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 9:30 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: Ball, Nichting, Phillips, 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; Mr. Jason Franken of Foster & Foster; Attorney Jim Dobrovolny of Reimer Dobrovolny & Karlson; Chief Deputy City Clerk Stefanie Tarr; Attorney John Dundas of Hasselberg Grebe Snodgrass Urban & Wentworth on behalf of the City of Peoria; and Attorney Kevin Day of Hasselberg Grebe Snodgrass Urban & Wentworth on behalf of the City of Peoria.

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 24, 2017, as printed.

Trustee Phillips moved to approve the Minutes of the Regular Board Meeting held on July 24, 2017, as printed; seconded by Trustee Troglio.

Approved by viva voce vote.

REQUEST TO MOVE AGENDA ITEMS

Trustee Troglio moved to combine Item No. 13 to be discussed at the same time as Item No. 1; seconded by Trustee Ball.

Approved by roll call vote.

Yeas: Ball, Nichting, Phillips, Troglio, President Nieukirk — 5;
Nays: None.
ITEM NO. 1 PRESENTATION by FOSTER & FOSTER Regarding the January 1, 2017, ACTUARIAL VALUATION, with Request to Receive and File.

Mr. Jason Franken of Foster & Foster reviewed the actuarial analysis as of January 1, 2017.

Mr. Franken reviewed the Summary of Report comparing the results from 2016 to 2017. He reported an increase in the City's Required Contribution from $10.9 million in 2016 to $11.8 million in 2017, and he reviewed the attributables noting an increase in the amortization payment due to payroll growth of 4.50%, an over 2.0% shortage of the Fund's expected returns, and a change of actuarial assumptions. He said there was an increase in member contributions due to an increase in active members from 195 to 207. With the new memberships, he noted a change in benefits between Tier I and Tier II. He said one assumption change was made noting a decreased payroll growth assumption from 4.5% to 4.0%.

In response to Trustee Phillips, Mr. Franken said the Fund was beginning to see savings with the incoming Tier II members. He reviewed the normal cost and the percent of total annual payroll, noting a decrease from 2016 of 36.3% to 35.0% in 2017. He said approximately 20% of the Firefighters were Tier II and he said as that number continued to go up, the normal cost would continue to go down. He said the City's contribution was currently 25.5%. He said when the Fund was fully transitioned to Tier II, the City's contribution would decrease to approximately 5.0 – 7.0%.

Mr. Franken reported the unfunded actuarial accrued liability for 2017 of $120.2 million and for 2016 was $115.9 million. He said it was anticipated for the unfunded actuarial accrued liability to continue to go up for the next 3-5 years before it started to decrease. He said the funded ratio stayed stable at 52.9% in 2016 to 52.6% in 2017. He reported that the payroll growth was reduced from 4.5% to 4.0% and he said the payment required to amortize the unfunded actuarial accrued liability increased from $6.3 million to $7.11 million.

Mr. Franken reviewed a detailed actuarial gain/loss analysis noting it reflected a change in the Fund's unfunded liability at $115.9 million for 2016 to $120.3 million for 2017. He explained the increases and decreases noting a decrease of $685,000.00 for the inactive mortality. He said the City's required contribution changed from 2016 in the amount of $10.9 million to $11.8 million in 2017. He said normal costs increased to $145,000.00 as a result of an increase in employees. He said the increase in employees caused additional contributions than were anticipated. He said member contributions increased by $99,000.00. He remarked that investment returns were less than assumed, deaths were more than assumed, salary increases were less and contributions were less than required. He said the amortization payment due to the payroll growth assumption was important. He said it was designed to increase the contribution amount each year. He said next year he expected to see the same amount.

