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 9:30 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, Smith, Tomblin, President Troglio – 5; Absent: None.

Others present: Mr. Thomas McShane, First Vice President – Investments, Senior Investment Management Consultant with Graystone Consulting, a business of Morgan Stanley/Smith-Barney in Chicago; Chief Deputy City Clerk Stefanie Tarr.

INVOCATION

President Troglio 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 August 27, 2019, as printed.

Trustee Tomblin moved to approve the Minutes of the Regular Meeting held on August 27, 2019, as printed; seconded by Trustee Smith.

Approved by viva voce vote.

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.

A copy of the Performance Update for the period ending August 31, 2019, was distributed to all members of the Board. The Performance Update showed the portfolio valued at $139,025,651.00. Since its inception, the total portfolio performance returned 5.95% versus the custom benchmark of 5.80%.
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 Equity)</td>
<td>$16,911,991</td>
</tr>
<tr>
<td>Aristotle (Large Cap Equity)</td>
<td>$22,050,639</td>
</tr>
<tr>
<td>iShares S&amp;P Mid Cap Index (Mid Cap Equity)</td>
<td>$5,021,408</td>
</tr>
<tr>
<td>Kayne Anderson (Small Cap Equity)</td>
<td>$8,449,454</td>
</tr>
<tr>
<td>Vanguard FTSE ETF (International Equity)</td>
<td>$17,671,107</td>
</tr>
<tr>
<td>Thornburg International</td>
<td>$18,785,703</td>
</tr>
<tr>
<td>Segall (Fixed Income)</td>
<td>$45,732,609</td>
</tr>
<tr>
<td>Insured Cash Sweep Account – PCB</td>
<td>$2,482,574</td>
</tr>
<tr>
<td>Cash Management Monitor</td>
<td>$1,940,164</td>
</tr>
</tbody>
</table>

Mr. McShane reviewed the summary of actions since January 1, 2019. He noted there were no substantial changes since August 2019. He provided a capital markets overview reporting that Global Equities year-to-date returns were 14.3% and 5-year annualized 6.0% and US Equities year-to-date returns at 18.3% and 5-year annualized at 10.1%. He reported that international markets lagged at the 5-year annualized return at 1.7% and the emerging markets lagged at the 5-year annualized return at 0.5%. He said Investment Grade Fixed Income year-to-date returns were 9.1% and Inflation-Linked Securities were up at 12.0%. He said the high yield was up at 9.3% and REITs up at 16.6% and MLPs at 10.3%. He reviewed the US Equity Index performance, volatility and valuation reporting that the Russell 1000 Growth was up 13.0% and the Russell 1000 Value was up 6.6%. He said the Fund’s portfolio was positioned well to take advantage of those areas.

Mr. McShane reviewed the investment outlook as of September 2019 commenting why bonds outperformed stocks over the past year. He reported a wide trade range between 2400 and 3000 commenting that the trend of equities was still up. He reviewed the key variables to watch for signs of an oncoming US economic recession. He commented that profit margins were tight with increased labor costs. He reported that the Feds were lowering the interest rates, which made a push towards risky assets yet provided greater returns. He reviewed the US overweights and underweights with a preference tilting toward large cap over small cap and value over growth. He reviewed the S&P 500 current and historical valuation commenting on what people were willing to pay for $1.00 of earnings. He said right now investors were willing to pay $18.20 for $1.20 of earnings with a 20-year average of $15.10. He said the current ratio was $16.50 for every $1.00 of earnings. He reviewed Morgan Stanley’s earnings estimates.

Mr. McShane provided an opportunistic strategy update reporting the Board accomplished two sell orders in March and April of 2019. He reviewed the one outstanding sell orders and three outstanding buy orders. He said the sell orders were entered for when the market was on the upside and buy orders for when the market was on the down side. He said the Board was trying to add some value by selling into strength and buying into weakness.

Mr. McShane reviewed the asset allocation and performance flash as of August 31, 2019 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>Fixed Income</td>
<td>38.00%</td>
</tr>
<tr>
<td>Equity</td>
<td>60.00%</td>
</tr>
</tbody>
</table>
He reported that the portfolio was over-allocated in cash by 1.17%, or $1.6 million; under-allocated in fixed income by -5.10%, or $7.1 million; and over-allocated in equities by 3.94%, or $5.47 million. He said the Board pays approximately $1.3 million per month in pensions and expenses. He remarked on the importance of having cash available for payouts, and he recommended not reducing the portfolio’s cash position. He commented on reallocation some from equity, and he recommended looking into alternative investments. Upon reviewing equities, he noted small cap equities were over-allocated by 3.08%, which was approximately doubled from the target allocation. He said emerging markets were absorbed by the international equity manager.

Mr. McShane reviewed the portfolio’s returns noting the one-month overall return for the portfolio was -63 basis points versus -81 basis points and theyear-to-date returnswas 12.64% versus the benchmark of 10.73%. He said Kayne Anderson’s year-to-date return was 33.76% versus the benchmark of 11.85%; a 1-year return of 10.09% versus the benchmark of -12.89%. He said Kayne Anderson was a small cap and value-oriented manager with a concentrated portfolio. Since 2013, he reported they provided a return of 16.87% versus the benchmark of 9.46%. He recommended reallocating the excess funds from Kayne Anderson. He reviewed Thornburg reporting they were up 14.90% year-to-date versus the benchmark of 14.84% with a one-year return of -7.76% versus the benchmark of 0.00%. He reviewed Segall Fixed Income with a year-to-date return of 6.62% versus the benchmark of 6.79% and a 1-year return of 8.10% versus the benchmark of 8.12%. He reviewed the cash sweep account with a year-to-date return of 2.24% and a one-year return of 3.18%.

