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 9:36 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, Phillips, Nichting, Troglio, President Nieukirk—5. Absent: None.

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 James Dobrovolny of Reimer, Dobrovolny & Karlson, LLC; 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

Recommendation to Approve the Minutes of the Regular Board Meeting held on July 27, 2015, as printed.

Trustee Troglio moved to defer the approval of the minutes of the Regular Board Meeting held on July 27, 2015; seconded by Trustee Phillips.

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 reported volatility in the market. He said there was better success at buying stocks when there was a revaluation of the market place. He said Mr. Joe Seminetta of Premier, who ran the large-cap growth, was prepared to give the Board Premier’s perspective on the market. He remarked that Premier was a more technical manager, which was more of a short-term look at the marketplace. He reviewed an article from the August 24, 2015, Wall
Street Journal that reported investors should not get hung up on the talk of correction. He said a correction was typically defined as a decline of 10% in the Index. He said if the Board could not work with the decline in the market, then changes should be made.

In response to Trustee Troglio’s concern regarding the affect the media had on the marketplace, Mr. McShane said the Board should not fully rely on media reports. He said the concern with earnings was focused on China and what that country would buy from the United States. He reviewed the world market and provided a summary of how it affected the economy.

Trustee Troglio stated that the Board lowered its assumed rate of return to 6.75%, and the custom benchmark since inception was 5.96%. He remarked those returns were off by approximately 0.75%, which the taxpayer would have to make up. He inquired how the Board could get the benchmark higher yet stay within the scope of the makeup of what the law would allow for investments.

Mr. McShane said, in order for the Board to increase its benchmark, it would have to have a higher allow-ability into equities. He provided an overview noting that law changed drastically in 1998 from 10% to 35% allowable investment in equities. He reported that the time between 1998 and 2008 was the worst 10-year period in the history of the stock market. He said the market rebounded within the last five years from 2008. He said the Board should have the ability to create an asset allocation that was based on investments, not on the laws.

A conference call was placed to Mr. Joe Seminetta of Premier.

Mr. McShane asked Mr. Seminetta to provide an overview based upon Premier’s perspective of the market, noting that his firm was technically oriented.

Mr. Seminetta said the recent action in the market brought back memories from 2008, but were similar to 1998. He reported that the market was currently down 350 points, which was approximately 2.0%. He stated that the market was overdue for a correction, noting that a correction of 10.0% or more had not occurred since 2011. He said Premier continued to outperform the overall market. He stated that the root cause of this decline was due to the emerging markets in China. He noted there were a lot of positives such as oil commodity prices falling and low interest rates. He said the dividend yield on the overall market was higher than the 10-year treasury. He said the consumer continued to spend and housing was accelerating in the United States. He stated that banks were in the best condition of our lifetimes, which was a dramatic difference from 2008. He remarked that there had been some stability in the marketplace in the last couple of hours. He said the market was currently down 2.0%, which was not significant, but the NASDAQ was down 200 points, but was now down 96. He said the NASDAQ and a number of stocks Premier owned were doing better even in a market where risk was off the table. He remarked that some of Premier’s biggest positions were in technology and healthcare, and he noted that Premier’s companies in the markets were not falling apart during the current correction. He said oil and energy prices would fall tremendously, but he said Premier had very low exposure to energy stocks. He remarked that the lack of risk in the market would cause volatility, yet he said opportunities were born from volatility. He said the healthcare industry was Premier’s largest sector, and he said he thought the company was well-positioned in that space.

Mr. Tom McShane previously mailed a copy of the Performance Update for the period ending July 31, 2015, to all members of the Board.
The Performance Update for the Period ending July 31, 2015, showed the portfolio value at $127,839,954.00. Since its inception, the total portfolio performance returned 6.30% versus the custom benchmark of 5.96%.

