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 9:40 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 (Arrived at 9:56 A.M.) – 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. Patrick Donnelly, Institutional Consulting Director, Senior Vice President with Graystone Consulting in Peoria; Attorney Jim Dobrovolny of Reimer & Dobrovolny; Chief Deputy City Clerk Stefanie Tarr; and Attorney John Dundas of Hasselberg Grebe Snodgrass Urban & Wentworth on behalf of the City of Peoria

INVOCATION

Trustee Nichting 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 Rescheduled Regular Meeting held on June 25, 2018, as printed.

Trustee Troglio moved to approve the Minutes of the Regular Meeting held on June 25, 2018, as printed; seconded by Trustee Phillips.

Approved by viva voce vote.

ITEM NO. 1 PRESENTATION by FOSTER & FOSTER Regarding the January 1, 2018, ACTUARIAL VALUATION, with Request to Receive and File

The Board placed a conference call to Mr. Jason Fraken of Foster & Foster at 9:43 A.M.

Mr. Franken reviewed the January 1, 2018, Actuarial Valuation. He reviewed the Summary of the Report wherein he compared the results from 2017 to 2018, noting that the City’s required contribution amount decreased by approximately $500,000.00. He said his firm had made assumption changes that were in line with the assumption changes made by the Illinois Department of Insurance, which had lowered the liability. He reported that the number of active employees decreased from 207 in 2016 to 190 in 2017. He said the decrease in employees decreased the normal, which was the value of benefits being earned by the active
employees. He said the experience for the Plan this year was less than favorable noting that the liabilities were higher than expected based on the assumptions. Before that assumption change, he said the Plan's liability was higher than expected because the investment return, while during 2017 returned 14.5%, investment gains and losses were smoothed out over a five-year period. He reported that for each of the three prior years the Fund did not meet its target return rate of 6.75% and he explained how smoothing the returns in the out-years affected the current year's returns. He commented that the number of retirements for 2017 exceeded their expectations, noting that a higher number of retirees led to an actuarial loss. He said the assumptions were updated based on the updates by the DOI to their valuations. He stated that the Board should consider that the Fund was larger than the average Article 4 plan in the State of Illinois. He stated that it might be worthwhile to review the experience of the Board's plan and to make assumptions based on Peoria versus across the State. He said making the assumption changes would be more reflective of what was happening in Peoria. He said Foster and Foster would gather data from the last five to ten years and conduct an analysis and review of what was happening versus the assumptions that were used versus significant variations. He said the tables created would be specific to the City of Peoria. He said an experience study would need to be conducted with the results presented to the Board of Trustees. He recommended waiting until the new mortality table was released in October before doing a study.

Mr. Franken reviewed the assumptions for 2017, the old assumptions for 2018, and the new assumptions used for 2018. He said, for 2017, the unfunded liability was $120.3 million, for 2018 under the old assumptions the unfunded liability was $129.3 million, and under the new assumptions the unfunded liability was $125.8 million. He reported that the funded ratio went from 52.6% in 2017, 51.5% for 2018 under the old assumptions, and 52.2% under the new assumptions.

Mr. Franken reviewed the Actuarial Asset Valuation as of December 31, 2017, and he provided an explanation of how smoothing over time affected the portfolio.

President Nieukirk arrived at 9:56 A.M.

Discussions were held on whether a review of the assumptions would change the outcome of the report. Mr. Franken said the salary increases would be less than what the DOI used for their report. He said if the salary increases came down, then the liability amount would decrease. He said due to the loss of active members, he said the Fund saw a gain of $522,000.00. He said a review of the assumption would most likely reduce the salary rate for Peoria in comparison to the rest of the State. He said, however, if there was not much of a difference, then the Board could continue to use the DOI assumptions.

Discussions were held regarding the mortality table, and Mr. Franken said if his office were to do an analysis, he would want to wait until the new mortality table was released in October or November. Should the Board decide to conduct an analysis, Mr. Franken said the cost of such an analysis would be approximately $7,500.00. It was determined that an analysis would be conducted after the first of the year and that it needed to be completed for the 2019 Actuarial Report.

Discussions were held regarding employee turnover and whether or not replacing employees would impact the Fund. Mr. Franken said if those employees were not replaced, no change would be reflected; however, he said if Tier 1 employees were replaced by Tier 2 employees, it would lower the total normal cost as the Fund's percentage of payroll. Mr. Franken reported that the amortization payment drove the contribution requirement to the Fund. He said the
percentage of that contribution went up from 7.1% to 7.9%, noting that it was driven by the investment losses and people retiring. He said that number would not change based on having fewer employees. In summary, he said the Fund would end up with a lower normal cost but its amortization payment would not change.

Discussions were held regarding the DOI’s actuarial valuation, and Mr. Franken stated that the gap between the Fund’s numbers and the DOI’s numbers should have decreased. He noted the reason for that decrease was due to changes in some of their assumptions that the Fund had already been using. He said the DOI still based their numbers on 90% funding whereas the Fund based its numbers on 100% funding. He reported the gap between the Fund’s number and the DOI’s number decreased significantly based on the changes they made on the experience number from last year.

