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 9:42 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, Troglio, President Nieukirk (Arrived at 10:40 A.M.) – 4; Absent: Nichting - 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 of Reimer Dobrovolny & Karlson; Assistant Corporation Counsel Sonni Williams; Attorney John Dundas of Hasselberg Grebe Snodgrass Urban & Wentworth on behalf of the City of Peoria; Chief Deputy City Clerk Stefanie Tarr; Mr. Derek Flessner, Certified Public Accountant of Lauterbach & Amen; Mr. Chad Lucas of Sikich LLP.

INVOCATION

In the absence of President Nieukirk, Trustee Ball 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 March 27, 2017, as printed.

Trustee Phillips moved to approve the Minutes of the Regular Board Meeting held on March 27, 2017, as printed; seconded by Trustee Troglio.

Approved by viva voce vote.

REGULAR BUSINESS

ITEM NO. 1  MONTHLY FINANCIAL REPORTS from LAUTERBACH & AMEN, LLP for the Month of APRIL 2017, 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.
Mr. Derek Flessner encouraged the Trustees to contact him with any questions they may have regarding Lauterbach & Amen’s Monthly Financial Reports and he remarked that these were routine reports the Board received on a monthly basis. He said Lauterbach and Amen possessed eight boxes of files that contained copies of the Peoria Firemen’s Pension Fund Monthly Financial Statements that the Board already possessed. He said Lauterbach and Amen recently contacted the State of Illinois Archives for permission to destroy the boxes, but were told that although they created and maintained the files, they were considered property of the Fund and they were not allowed to destroy the files. He asked the Board whether they would like to retain their files or have Lauterbach and Amen destroy them.

Trustee Ball said the Fund had a retention schedule with the State Archives, and she noted that the financial reports had to be kept for seven years. She asked Mr. Flessner to leave the boxes with the Board to retain.

Trustee Troglio asked Mr. Flessner how other pension boards processed active duty payback for military service. Mr. Flessner stated it was dependent upon the individual Funds and their policies. He said most Funds established an interest rate as well as a duration for a buyback. He said Lauterbach and Amen could run calculations based on the interest rate chosen by the Board; however, he said most Funds mirrored their actuarial rate of return or the State Statutes.

Mr. Flessner reviewed the Annual Department of Insurance Report, explained how it was compiled, summarized the financials for the year, and how it tied in with the Fund’s audit. He said once the Board approved the audit, then Lauterbach and Amen would conduct one more final review prior to filing with the Illinois Department of Insurance. He said once it was filed, it would instantly generate a signature page for the President, Secretary and Treasurer’s signatures. Once finalized, he said Lauterbach and Amen would print a clean copy of the Illinois Department of Insurance report, the interrogatories and certification forms, so it would all be time-stamped accordingly, and a copy sent to the Fund for its records. He said once the Board signed the Certification, it would be filed with the Department of Insurance. He said the report had to be on file with the IDOI by June 30, 2017.

Trustee Troglio inquired whether Lauterbach and Amen compiled benefit reports for retirees to date. Mr. Flessner said they do not automatically generate those types of reports, but he said it could be easily done by compiling retirees’ 1099 history.


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

ITEM NO. 2 DISCUSSION and REQUEST for APPROVAL of the DEPARTMENT OF INSURANCE ANNUAL STATEMENT.

CLERK’S NOTE: See discussions held in Item No. 1.
Trustee Troglio moved to approve the Department of Insurance Annual Statement; seconded by Trustee Phillips.

Approved by roll call vote.
Yea: Ball, Phillips, Troglio - 3;  
Nay: None.

ITEM NO. 3 AUDITOR’S COMMUNICATION to the BOARD OF TRUSTEES for Year  
Ended 12/31/16, with Request to Receive and File or Take Other Action

Mr. Chad Lucas, a partner at Sikich LLP, provided a presentation on the Auditor’s Communication. He expressed his appreciation for having the opportunity to work with the Pension Fund and he distributed preliminary draft reports to the Board for review. He said once he received the final approval and a signed representation letter from the Board, Sikich would finalize the report.