<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>$10,104,292</td>
</tr>
<tr>
<td>Great Lakes (Large Cap Fund)</td>
<td>$12,867,151</td>
</tr>
<tr>
<td>Premier (Large Cap Fund)</td>
<td>$18,206,668</td>
</tr>
<tr>
<td>iShares Russell Mid Cap Index (Mid Cap Fund)</td>
<td>$5,513,783</td>
</tr>
<tr>
<td>Kayne Anderson</td>
<td>$5,509,380</td>
</tr>
<tr>
<td>Nuveen/First American (Real Estate Fund)</td>
<td>$2,931,294</td>
</tr>
<tr>
<td>Harbor (International Equity)</td>
<td>$13,110,840</td>
</tr>
<tr>
<td>iShares MSCI EAFE (International Equity)</td>
<td>$8,250,316</td>
</tr>
<tr>
<td>Lazard (Emerging Market)</td>
<td>$7,307,730</td>
</tr>
<tr>
<td>Segall – Fixed Income</td>
<td>$31,712,995</td>
</tr>
<tr>
<td>SKBA – Fix Income</td>
<td>$3,315,354</td>
</tr>
<tr>
<td>McDonnell – Fixed Income</td>
<td>$5,844,375</td>
</tr>
<tr>
<td>Cash Management Account</td>
<td>$1</td>
</tr>
<tr>
<td>Insured Cash Sweep Account – PCB</td>
<td>$3,165,774</td>
</tr>
</tbody>
</table>

Mr. McShane recommended not fighting the feds, noting the interest rates were still low and that it was his belief that the feds would not raise interest rates in September, and that the "trend was your friend," with the trend currently being negative. He remarked on the volatility of the market. He reported as of July, the portfolio had approximately 65.0% in equities. As of August, he said the allocation was closer to 62.0% with the market decline, which was the Fund’s target. He said the portfolio was down 9.0% in the S&P 500 and over 10.0% in the Dow. He stated there was no backup information that suggested pulling out of the marketplace. He recommended the Board currently hold with its investments until there was a 5.0% decline.

In response to Trustee Nichting's question on how to reallocate in 30 days, Mr. McShane recommended reallocating money from the bond portfolio. He reviewed the allocations in the portfolio noting that mid cap equities and small cap equities were slightly overweight. He said the domestic companies were slightly overweight, with which Graystone's Investment Committee was comfortable. He reported that emerging markets were underweight by design because of the uncertainty in those markets. He said International Markets were even weighted, based upon what was happening in Japan and Europe and that their quantitative easing would produce a bump in the economy. He said the portfolio was overweight in large cap stocks because it was underweight in bonds.

Mr. McShane remarked that Lazard Emerging Market Fund underperformed significantly in the last year yet had outperformed since inception. He said Harbor ran an international portfolio, but part of their portfolio was also in emerging markets. He recommended reallocating money from Lazard and putting that money with Harbor. He also recommended letting Harbor make the asset allocation decision to invest into emerging markets up to 25.0%. He said that reallocation would be a strategic move from what was a volatile area into a more opportunistic area, which Harbor could be more opportunistic. He said this would not require a change in the Board’s investment policy.
Mr. McShane said Harbor ran a portfolio of developed countries, which could invest anywhere from 0 to 20% in emerging markets. He recommended discussing a possible reallocation from Lazard to Harbor at the September Board meeting. He said he would bring information on the S&P Index at the September meeting. He said there was going to be some recommendations for reallocation at the next meeting.

Through July since inception, Mr. McShane said the portfolio returned 6.30% versus the benchmark of 5.96%. He reported that the beginning value in January of 2003 was $76,020 million with $25 million paid out since that time. He said fees and expenses were approximately $1.9 million since 2007 (when Graystone was hired), income was $32.5 million, gains/losses were $46.3 million which brought the portfolio to an ending value of $124,840 million. He said the decisions and allocations the Board had made added approximately $6 million to the portfolio. He said, since January of 2003, the Board received greater return with less risk, which was positive. He said the portfolio's weighted return over the last year was 4.17% versus the benchmark of 3.79%. He reported that outperformance came from US Equity managers that provided about 30 basis points greater, 0.28% greater. He said the International Managers' index was down a lot less, which added value, and the emerging markets did not add value.

He reported that Graystone would conduct a conference call with McDonnell Investments, a fixed income manager. He said McDonnell's one-year and three-year returns were unacceptable noting they were behind the benchmark. He said he would provide a Report Back at the September Board meeting.

Mr. McShane reviewed the asset allocations 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>

The portfolio allocations are 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 Equities</td>
<td>3.00%</td>
</tr>
<tr>
<td>Small Cap Equities</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>
<tr>
<td>Large Cap Equity</td>
<td>27.00%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>38.00%</td>
</tr>
</tbody>
</table>

Trustee Nichting moved to receive and file the Performance Update Report as of July 31, 2015; seconded by Trustee Troglio.

Approved by roll call vote.
Yeas: Ball, Nichting, Phillips, Troglio, President Nieukirk – 5;
Nays: None.
ITEM NO. 2 Request to RECEIVE and FILE the DEPARTMENT OF INSURANCE - CITY OF PEORIA FIREMEN'S PENSION FUND ACTUARIAL VALUATION as of JANUARY 1, 2015, Reflecting the Recommended Annual Contribution by the City in the Amount of $7,703,279.00, and to Take Other Action, if Necessary.

