tbody>
</table>
Discussions were held regarding Anchor. It was noted that Anchor added value in difficult markets. Mr. McShane said they were looking for that opportunity to exit at this time and to move money from Anchor to the Index Fund based upon their value.

Mr. McShane provided a summary of the Fund’s outlook noting the Equity Market was still the bull market and the equities were still intact. He said earnings for corporations have increased 4.0% to 6.0%. He remarked that wages were not increasing and people were not borrowing a lot of money. He reported that corporations were making great strides to cut back on their expenses. He said interest rates were dropping back down; however, there was the feeling that rates were going to start rising again. He said the Fund was positioned properly for these situations.

Mr. McShane reviewed the current allocation between cash, bonds and stocks. He said the portfolio was over allocated in cash by about 2.5%, which was based upon the thought that interest rates were going to rise. He said the Fund’s cash account at Peoria Community Bank paid approximately 75 basis points. He reported that fixed income was under allocated by approximately 6.0%, which was consistent with the thought that interest rates were going to rise. He said the portfolio was also over allocated in equities.

Mr. McShane reviewed mid cap, small, and emerging markets, noting the portfolio was on task with a slight over allocation in large cap equity at the expense of fixed income. He said the portfolio was a little under allocated in emerging markets, which was done on purpose with the thought of it being more risky with what was happening in the Middle East, the decrease in the growth in China, and the Russia/Ukraine issues. He said there were no recommended changes in the Fund’s allocation between mid cap, small cap, real estate and emerging markets.

Mr. McShane reviewed the portfolio performance noting that since inception, the Fund was up an average annualized return of 6.59% versus a custom benchmark of 6.22%. Since the inception date of 2003, he said the Fund had a beginning market value of $76 million, net payouts of $22.9 million, fees and expenses of $1.7 million, income from dividends and interest at $29.2 million and realized/unrealized gains and losses of $44 million, which provided an ending value of $124 million. He remarked the Fund had earnings, between income and gains, of about $74 million.

In response to Trustee Troglio, Mr. McShane said the net contributions included the tax levy contributions, firefighter contributions, and withdrawals/payouts. He said $53 million was net after subtracting payouts from the beginning balance.

Mr. McShane reviewed the risk/return analysis since January 1, 2003. He said the Fund had a greater return in the benchmark with less risk. He said the risk for the benchmark was approximately 6.9% and the risk for the Fund’s portfolio was about 6.3%. He said it was the
suggestion of the Board to take a little more risk or risk equal to or maybe greater than the benchmark. He said over the next few meetings, the Board would be reviewing how to take more risk and whether it would provide a greater return. He reviewed the portfolio characteristics versus the custom benchmark. He said Alpha was at a 1, which meant that the choices and the decisions the Board made and the managers' decisions on the stocks owned and bonds owned provided added value to the portfolio. He said the Fund wanted a positive alpha along with a positive sharpe ratio.

Mr. McShane reviewed the quarterly returns reported the Fund was up 2.34% versus a benchmark of 2.26%, noting little added value for the quarter. He said there was some added value from Great Lakes with returns of 3.50% versus a benchmark of 2.42%. Since their inception in 2006, he said Great Lakes had been slightly behind their benchmark. He said Premier underperformed for the quarter at 1.84% versus a benchmark of 3.12%; however, he remarked that since their inception Premier was about 2.0% greater than the benchmark, net. He reported Anchor was flat for the quarter, and were about 1.0% behind the benchmark since their inception. He reported the mid cap was down at 1.57%; Kayne Anderson, a small cap core, was down 1.20% versus the benchmark of -3.11%. He reported that Nuveen provided added value to the portfolio.

Mr. McShane reported that Lazard added almost 6.0% for the quarter, which was about 2.0% higher or 50.0% better than the benchmark. He said this manager added value for the quarter as well as since their inception, noting they were up 9.0% annualized since 2009.

Mr. McShane reviewed Segal, SKBA and McDonnell, noting that Segal and McDonnell had a target of the Barclays Intermediate Government Credit, the shorter term, and SKBA had the Barclay's Government Credit, which was a little bit longer term. For the quarter, he reported SKBA was up 2.13% with a year-to-date return of 4.29%. He provided the year-to-date returns for Segall, which was up 2.75%, and McDonnell which was up 2.66%.

In summary, Mr. McShane said the portfolio was well positioned all the way through for changes that may be coming, and he noted they were anticipating the federal government was going to tighten up.