Mr. Lucas reviewed the audit report and the auditor’s opinion stating Sikich believed everything included in the financial statements were fairly presented. He reported that the Fund had a positive increase in its net position of approximately $3 million. He reviewed the contents of the report, which included financial statements, the Fund’s policies, accounting, basis of accounting, the Fund’s policies related to cash and cash equivalents and investments. He said it also included the Fund’s policies in terms of investments, allocations, target allocations, and the long-term expected rate of return. He said the report included the City’s net pension liability of $278 million, which was the plan net position of $124 million with the City’s net pension liability of $153 million. He said that information would be included in the City’s financial statements in accordance with GASB 68. He said the calculation, per GASB 68, was based upon 100% funding. He said the report contained the trend for the last three years of net pension liability. He said no difficulties were encountered during the audit process, no disagreements with management, no other consultations and no other findings. He said there was a small adjustment made where it was the Fund’s policy to calculate for a portion of a month. He said the initial calculation was based on a 30-day calculation, which was an old DOI calculator method. He said the DOI recommended using actual days of the month.

Trustee Ball said the days for calculations had previously come up for discussion. She said, going forward, the Fund would calculate according to the number of days in the month.

Trustee Ball reviewed interest charged for military buybacks. She said only one individual was in the middle of buying back service, without interest, pursuant to the Board’s policy and that the Board was in the middle of reviewing its Military Buyback Policy.

Attorney Jim Dobrovolny said the Illinois State Statutes were silent regarding post-employment military buybacks and that Board policy guided those types of post-employment purchases.

Trustee Phillips moved to receive and file the Auditor’s Communication to the Board of Trustees for year ended 12/31/16; seconded by Trustee Phillips.

Approved by roll call vote.
Yea: Ball, Phillips, Troglio - 3;  
Nay: None.
ITEM NO. 4  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, Discussion and
Review of the Asset Allocations, Review of the Open Orders with the S&P
500 Exchange Traded Fund (ETF), and Possible Action on Custodial
Agreement Change with Request to Receive and File Reports or Take
Other Action.

Mr. McShane distributed a copy of the Performance Update for the period ending April 30,
2017, to all members of the Board. The Performance Update showed the portfolio value at
$127,955,306. Since its inception, the total portfolio performance returned 6.08% versus the
custom benchmark of 5.87%.

<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>$21,136,177</td>
</tr>
<tr>
<td>Great Lakes (Large Cap Fund)</td>
<td>$15,090,328</td>
</tr>
<tr>
<td>Premier (Large Cap Fund)</td>
<td>$321,471</td>
</tr>
<tr>
<td>iShares Russell Mid Cap Index (Mid Cap Fund)</td>
<td>$4,457,769</td>
</tr>
<tr>
<td>Kayne Anderson</td>
<td>$6,951,112</td>
</tr>
<tr>
<td>Harbor (International Equity)</td>
<td>$20,418,658</td>
</tr>
<tr>
<td>iShares MSCI EAFE (International Equity)</td>
<td>$13,165,625</td>
</tr>
<tr>
<td>Segall – Fixed Income</td>
<td>$38,874,699</td>
</tr>
<tr>
<td>SKBA – Fix Income</td>
<td>$3,441,687</td>
</tr>
<tr>
<td>McDonnell – Fixed Income</td>
<td>$149,521</td>
</tr>
<tr>
<td>Insured Cash Sweep Account – PCB</td>
<td>$3,945,711</td>
</tr>
</tbody>
</table>

Mr. Tom McShane reviewed the market outlook noting it was led and based upon corporate
earnings. He said corporate earnings drove stocks and valuations and were based upon a
good economy. He reported that the market was rising, noting this was the strongest global
equity market since 2009. He reviewed how tax reform would affect the S&P 500. He
commented on how the compliance requirement was beginning to overcome the actual
investing. He said there was less optimism in the bond market with the thought that rates were
going to rise. He reviewed Morgan Stanley’s 12-month S&P 500 Target, the S&P 500’s current
and historical valuation, and its current Price to Earnings ratio as of May 12, 2017. He said
corrections in the market presented opportunities. He said the Board currently had orders in
below the market. He reviewed asset class returns noting that diversified portfolios helped
mitigate risk.