Mr. Franken reviewed the statutory minimum required contribution, which was determined based on the methods outlined in the Illinois Pension Code; however, he said this report was using the assumptions adopted by Foster & Foster. He said the Department of Insurance would provide a valuation that would be lower, calculated with different assumptions. He said based on Foster & Foster's assumptions, the statutory minimum was approximately $10.4 million, nearly $1.5 million less than what was recommended.
Mr. McShane inquired as to how many years Foster & Foster smoothed the returns and Mr. Franken said the returns were smoothed out for four years. Discussions were held regarding the returns and Mr. McShane said the returns for that period of time was an average of 5.75%. Mr. Franken said Foster & Foster had calculated 4.69%. Mr. McShane said it would be appropriate for Foster & Foster to define their calculated amount. He said the Board had a fiduciary responsibility to the public to explain the difference in returns. Mr. Franken commented that his firm used the IRS formula, which was a net of fees number. He explained the calculation process used by Franken & Franken, which was a standard IRS formula outlined for calculating the returns.

Discussions were held regarding the difference in returns, noting the four-year smoothing amount, the market value assets rate of return for calendar year 2016, and Graystone's amount. Mr. Franken said it did not consider timing or cash flows. He said it was a standard method of calculating the return for the year. He said GASB did not necessarily have a rate of return calculation.

Mr. McShane said he questioned Foster & Foster’s method to determine its rate of return.

Discussions were held regarding the City’s total required contribution and why there was a difference between the State’s recommended City contribution of $8.8 million and Foster & Foster’s recommended amount of $11.8 million. Mr. Franken commented that the difference came from different assumptions and percent of funding. He reported that last year the recommended amount from the City was $10.9 million, but they only contributed $7.8 million, which was the State’s requirement. He reviewed the cost methods and stated that there was no material difference between the State’s and Foster & Foster’s; however, he commented that the percent of funding had a huge impact on the Fund.

Mr. Franken noted that should the Fund become 90% funded by 2040, there would still be a $25 million unfunded liability that would continue to increase 6.75% each year, which was a liability the City had to pay.

Trustee Troglio recommended having a community discussion regarding Fire Pension Funding and he asked Mr. Franken to attend said discussion. He remarked on the importance of informing the public, which should be held separately from a City Council meeting.

Trustee Nichting remarked on the importance of informing the public that there will be an $8 million deficit in the City budget and a $2 million deficit from PPRT (Personal Property Replacement Tax) due to the State decreasing that amount.

After continued discussions, it was determined to tentatively set a community discussion regarding Fire Pension funding for September 28, 2017, at 6:00 P.M. Trustee Troglio said he would discuss the matter with the Police Pension to see if they would want to join in the discussion.

Trustee Troglio moved to receive and file the presentation by Foster & Foster regarding the January 1, 2017, Actuarial Valuation; seconded by Trustee Phillips.

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

ITEM NO. 2  PRESENTATION by Various INTERNATIONAL Managers, with Request to Receive and File or Take Other Action.

Mr. McShane distributed a spreadsheet that compared four International Money Managers that were chosen for review. The spreadsheet compared Harbor International, Harding Loevner International, Thornburg International Growth and Tweedy Browne Global Value. He reviewed the inception date for each and their management styles, noting that Harbor was more of a blend manager, Harding and Thornburg were growth managers and Tweedy Browne was value. He explained the strategy for each that was provided on the spreadsheet. He said the Board’s goal was to add value to the portfolio. He reviewed the managers that held US Stocks and the amount of each. He remarked on the importance of giving the International Manager leeway to invest in emerging markets and he reviewed how much each manager invested in that market. He reviewed the number of securities owned by each manager and he identified the managers that had concentrated portfolios. He reviewed the fees and expense ratio of each and the turnover of each portfolio.

Mr. McShane previously distributed an International Equity Manager Comparison Performance Data booklet as of June 30, 2017, to each Trustee. He reviewed the style quadrants as of June 2017 and the 7-year risk return analysis. He identified the risks compared to returns and the rolling 3-year alpha, which showed the type of value added that came from each manager. He reported that each manager had good consistency of returns over a 3-year period of time and he reviewed the 7-year market capture ratios on the upside and the downside of the market.