In response to President Nieukirk, Trustee Troglio said the Fund was currently 56% funded. He said the City contributed 30% of payroll as provided by the State Actuary. He remarked that it was the Fund's fiduciary responsibility to hire an independent actuary to provide an actuarial report.

Mr. McShane said the City was not allowed to contribute less than the minimum amount.

Trustee Phillips moved to receive and file the Performance Update Report as of May 31, 2014; seconded by Trustee Troglio.

Approved by roll call vote.
Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.
ITEM NO. 2  Report from Fire Marshal Kent Tomblin of Pension Fund Contributions, which were made by payroll deductions during the MONTH of MAY 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></td>
<td></td>
<td>$131,530.51</td>
</tr>
</tbody>
</table>

Trustee Phillips moved to concur and place on file the Fire Marshal's Report for May 2014; seconded by Trustee Troglio.

Approved by viva voce vote.

ITEM NO. 3  Request to Approve the following BILLS:

Pensions for June 2014 (dated June 31, 2014).......................... $974,449.21
Quick Silver Mailing – Additional Fee for Mailing Article 4 booklets .... 18.90
One Counseling & Wellness – Physkie Green.............................. 75.00
Leonard A. Unes – Printing of Letterhead and Envelopes ................ 211.00
Lauterbach & Amen – Year end work for Fiscal Year ended 12/31/13... 3,110.00
Lauterbach & Amen – Services for the month of April 2014............... 3,170.00
Heinold Banwart, Ltd. – Audit of 12/31/13 Financial Statements 13,900.00
SUB-TOTAL FOR MAY............................................................ $994,934.11

GRAND TOTAL FOR MAY....................................................... $994,934.11

Trustee Phillips moved to approve the bills in the grand total amount of $994,934.11; seconded by Trustee Troglio.

Approved by roll call vote.
Yea: Phillips, Troglio, President Nieukirk – 3;
Nay: None.

ITEM NO. 4  MONTHLY FINANCIAL REPORTS from LAUTERBACH & AMEN, LLP for the Month of MAY 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.

Motion to approve the monthly financial reports from Lauterbach & Amen, LLP for the month of May 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 was approved by roll call vote.

Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.

ITEM NO. 5 RECEIPTS and DISBURSEMENTS REPORTS for PEORIA COMMUNITY BANK and HARRIS BANK from Patrick Nichting, Treasurer, for the Month of APRIL and MAY 2014, with Recommendation to Receive and File.

Trustee Phillips moved to receive and file the Receipts and Disbursements Reports for Peoria Community Bank and Harris Bank from Patrick Nichting, Treasurer, for the months of April and May, 2014; seconded by Trustee Troglio.

Approved by roll call vote.
Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.

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 Phillips 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 Troglio.

Approved by roll call vote.
Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.

ITEM NO. 7 Review of APPLICATION FOR MEMBERSHIP to the Firemen’s Pension Fund for KYLE CHEATHAM, with Recommendation to Approve. (Under Tier II Benefits)

Trustee Troglio requested separating the applications of Kyle Cheatham and Tyler Williams from the rest of the applications. He remarked that these two Fire Fighters were previously employed at other Fire Departments, and he noted that Fire Fighter Cheatham needed to amend his application to correct the hire date at Canton Fire Department. He noted that the Board previously sent these two individuals information regarding previous creditable service, but both declined to rollover that service.

Trustee Phillips moved to approve the Application for Membership to the Firemen’s Pension Fund for Kyle Cheatham with a request for an amended application to reflect the correct previous employment dates and to note said applicant declined credible service at this time.
CLERK’S NOTE: Firefighter Cheatham would have to notify previous employer, current employer and Department of Insurance of his intent to receive benefits within 21 months after date of hire.

Motion seconded by Trustee Troglio.

Motion to approve the Application for Membership to the Firemen’s Pension Fund for Kyle Cheatham, with an amended application to be filed, hired on April 11, 2014, under Tier II benefits was approved by roll call vote.

Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.

ITEM NO. 8 Review of APPLICATION FOR MEMBERSHIP to the Firemen’s Pension Fund for SHAUN MANNING, with Recommendation to Approve. (Under Tier II Benefits)

Trustee Phillips moved to approve the Application for Membership to the Firemen’s Pension Fund for Shaun Manning hired on April 11, 2014, under Tier II benefits; seconded by Trustee Troglio.