Discussions were held regarding the required contribution amounts reflected in the Funds actuarial report and the DOI’s actuarial report. It was noted that the changes the DOI implemented increased the City’s liability amount, which would increase the contribution the City was reporting. Mr. Franken commented that the increase was to the benefit of the Fund because the Fund would be getting larger contributions. He reported that the required amount reflected in the DOI’s requirement was $1 million less that the Fund’s amount, which was $1 million lower to the required amount compared to last year. He said the gap had shrunk, which would lead to more contributions going into the plan.

Trustee Nichting recommended that the Board pursue the review of the assumptions in order to keep the required amounts specific to the City of Peoria versus compared to the entire State of Illinois. He recommended conducting the review late January early February of 2019 in order for the changes to take effect with the GASB analysis.

Conference call with Mr. Franken ended at 10:31 A.M.

Trustee Nichting moved to direct Attorney Jim Dobrovolny, on behalf of the Board, to draft a letter to the City Manager, Mayor, and the City Council outlining the Fire Pension Board’s recommendation for a funding level of $11,261,880.00; seconded by Trustee Phillips.

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

Trustee Nichting moved to adopt the Actuarial Valuation as of January 1, 2018, by Foster & Foster on funding recommendations; seconded by Trustee Phillips.

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

Trustee Nichting moved to receive and file the presentation by Foster & Foster regarding the January 1, 2018, Actuarial Valuation; seconded by Trustee Phillips.

Approved by viva voce vote.
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, with Request to Receive and File the
Reports.

Mr. McShane previously distributed a copy of the Performance Update for the period ending
May 31, 2018, to all members of the Board. The Performance Update showed the portfolio
valued at $138,073,196. Since its inception, the total portfolio performance returned 6.10%
versus the custom benchmark of 5.99%.

The Performance Update showed the market value for the following managers:

<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>$19,490,850</td>
</tr>
<tr>
<td>Great Lakes (Large Cap Fund)</td>
<td>$16,454,006</td>
</tr>
<tr>
<td>iShares S&amp;P Mid Cap Index (Mid Cap Fund)</td>
<td>$5,119,714</td>
</tr>
<tr>
<td>Kayne Anderson</td>
<td>$7,943,977</td>
</tr>
<tr>
<td>Vanguard FTSE ETF (International Equity)</td>
<td>$19,446,423</td>
</tr>
<tr>
<td>Thornburg International</td>
<td>$20,541,231</td>
</tr>
<tr>
<td>Segall – Fixed Income</td>
<td>$41,368,773</td>
</tr>
<tr>
<td>Insured Cash Sweep Account – PCB</td>
<td>$7,708,223</td>
</tr>
</tbody>
</table>

Mr. McShane provided an overview of the capital markets for the second quarter of 2018. He
reported that the Gross Domestic Product increased at a rate of 2.0% for the first quarter of
2018 and was currently at 2.7% to date. He reported that unemployment was down at 3.8%
and inflation was forecasted at 2.6% for 2018. He said the housing market had increased and
the economy was in good standing. He reported the S&P was up for the quarter at 3.43%, the
Russell 2000 was up at 7.75% and 17.0% for the last 12 months. He said the MSCI EAFE was
down for the quarter at 80 basis points, MSCI Emerging Markets were down at -7.73%. He
commented that the trade talks had an effect on the emerging markets. He reported the
Bloomberg Barclays Capital intermediate Govt/Credit was down at -1.45% for the quarter and
-1.07% for the last 12 months.

Mr. McShane reviewed the gains and losses for each manager noting that the Board
reallocated $2 million from the S&P500 in January 2018 into the cash account. He said the
Board then took an additional $1.5 million in March and $1.6 million in May from the S&P500
and reallocated those funds into the cash account. He said the Board reallocated $1 million
from Kayne Anderson in May and put into the cash account. He remarked that the Board
made movements to take a defensive position with the investments with the idea that there
would be some volatility. He said the Board took $1 million from Segall in May and reallocated
it into the cash account. He said the cash account at Peoria Community Bank now stood at
$7.7 million.
Mr. McShane reviewed the portfolio's activity since inception as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Market Value</td>
<td>$76,020 million</td>
</tr>
<tr>
<td>Net contributions</td>
<td>-$33,338 million</td>
</tr>
<tr>
<td>Fee/Expenses</td>
<td>-$2,722 million</td>
</tr>
<tr>
<td>Income</td>
<td>$41,754 million</td>
</tr>
<tr>
<td>Gain/Loss</td>
<td>$56,359 million</td>
</tr>
<tr>
<td>Ending Market Value</td>
<td>$138,073 million</td>
</tr>
</tbody>
</table>

Mr. McShane reviewed information on the following large cap value managers: Aristotle, BlackRock, ClearBridge, Confluence, Great Lakes, JP Morgan, Lyrical and Nuveen. He reported that Great Lakes' was on task according to its assignment. He reviewed the 7-year market capture ratios and the 7-year risk return analysis for each manager. He remarked that for the last seven years the Fund's managers provided excess returns versus the benchmark. He further noted that, since inception, Great Lakes remained even. He reviewed the rolling 3-year return for each investment. He said he would bring additional information to the August Fire Pension meeting.