Trustee Nichting said he previously provided this information to all trustees wherein the report showed the State's Actuarial funding level at 90.0%

Trustee Nichting reported that the Board previously adopted the Foster & Foster actuarial report with a funding level of 100.0%.

Trustee Nichting moved to receive and file the Department of Insurance – City of Peoria Firemen’s Pension Fund Actuarial Valuation as of January 1, 2015, reflecting the recommended annual contribution by the City, in the amount of $7,703,279.00; seconded by Trustee Ball.

Approved by viva voce vote.

ITEM NO. 3 DISCUSSION Regarding the MUNICIPAL COMPLIANCE REPORT for the FIREMEN'S PENSION FUND OF PEORIA for the Year Ended December 31, 2014, Prepared by Lauterbach and Amen, with Request to RECEIVE and FILE and Place on the Agenda for the City of Peoria City Council.

Trustee Nichting said this was the Municipal Compliance Report that contained the recommended funding that needed to be approved by the Board. He reported that the report matched the Board’s actuarial numbers. He said this had to be done prior to the City setting the funding level; however, he commented that this would not mean this was what the City would fund.

Trustee Nichting moved to approve the Municipal Compliance Report for the Firemen's Pension Fund of Peoria for the year ended December 31, 2014, prepared by Lauterbach and Amen and to place on the agenda for the City of Peoria City Council; seconded by Trustee Trogllo.

Approved by viva voce vote.

Trustee Ball inquired whether Item No. 3 and Item No. 4 should be placed on the City Council Agenda simultaneously.

Trustee Nichting said they could be set at the set time. He said the Compliance Report was based on the Board’s decision, not on what the City would or would not fund. He said it was based on a 100% funding level.

ITEM NO. 4 LETTER to the Peoria City Council from the Peoria Firemen’s Pension Fund Attorney dated August 5, 2015, Regarding the PEORIA FIREMEN'S PENSION BOARD TAX LEVY REQUEST and ACTUARIAL REPORT, with a Request to RECEIVE and FILE, and to Place on the Agenda for the City of Peoria City Council.

Trustee Ball said the Board made a recommendation to fund over $9 million. She said Attorney Dobrovolny wrote a letter to the City Council that included that amount. She anticipated it would
be the second meeting in September in order for Trustee Troglio and Mr. Jason Franken to provide a presentation.

Trustee Phillips moved to receive and file the letter to the Peoria City Council from the Peoria Firemen’s Pension Fund attorney dated August 5, 2015, regarding the Peoria Firemen’s Pension Board Tax Levy Request and Actuarial Report and to place on the agenda for the City of Peoria City Council; seconded by Trustee Ball.

Approved by viva voce vote.

**ITEM NO. 5** Report from Fire Marshal Kent Tomblin of Pension Fund Contributions, which were made by payroll deductions during the MONTH of JULY 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>July 6, 2015 – July 20, 2015</td>
<td>July 31, 2015</td>
<td>$66,747.02</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$133,494.91</td>
</tr>
</tbody>
</table>

Trustee Phillips moved to concur and place on file the Fire Marshal’s Report for July 2015; seconded by Trustee Troglio.

Approved by viva voce vote.

**ITEM NO. 5** Request to Approve the following BILLS:

- Pensions for September 2014 (dated September 30, 2014)........... $983,718.92
- Segall Bryant & Hamill – Apr 1, 2015 to Jun 30, 2015................ 13,584.23
- Foster & Foster – Completion of 1/1/15 Fire Pension Valuation........ 7,650.00
- Woodlake Medical Management, Inc – Dr. Fletcher (McGann Disability) 2,050.00
- Woodlake Medical Management, Inc – Dr. Ethiraj (McGann Disability) 1,950.00
- Reimer Dobrovolny & Karlson LLC – (Legal Services for July plus mileage) 1,263.50
- City of Peoria – Postage Reimbursement (April – June 2015)........... 89.06
- One Counseling & Wellness – Physkie Green............................ 40.00

**GRAND TOTAL FOR AUGUST**.................................................. $1,010,345.71

Trustee Phillips moved to approve the bills in the grand total amount of $1,010,345.71; seconded by Trustee Troglio.