Mr. McShane reviewed the portfolio allocations as of April 30, 2017, as follows:

<table>
<thead>
<tr>
<th>Target Allocation</th>
<th>Asset Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; 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>
<tr>
<td>Large Cap Equity</td>
<td>27.00%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>38.00%</td>
</tr>
</tbody>
</table>
Mr. McShane reported the portfolio was overweight in equities, but were within the constraints of the Illinois State Statutes. He said the portfolio was slightly over-allocated in cash and the bonds were under-allocated, both allocations were done by design. He said the portfolio was appropriately allocated in mid cap and small cap and there were no investments in real estate or emerging markets, but he said Harbor had the ability to invest up to 20-25% of its monies in emerging markets. He said 26% of the portfolio was allocated in International equities. He reported that the portfolio was slightly over-allocated in Internationals, which was done by design. He said the Board terminated Premier in April and reallocated half of those funds into emerging markets and half into cash. He said the Board previously terminated McDonnell and reallocated those monies into Segall. He reported that since inception, the Fund was running at a rate of return of 6.08%, below the actuarial assumption of 6.75%, but above the market benchmark of 5.87%.

Mr. McShane reviewed the portfolio’s activity since inception as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Market Value</td>
<td>$76,020 million</td>
</tr>
<tr>
<td>Net contributions</td>
<td>$2,166 million</td>
</tr>
<tr>
<td>Fee/Expenses</td>
<td>-$2,336 million</td>
</tr>
<tr>
<td>Income</td>
<td>$37,940 million</td>
</tr>
<tr>
<td>Gain/Loss</td>
<td>$14,165 million</td>
</tr>
<tr>
<td>Ending Market Value</td>
<td>$127,955 million</td>
</tr>
</tbody>
</table>

Mr. McShane reviewed the risk/return analysis since January 1, 2003, noting the portfolio had taken less risk than the market and with a greater return.

Mr. McShane distributed information on International Equity Market Managers to the Board noting that action would be taken at an upcoming meeting on whether to hire an International Manager. He reviewed the yearly returns for each of the managers dating back to 2007 noting that the Fund currently owned Harbor International Institutional Shares. Since inception, he reported Harbor provided value to the portfolio. He reviewed the performance for First Eagle Overseas, noting that they held 21% of their portfolio in cash. He said when the market was down, First Eagle provided added return. He reviewed Harding Loevner as a consistent manager with a research house of approximately 46 research analysts overseas, noting they only invested in foreign investments. At the Board’s request, he included information regarding PNC. He reviewed Thornburg International noting they had management changes over the last 2-3 years. He reviewed Tweedy, Browne Global Value stating they handled international equity investments. He said it was viable to hire another manager and recommended the Board discuss the matter at a future meeting. He reviewed Harbor’s underperformance and a possible strategy the Board should take with the manager.

Trustee Phillips moved to receive and file the Performance Update Report for period ending April 30, 2017; seconded by Trustee Troglio.

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

Trustee Phillips left the meeting at 10:40 A.M.

Assistant Corporation Counsel Sonni Williams left the meeting at 10:40 A.M.
President Nieukirk arrived at 10:50 A.M.

ITEM NO. 5 Report from Fire Marshal Charles Lauss of Pension Fund Contributions, which were made by payroll deductions during the MONTH of APRIL 2017, 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>Mar. 21, 2017 – Apr. 5, 2017</td>
<td>April 13, 2017</td>
<td>$69,033.66</td>
</tr>
<tr>
<td>Apr. 6, 2017 – Apr. 20, 2017</td>
<td>April 28, 2017</td>
<td>$68,899.44</td>
</tr>
</tbody>
</table>

TOTAL $137,933.10

Trustee Ball moved to concur and place on file the Fire Marshal's Report for April 2017; seconded by Trustee Troglio.