Trustee Nichting commented on a management change for Thornburg. Mr. McShane stated that both Harding and Thornburg had successors. He commented on which managers had consistent management teams and he reviewed the ranking of each manager.

A conference call was placed with Mr. Ross Frankenfield of Harbor International at 10:40 A.M. He addressed the organizational structure of the manager and provided an overview of the management team, noting there had been continuity for approximately three decades. He reviewed the uniqueness of the team, noting its tenure. He reviewed the team and its changes that occurred since 2010. He reviewed Harbor’s performance for the last six years and how it had been impacted. He reviewed the emerging markets noting that they had rallied substantially in the last year and a half. He commented on the investment team stating they made asset allocation predictions by reviewing companies based on their underlying fundamentals. He reported that the 2013-2015 emerging markets were down substantially when the U.S. Markets were rising. He reviewed the team’s strategy as it related to emerging market exposure and the reason for increases and decreases over the last 5 years. He reviewed their long-term strategy and he commented that the last 3 years had been marked by the International Market. He commented that the under-performance combined with volatility created opportunities to establish new positions.

At the conclusion of the call, Mr. McShane reviewed the booklet stating that Harbor provided a 7.19% return since their inception.
A conference call was placed with Mr. Whitney Stewart of Harding Loevner at 10:58 A.M. A copy of a presentation was distributed to all Trustees. Mr. Stewart reviewed Harding’s profile noting it was an asset manager with total assets of $54 billion. He said Harding consistently out-performed over the long-term. He reviewed the staffing of Harding noting they employed 30 professionals with the analysts being of most importance containing, on average, 20 years’ of experience. He noted that Harding provided sector-focused investment research on a global basis. He said they had a low portfolio turnover and low staff turnover. He provided an overview on how Harding invested in the emerging markets and reviewed the guidelines in place that ensured diversification and limited risk. He said they had a dual portfolio manager structure. He reviewed their investment style for the upside and the downside of the markets, the consistency Harding provided along with a high-quality business growing at a high rate.

At the conclusion of the call, Mr. McShane commented that Harding was focused on International Investments, had a large research staff, and had a good track record for growth in assets, noting they purchased more large-cap companies versus mid-cap companies.

Attorney John Dundas left the meeting at 11:15 a.m.

Attorney Kevin Day arrived at 11:15 a.m.

A conference call was placed with Mr. Paul Mendoza of Thornburg International at 11:16 A.M. A handout was distributed to all Trustees and Mr. Mendoza reviewed Thornburg’s stock researching process. He highlighted three key points 1) market capitalization exposure, 2) basket exposure, and 3) distinct growth perspective. He reviewed the domestic growth in 2001 and International growth in 2007 along with the growth of Thornburg’s investments since 2012, noting a strong market in 2012 and 2013. He said Thornburg provided a high-growth complement with a rush in Internationals in those years. He commented on the good risk management style they provided.

At the conclusion of the call, Mr. McShane stated that Thornburg was a growth fund and he reviewed the calendar year returns for the company.

A conference call was placed to Mr. Jason Menard and Mr. Roger Debris with Tweedy, Browne Global Value at 11:36 A.M. Mr. Menard provided differentiating factors of the firm noting its origins of value of investing along with the stability of the firm. He said there were four managing directors and nine analysts. He said Tweedy attracted clients who were long-term thinkers and he commented that their average cash position was approximately 9.0%.

At the conclusion of the call, Mr. McShane provided a summary of each manager.

Discussions were held about Harbor International and Harding Loevner. Trustee Phillips commented that Harding’s investment style tended to match the Index.

Mr. McShane reviewed the performance of Harding Loevner and the number of times each manager was in the top 40 percentile. He commented that Tweedy provided stability when the market went down. He reviewed the risk-return analysis for each manager.
Trustee Nichting inquired as to which managers were in the top 10 – 20% and he commented that hitting the target was getting more difficult.