Approved by roll call vote.
Yeas: Ball, Nichting, Phillips, Troglio, President Nieukirk – 5;
Nays: None.
ITEM NO. 6  REQUEST for REMOVAL from PENSION ROLLS of PATRICK MALONE, due to his Death on July 23, 2015. RECOMMENDATION: To Pay the Sum of $4,725.695 for 23 days of July to the Estate of Patrick Malone and to Receive and File the Death Certificate Upon Receipt.

Trustee Nichting moved to approve the removal from the pension rolls of Patrick Malone, due to his death on July 23, 2015, and to pay the sum of $4,725.695 for 23 days of July to the Estate of Patrick Malone and to receive and file the death certificate; seconded by Trustee Troglio.

Approved by roll call vote.
Yeas: Ball, Nichting, Phillips, Troglio, President Nieukirk – 5;
Nays: None.

ITEM NO. 7  LETTER OF UNDERSTANDING from LAUTERBACH & AMEN, LLP for Years Ending December 31, 2015, 2016, and 2017, with Request to Approve and Direct President Nieukirk to Sign the Document.

Trustee Ball moved to approve and to direct President Nieukirk to sign the Letter of Understanding from Lauterbach & Amen, LLP for years ending December 31, 2015, 2016, 2017; seconded by Trustee Phillips.

Approved by roll call vote.
Yeas: Ball, Nichting, Phillips, Troglio, President Nieukirk – 5;
Nays: None.

ITEM NO. 8  MONTHLY FINANCIAL REPORTS from LAUTERBACH & AMEN, LLP for the Month of AUGUST 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 Ball moved to approve the monthly financial reports from Lauterbach & Amen, LLP for the month of August 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 Phillips.

Approved by roll call vote.
Yeas: Ball, Nichting, Phillips, Troglio, President Nieukirk – 5;
Nays: None.

ITEM NO. 9  RECEIPTS and DISBURSEMENTS REPORTS for PEORIA COMMUNITY BANK and HARRIS BANK from Patrick Nichting, Treasurer, for the Month of JULY 2015, 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 month of July 2015; seconded by Trustee Ball.
Motion to receive and file the receipts and disbursements reports for Peoria Community Bank and Harris Bank from Patrick Nichting, Treasurer, for the month of July was approved by roll call vote.

Yeas: Ball, Nichting, Phillips, Troglio, President Nieukirk – 5;
Nays: None.

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 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 roll call vote.

Yeas: Ball, Nichting, Phillips, Troglio, President Nieukirk – 5;
Nays: None.

ITEM NO. 11 DISCUSSION Regarding the 2015 IPPFA MIDAMERICAN PENSION CONFERENCE October 6 – 9, 2015, with Request to Allow Board Members to Attend and to Receive Reimbursement for Per Diem, Mileage, and Hotel Expenses.

Discussions were held regarding the upcoming pension conference and the registration of interested Board members.

Trustee Phillips moved to allow Board members to attend the 2015 IPPFA MidAmerican Pension Conference October 6 – 9, 2015, and to receive reimbursement for per diem, mileage, and hotel expenses; seconded by Council Member Troglio.

Approved by roll call vote.

Yeas: Ball, Nichting, Phillips, Troglio, President Nieukirk – 5;
Nays: None.

UNFINISHED BUSINESS

ITEM NO. 1 CONTINUED DISCUSSION on the Status of PHYSKIE GREEN, with Recommendation to Take Action as Deemed Appropriate.

Attorney Dobrovolny reported that he stopped by Physkie Green's attorney's office prior to the meeting. He said the Order had not come back from the Court. As soon as the Order is signed and stamped, he said the Board would receive a copy of it.

Trustee Ball said the Board would get a final report from Tamara Lott for the next Board meeting.

NEW BUSINESS

Attorney Dobrovolny said he would be attending a roundtable event with attorneys who would represent TRS, SURS, SERS, and IMRF to discuss pension issues. He said as part of the
meeting one of the issues would be on cyber-attacks and data thefts, how basic privacy issues were being handled, network security, and cyber liability insurance. He said they would discuss Section 1-109.1 of the Pension Code as it pertained to advisors, and he also said there was some language in there with the effect of beginning in January 2016, the investment board subject to this Code is to use emerging investment managers of not less than 20.0% of the total fund under management; furthermore, shall the aspirational goal of not less than 20% investment advisors be minorities, females and persons with disabilities as those terms defined. Additional topics he said related to the tracking of securities, power of attorney issues, the IRS recent statement they would no longer issue determination letters, and any litigation and legislation that would impact the various retirement funds.

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 11:04 A.M.

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