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

ITEM NO. 6 Request to Approve the following BILLS:

- Pensions for May 2017 (dated May 31, 2017) ........................................ $1,070,116.79
- Illinois State Treasurer – Annual Compliance Fee ......................... 8,000.00
- Lauterbach & Amen – Professional Services for April 2017 ........... 3,245.00
- Jack Nieukirk – Reimbursement for Annual Board Dinner ............. 1,202.55
- Sikich – Professional Services provided through April 30, 2017 .... 1,000.00
- City of Peoria – 1st Qtr 2017 Postage ........................................ 268.47**

SUB-TOTAL FOR MAY ........................................................................ $1,083,832.81

- Great Lakes Advisors (Jan 1, 2017, to Mar 31, 2017) ..................... 18,899.29*
- Kayne Anderson Rudnick (Apr 1, 2017, to June 30, 2017) ............ 13,648.00*
- Segal Bryant & Hamil (Jan 1, 2017, to Mar 31, 2017) ................. 27,912.95*
- SKBA Capital Mgmt (Jan 1, 2017, to Mar 31, 2017) .................... 1,692.72*

GRAND TOTAL FOR MAY ................................................................ $1,145,985.77

*No check should be processed for this amount. This amount is to be automatically deducted from the account.
**No check should be processed for these amounts. Checks were previously requested and issued.

Trustee Ball moved to approve the bills in the grand total amount of $1,145,985.77; seconded by Trustee Troglio.

Approved by roll call vote.
Yees: Ball, Troglio, President Nieukirk – 3;
Nays: None.
ITEM NO. 7 APPLICATION for REGULAR RETIREMENT PENSION for FIRE ENGINEER MARK D. ANDREWS to become effective May 19, 2017, (last day paid by the City was May 18, 2017) based on 70.00% of his Annual Salary of $90,377.18 (which includes longevity). Pension to be paid in the amount of $2,108.76 for the remaining 12 days of May and $5,272.00 for every month thereafter with a recommendation for the Board to Approve.

After noting that the amounts reflected were not inclusive of the new contracts but would be adjusted at the next Fire Pension meeting, Trustee Troglio moved to approve the Application for Regular Retirement Pension for Fire Engineer Mark D. Andrews to become effective May 19, 2017, (last day paid by the City was May 18, 2017) based on 70.00% of his annual salary of $90,377.18 (which includes longevity); pension to be paid in the amount of $2,108.76 for the remaining 12 days of May and $5,272.00 for every month thereafter; seconded by Trustee Ball.

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

ITEM NO. 8 APPLICATION for REGULAR RETIREMENT PENSION for FIRE CAPTAIN BARRY ROLETT to become effective July 6, 2017, (last day paid by the City was July 5, 2017) based on 75.00% of his Annual Salary of $98,533.66 (which includes longevity). Pension to be paid in the amount of $3,079.20 for the remaining 15 days of July and $6,158.00 for every month thereafter with a recommendation for the Board to Approve.

Trustee Ball said Mr. Rolett was not retiring until July, that his calculation needed to be paid with the new contract amount, and she moved to defer this item to the June 26, 2017, Regular Firemen's Pension Fund meeting; seconded by Trustee Troglio.

Approved by viva voce vote.

ITEM NO. 9 RECEIPTS and DISBURSEMENTS REPORTS for PEORIA COMMUNITY BANK and HARRIS BANK from Patrick Nichting, Treasurer, for the Month of APRIL 2017, 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 Nichting, Treasurer, for the month of April 2017; 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 roll call vote.
Yees: Ball, Troglio, President Nieukirk – 3;
Nays: None.
ITEM NO. 11 REQUEST for APPROVAL of a RESOLUTION Regarding the RELEASE of EXECUTIVE SESSION MINUTES.

Trustee Ball said this was a Resolution releasing all the Executive Session minutes previously discussed. She said the only ones that remain confidential are the Robert Parkmon disability and the Michael Brooks disability.

Trustee Troglio moved to approve a Resolution regarding the release of Executive Session Minutes; seconded by Trustee Ball.