Mr. McShane reviewed who were in the top 1.0% and the top 40% ranking and he noted there were approximately 760 funds from which to choose.

Trustee Nichting expressed a concern regarding the managers that were presented and whether they were the right ones to interview.

Mr. McShane commented that if the Board wanted active managers, then the managers interviewed were appropriate; however, he said if the Board was not looking for active, then the Index was appropriate for investment.

Trustee Phillips commented that Harbor and Harding nearly matched the Index and he said he was looking for something that did more than match the Index. He commented on Thornburg noting they were a higher sector end in all the growth and had flexibility to invest more into the emerging markets.

Mr. McShane commented that Harding out-performed the Index 7 out of the last 10 years.

Trustee Ball moved to defer the presentation by various International Managers to the September 25, 2017, Regular Firemen’s Pension meeting; seconded by Trustee Phillips.

Motion to defer to the September 25, 2017, Regular Firemen’s Pension meeting was approved by roll call vote.

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

Mr. Tom McShane and Trustee Phillips left the meeting at 12:00 P.M.

ITEM NO. 2  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), with Request to Receive and File the Reports.

Trustee Ball moved to defer the Performance Update Report as of July 31, 2017, to the September 25, 2017, Regular Firemen’s Pension meeting; seconded by Trustee Phillips.

Motion to defer to the September 25, 2017, Regular Firemen’s Pension meeting was approved by roll call vote.

Yeas: Ball, Nichting, Troglio, President Nieukirk – 4;
Nays: None.
ITEM NO. 4  Report from Fire Marshal Charles Lauss of Pension Fund Contributions, which were made by payroll deductions during the MONTH of JULY 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>
</table>

$138,706.72

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

Approved by viva voce vote.

ITEM NO. 4  Request to Approve the following BILLS:

- Pensions for August 2017 (dated August 31, 2017) $1,101,161.32
- Foster & Foster Actuarial Valuation and Report – January 1, 2017 8,116.00
- Lauterbach and Amen – Professional Services for July 2017 3,245.00
- Associated Fire Fighters of Illinois – Seminar Registration for Ralph Phillips 175.00

SUBTOTAL FOR AUGUST 2017 $1,058,629.39

- Segall Bryant & Hamill – Mgmt Fee 4/1/17 through 6/30/17 15,989.63*
- Kayne Anderson Rudnick – Mgmt Fee 7/1/17 through 9/30/17 14,300.00*

GRAND TOTAL FOR AUGUST 2017 $1,074,918.96

*No check should be processed for this amount. This amount is to be automatically deducted from the account.

Trustee Troglio moved to approve the bills, in the grand total amount of $1,074,918.96; seconded by Trustee Nichting.

Approved by roll call vote.

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

ITEM NO. 6 MONTHLY FINANCIAL REPORTS from LAUTERBACH & AMEN, LLP for the Month of JULY 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.

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

ITEM NO. 7 REVISED RECEIPTS and DISBURSEMENTS REPORTS for HARRIS BANK from Patrick Nichting, Treasurer, for the Month of JUNE 2017, with Recommendation to Receive and File.

Trustee Ball moved to receive and file the Revised Receipts and Disbursements Reports for Peoria Community Bank and Harris Bank from Patrick Nichting, Treasurer, for the month of June 2017; seconded by Trustee Troglio.

Approved by viva voce vote.

ITEM NO. 8 RECEIPTS and DISBURSEMENTS REPORTS for PEORIA COMMUNITY BANK and HARRIS BANK from Patrick Nichting, Treasurer, for the Month of JULY 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 July 2017; seconded by Trustee Troglio.

Approved by viva voce vote.

ITEM NO. 9 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 Troglio.

Approved by viva voce vote.

ITEM NO. 10 REQUEST to RECEIVE and FILE the PEORIA FIREMEN’S PENSION FUND FINANCIAL STATEMENTS and INDEPENDENT AUDITOR’S REPORT from SIKICH for YEAR ENDED DECEMBER 31, 2017.