Approved by roll call vote.

Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.

ITEM NO. 9 Review of APPLICATION FOR MEMBERSHIP to the Firemen’s Pension Fund for BRANDON PENCE, with Recommendation to Approve. (Under Tier II Benefits)

Trustee Phillips moved to approve the Application for Membership to the Firemen’s Pension Fund for Brandon Pence hired on April 11, 2014, under Tier II benefits; seconded by Trustee Troglio.

Approved by roll call vote.

Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.

ITEM NO. 10 Review of APPLICATION FOR MEMBERSHIP to the Firemen’s Pension Fund for NICHOLAS RIORDAN, with Recommendation to Approve. (Under Tier II Benefits)

Trustee Phillips moved to approve the Application for Membership to the Firemen’s Pension Fund for Nicholas Riordan hired on April 11, 2014, under Tier II benefits; seconded by Trustee Troglio.

Approved by roll call vote.

Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.
ITEM NO. 11  Review of APPLICATION FOR MEMBERSHIP to the Firemen’s Pension Fund for **TYLER WILLIAMS**, with Recommendation to Approve.  (Under Tier II Benefits)

Trustee Phillips moved to approve the Application for Membership to the Firemen’s Pension Fund for Tyler Williams hired on April 11, 2014, under Tier II benefits and to note that said applicant declined credible service at this time.

CLERK’S NOTE: Firefighter Williams would have to notify previous employer, current employer and Department of Insurance of his intent to receive benefits within 21 months after date of hire.

Motion seconded by Trustee Troglio.

Motion to approve the Application for Membership for Tyler Williams was approved by roll call vote.

Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.

Clerk’s Note: See discussion held in Item No. 7, Page 5.

ITEM NO. 12  DISCUSSION Regarding the 2014 AFFI Pension Seminar for October 20-21, 2014, to be held in Lisle/Naperville, Illinois, with Request to Receive and File or to Allow Board Members to Attend and to Receive Reimbursement for Per Diem, Mileage, and hotel Expenses, if Needed.

Trustee Phillips moved to receive and file and to allow Board Members to attend and to receive reimbursement for per diem, mileage, and hotel expenses to the 2014 AFFI Pension Seminar; seconded by Trustee Troglio.

Approved by roll call vote.

Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.

ITEM NO. 13  DISCUSSION Regarding the 2014 MIDWEST PENSION CONFERENCE for September 30 – October 3, 2014, to be held at Lake Geneva, Wisconsin, with Request to Receive and File or to Allow Board Members to Attend and to Receive Reimbursement for Per Diem, Mileage, and hotel Expenses, if Needed.

President Nieukirk mentioned that reservations had already been made.

In response to Trustee Phillips, Chief Deputy City Clerk Rice said registrations would be sent in after approval of the conference by the Board.

Trustee Troglio moved to receive and file and to allow Board Members to attend and to receive reimbursement for per diem, mileage, and hotel expenses to the 2014 Midwest Pension Conference; seconded by Trustee Troglio.

Approved by roll call vote.

Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.
ITEM NO. 14 REQUEST to RECEIVE and FILE the SMALL WORLD REPORT as of May 2014.

Chief Deputy City Clerk Stefanie Rice noted there was nothing to report at this time.

UNFINISHED BUSINESS


Chief Deputy City Clerk Rice said administrative notes from Ms. Tamara Lott were received and distributed to the Board, and she indicated that there was no new progress to report at this time.

Trustee Phillips requested to defer this matter until the July 28, 2014, Board meeting until the Board was able to follow-up with Attorney Dobrovolny on this matter.

Trustee Phillips moved to defer this item to the July 28, 2014, Regular Firemen's Pension meeting; seconded by Trustee Troglio.

Motion to defer to the July 28, 2014, Regular Firemen's Pension meeting was approved by roll call vote.

Yeas: Phillips, Troglio, President Nieukirk – 3;
Nays: None.

NEW BUSINESS

It was determined there was no new business to report.

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 Troglio.

Approved by viva voce vote.

The meeting adjourned at 10:25 A.M.

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

/sr
Peoria Fire Pension Fund

Portfolio Performance (%)

Asset Allocation ($000)

May 31, 2014: $124,798

Portfolio Characteristics vs. Custom Benchmark Since Inception

Risk/Return Analysis Since 01/01/03

Graystone Consulting