Approved by viva voce vote.

UNFINISHED BUSINESS

ITEM NO. 12 QUALIFIED ILLINOIS DOMESTIC RELATIONS ORDER AND CONSENT FOR AN ISSUANCE for Rollanda McCoy, Previously Married to Firefighter James McCoy, with a Request to Approve.

Trustee Ball said this item was discussed at the last Firemen’s Pension Board meeting. She said this was the amended QILDRO plus the $50.00 paid as required.

Trustee Ball moved to approve and accept the Qualified Illinois Domestic Relations Order and Consent for an Issuance for Rollanda McCoy, previously married to Firefighter James McCoy; seconded by Trustee Troglio.

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

ITEM NO. 13 CONTINUED DISCUSSION Regarding the BUYBACK OF MILITARY TIME, with a Request to Receive and File or Other Action Deemed Appropriate.

Attorney Dobrovolny reviewed the proposed policy addressing military buyback. He said two sections of the Illinois State Statutes dealt with military buyback. He said the one that was being addressed was under Section 4-108(c)(1) that had to do with military time while an active Firefighter with the ability to purchase creditable service time. He said this section did not have specific provisions about interest, and it stated in Statute that it would be pursuant to the rules and regulations of the Board. He said the Board’s past policy adopted in September 2005 provided that a Firefighter may purchase up to five years without interest if they entered the service while a Firefighter. He said the Board currently did not have an interest requirement for those who were trying to buy time while in the military while active Firefighters. He said should the Board require some form of interest payment, it would apply only to Firefighters going forward who applied for this benefit. He said Firefighters who worked under the old policy were entitled to continue to have no interest.

Trustee Troglio recommended for those Firefighters who had the option to buyback, a date certain to begin the buyback should be provided and anything after that date interest would be applied. He recommended sending out an email to all Firefighters advising them of the policy change. He recommended using the actuarial rate of return for the interest.
Discussions were held regarding the date certain and when interest would begin. Attorney Dobrovolny suggested adding the words “Effective July 1, 2017, it shall be the policy...” and “while an active Firefighter.”

Trustee Ball said a revised policy would be brought back to the Board in June for adoption. Trustee Treglio said he would send out an email providing an overview of the policy change to all Firefighters.

Trustee Ball recommended changing the effective date to August 1, 2017.

CLERK’S NOTE: See additional discussions held in Item No. 1.

Trustee Tropgio moved to defer this item to the June 26, 2017, Regular Firemen’s Pension agenda; seconded by Trustee Ball.

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

NEW BUSINESS

Update on Affidavits of Eligibility
Administrative Assistant Stefanie Tarr provided an update on the efforts of getting Affidavits of Eligibility of all those receiving benefits under the Firemen’s Pension Fund, and she reported as of this date she had all Affidavits required. She said she had an updated database of all benefit recipients’ contact information should the Board need them.

Angela Allen Disability Update
Attorney Dobrovolny said his office was still trying to coordinate a disability hearing date for Angela Allen.

Legislative Update
Attorney Dobrovolny provided a legislative update from Springfield. He said, for the state-wide pensions, a bill was presented that would affect the COLAS. He said, as the bill was presented, an individual could agree to the current COLAS, but the pensionable salary would be based upon current salary, not the amount at retirement. He said the other option was to waive the COLA, but the pension would then be based upon the salary at retirement. He said with the second option there would be no increases. However, he said if the second option was chosen, the retiree would get a lump sum of their contributions back, or an amount based upon what contributions were that day. The Illinois Supreme Court said benefits could not be diminished or reduced for those who were already retired or those who contributed under the Tier 1 benefits system. However, he said if consideration was offered in exchange for the change, then the change would be permissible.

Attorney Dobrovolny said the Illinois Municipal League was going to introduce three different bills regarding the consolidation of downstate pensions. He said these bills were introduced at each session and never went through.
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 at this time.

ADJOURNMENT

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

Approved by viva voce vote.

The meeting adjourned at 11:08 A.M.

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

/st