By agreement, it was determined to have Aristotle, Confluence and Lyrical provide additional information at the August Fire Pension meeting.

Trustee Phillips moved to receive and file the Performance Update Report as of June 30, 2018; seconded by Trustee Troglio.

Approved by viva voce vote.

ITEM NO. 3 Report from Fire Marshal Edward Olehy of Pension Fund Contributions, which were made by payroll deductions during the MONTH of JUNE 2018, 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>May 21, 2018 – June 5, 2018</td>
<td>June 15, 2018</td>
<td>$ 66,405.96</td>
</tr>
<tr>
<td>June 6, 2018 – June 20, 2018</td>
<td>June 30, 2018</td>
<td>$ 67,133.44</td>
</tr>
</tbody>
</table>

$133,539.40

Trustee Phillips moved to concur and place on file the Fire Marshal's Report for June 2018; seconded by Trustee Troglio.

Approved by viva voce vote.
ITEM NO. 4  Request to Approve the following BILLS:

Pensions for July 2018 (dated July 31, 2018) ......................... $1,191,839.31
2018 IPPFA MidAmerican Pension Conference for Jack Nieukirk 375.00
2018 IPPFA MidAmerican Pension Conference for Ralph Phillips* 375.00
Lauterbach & Amen, LLP – Professional Services June 2018... 3,275.00
Shanna Kurth, PhD – Physkie Green Annual Evaluation .......... 4,000.00
Foster & Foster – Preparation of January 1, 2018, valuation..... 8,359.00
Reimer & Dobrovolny PC – Legal Services Rendered .............. 11,987.34
SUB-TOTAL FOR JULY 2018 ............................................ $1,220,210.65

GRAND TOTAL FOR JULY 2018 ........................................... $1,220,210.65

*Trustee Ball remarked that the 2018 IPPFA Pension Conference for Ralph Phillips should be amended to reflect Joe Troglio instead.

Trustee Phillips moved to approve the bills in the grand total amount of $1,220,210.65, as amended; seconded by Trustee Troglio.

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

ITEM NO. 5  QUALIFIED ILLINOIS DOMESTIC RELATIONS ORDER Filed by KATHIE VAN VOORHIS to deduct $1,600.75 Per Month from the Pension of Retired Firefighter GARY VAN VOORHIS, to Begin for the Month of July 2018. Recommendation for the Board to Approve.

Trustee Troglio moved to approve the Qualified Illinois Domestic Relations Order filed by Kathie Van Voorhis to deduct $1,600.75 per month from the pension of retired Firefighter Gary Van Voorhis, to begin for the month of July 2018; seconded by Trustee Phillips.

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

ITEM NO. 6  MONTHLY FINANCIAL REPORTS from LAUTERBACH & AMEN, LLP for the Month of JUNE 2018, 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, Phillips, Troglio, President Nieukirk – 5.
Nays: None.
ITEM NO. 7  RECEIPTS and DISBURSEMENTS REPORTS for PEORIA COMMUNITY BANK and HARRIS BANK from Patrick Nichting, Treasurer, for the Month of JUNE 2018, 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 June 2018; seconded by Trustee Phillips.

Approved by viva voce vote.

ITEM NO. 8  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. 9  DISCUSSION Regarding the 2018 IPPFA MIDAMERICAN PENSION CONFERENCE, to be Held October 2 - 5, 2018, in Lake Geneva, Wisconsin. RECOMMENDATION: To Allow Board Members to Attend, if they wish, and to Receive a Per Diem, and Reimbursement for Hotel and Travel Expenses.

Trustee Phillips moved to allow Board Members to attend and to receive a per diem and reimbursement for hotel and travel expenses; seconded by Trustee Ball.

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

UNFINISHED BUSINESS

Stauthammer Disability
Trustee Ball provided an update on the Stauthammer disability stating that she had spoken with Attorney Rick Reimer's office. She said his office had sent Mrs. Stauthammer a letter.

Discussions were held regarding the process for Mrs. Stauthammer to obtain medical records from a doctor located in the State of Missouri, and it was noted that should the City of Peoria seek to intervene in the matter, then they would need those records.

Nick Riordan Pension Contributions
Discussions were held on the pension contributions of Nick Riordan. Trustee Ball said there had been no application seeking a distribution of those contributions to date.

Physkie Green Disability Review
Trustee Ball said the Physkie Green Disability review would be held at the August Fire Pension meeting.
NEW BUSINESS

It was determined that there was no new business to come before the Board at this time.

CITIZENS' OPPORTUNITY TO ADDRESS THE BOARD OF TRUSTEES

It was determined that there were no citizens who wished to address the Board at this time.

EXECUTIVE SESSION

It was determined that an Executive Session was not needed at this time.

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 10:58 A.M.

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

/st