Discussions were held regarding the 30-day calculation, and Trustee Ball stated that she now uses the actual number of days in the months versus the 30-day calculation rule.
Trustee Troglio moved to receive and file the Peoria Firemen's Pension Fund Financial Statements and Independent Auditor's Report from Sikich for year ended December 31, 2017; seconded by Trustee Nichting.

Approved by viva voce vote.

**ITEM NO. 11 DISCUSSION Regarding a QUALIFIED ILLINOIS DOMESTIC RELATIONS ORDER AND CONSENT FOR AN ISSUANCE for TAMMY S. PIERSON, Previously Married to Firefighter BRADLEY A. PIERSON, with a Request to Receive and File or Take Other Action Deemed Appropriate.**

Trustee Nichting moved to receive and file the Qualified Illinois Domestic Relations Order and Consent for an Issuance for Tammy S. Pierson, previously married to Firefighter Bradley A. Pierson; seconded by Trustee Ball.

Approved by viva voce vote.

**ITEM NO. 12 DISCUSSION Regarding a QUALIFIED ILLINOIS DOMESTIC RELATIONS ORDER AND CONSENT FOR AN ISSUANCE for ROLLANDA F. MCCOY, Previously Married to Firefighter JAMES L. MCCOY, with a Request to Receive and File or Take Other Action Deemed Appropriate.**

Trustee Nichting moved to receive and file the Qualified Illinois Domestic Relations Order and Consent for an Issuance for Rollanda F. McCoy, previously married to Firefighter James L. McCoy; seconded by Trustee Troglio.

Approved by viva voce vote.

**ITEM NO. 13 DISCUSSION Regarding a COMMUNITY PRESENTATION on Police and Fire Pension with Request to Receive and File or to Take Other Action Deemed Necessary.**

See the discussions in Item No. 1.

**ITEM NO. 14 DISCUSSION Regarding the 2017 AFFI CONFERENCE October 9 – 10, 2017, with Request to Allow Board Members to Attend and to Receive Reimbursement for Per Diem, Mileage, and Hotel Expenses.**

Trustee Ball moved to allow Board Members to attend the 2017 AFFI Conference on October 9-10, 2017, in Bloomington, Illinois, and to receive reimbursement for per diem, mileage, and hotel expenses; seconded by Trustee Troglio.

Approved by viva voce vote.
ITEM NO. 15 CONTINUED DISCUSSIONS Regarding a QUALIFIED ILLINOIS DOMESTIC RELATIONS ORDER AND CONSENT FOR AN ISSUANCE for HEIDI SCHOENBEIN N/KA CHIAVARIO, Previously Married to Firefighter FRITZ W. SCHOENBEIN, with a Request to Receive and File or Take Other Action Deemed Appropriate.

Attorney Dobrovolny said Ms. Chiavario’s attorney had not sent a Calculation Order. He said the Calculation Order would be processed upon receipt.

Trustee Ball moved to defer this item to the September 25, 2017, Regular Firemen’s Pension meeting; seconded by Trustee Troglio.

Approved by viva voce vote.

ITEM NO. 16 CONTINUED DISCUSSION Regarding the BUYBACK OF MILITARY TIME, with a Request to Receive and File or Other Action Deemed Appropriate.

At the request of Trustee Phillips, Trustee Ball moved to defer this item to the September 25, 2017, Regular Firemen’s Pension meeting; seconded by Trustee Troglio.

Approved by roll call vote.

NEW BUSINESS

Angela Allen Disability
Trustee Ball said she was still waiting to hear back regarding the Public Hearing date. She said there was currently no new date scheduled.

Robert Parkmon Disability
Trustee Ball said she reached out to Robert Parkmon regarding his upcoming annual physical. She said Attorney Dobrovolny’s Office was scheduling the appointment, which would take place in Chicago. She said she had reached out to Mr. Parkmon to advise him of the same.

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

Approved by viva voce vote.
The meeting adjourned at 12:14 P.M.

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

/st