Mr. McShane reviewed the portfolio’s activity since its inception date of January 2003 as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Market Value</td>
<td>$76,020 million</td>
</tr>
<tr>
<td>Net contributions</td>
<td>-$38,443 million</td>
</tr>
<tr>
<td>Fee/Expenses</td>
<td>-$3,112 million</td>
</tr>
<tr>
<td>Income</td>
<td>$45,707 million</td>
</tr>
<tr>
<td>Gain/Loss</td>
<td>$58,853 million</td>
</tr>
<tr>
<td>Ending Market Value</td>
<td>$139,026 million</td>
</tr>
</tbody>
</table>

He reported that since inception the Fund was up 5.95% versus a benchmark of 5.80%. He commented that the Board’s strategy provided slightly less risk with slightly greater return. He said the Fund was on target for adding value to the portfolio.

Mr. McShane reviewed BlackRock Event Driven Equity commenting it was an alternative investment. He reviewed the manager’s strategy and provided an explanation of the types of events the manager invested, noting some were hard events and some were soft events. He said BlackRock was the largest investment manager in the world, owning 5.0% of every large cap company available. He reported that the goal of the Manager was to provide an annual return of 5-6%. He said it was recommended to reallocate $3 million from small cap equity Kayne Anderson into BlackRock Event Driven Fund.
After a brief discussion, it was determined that additional discussions regarding BlackRock would be held at the October Fire Pension Board meeting.

Due to the over-allocation in small cap investments, Mr. McShane recommended reallocating $1 million from Kayne Anderson to Segall Bryant and Hamill, a fixed income manager.

Trustee Nichting moved to reallocated $1 million from Kayne Anderson to Segal Bryant and Hamill; seconded by Trustee Smith.

Approved by roll call vote.
Yews: Ball, Nichting, Smith, Tomblin, President Troglio - 5;
Nays: None.

Trustee Smith moved to receive and file the Performance Update Report for period ending August 31, 2019; seconded by Trustee Tomblin.

Approved by viva voce vote.

**ITEM NO. 2**  Report from Fire Marshal Edward Olehy, Jr. of Pension Fund Contributions, which were made by payroll deductions during the MONTH of AUGUST 2019, 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 21, 2019 – August 5, 2019</td>
<td>August 15, 2019</td>
<td>$65,175.78</td>
</tr>
<tr>
<td>August 6, 2019 – August 20, 2019</td>
<td>August 30, 2019</td>
<td>$65,488.65</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$130,664.43</td>
</tr>
</tbody>
</table>

Trustee Ball moved to concur and place on file the Fire Marshal’s Report for August 2019; seconded by Trustee Tomblin.

Approved by viva voce vote.

**ITEM NO. 3**  Request to APPROVE the following BILLS:

| Pensions for September 2019 (dated September 30, 2019) | $1,278,506.65 |
| Lauterbach & Amen, LLP – Professional Services August 2019 | 3,345.00 |
| INSPE Associate, LTD – Gary Stauthammer Disability Claim | 2,100.00 |
| Stefanie Tarr – 3rd Quarter Admin Services | 1,350.00 |
| 2019 MidAmerican Pension Conference – Travel Patrick Nichting | 1,089.95 |
| 2019 MidAmerican Pension Conference – Travel Kent Tomblin | 1,089.95 |
| 2019 MidAmerican Pension Conference – Travel Joe Troglio | 848.94 |
| IPPFA – Membership Dues 1/1/2020 to 12/31/2020 | 795.00 |

**SUBTOTAL FOR SEPTEMBER 2019** .......................................................... $1,289,125.49

**GRAND TOTAL FOR SEPTEMBER 2019** .................................................. $1,289,125.49
After a brief discussion regarding the INSPE bills, Trustee Smith moved to approve the bills for September 2019, in the amount of $1,289,125.49; seconded by Trustee Tomblin.

Approved by roll call vote.
Yeas: Ball, Nichting, Smith, Tomblin, President Troglio - 5;
Nays: None.

**ITEM NO. 4 REQUEST to ACCEPT the APPLICATION for a WIDOW'S PENSION BENEFIT for DENISE KNEER, she being the Widow of Robert Kneer, with Benefits Commencing July 26, 2019, with her Benefit to be Based on 100% of his Monthly Pension Benefit of $5,973.11 Per Month; Therefore Benefits for 6 days of July to be Paid, in the Amount of $1,156.08 and $5,973.11 for each month thereafter with a recommendation for the Board to Approve.**

President Troglio said the Board Secretary was still waiting on a copy of the Death Certificate of Robert Kneer, and he asked that a letter be sent to the widow.

Trustee Tomblin moved to accept the Application for a Widow’s Pension Benefit for Denise Kneer, she being the widow of Robert Kneer, with benefits commencing July 26, 2019, with her benefit to be based on 100% of his monthly pension benefit of $5,973.11 per month; therefore benefits for 6 days of July to be paid, in the amount of $1,156.08 and $5,973.11 for each month thereafter; seconded by Trustee Ball.

Approved by roll call vote.
Yeas: Ball, Nichting, Smith, Tomblin, President Troglio - 5;
Nays: None.

**ITEM NO. 5 REQUEST to APPROVE the REMOVAL from the PENSION ROLLS of MARY C. DUNNE due to her Death on September 2, 2019, and to make payment to the Mary C. Dunne Estate, in the Amount of $194.74 for 2 days of September 2019. Recommendation: RECEIVE and FILE the Death Certificate and to APPROVE the Payment of $194.74 for 2 days of September.**

Trustee Tomblin moved to approve the removal from the pension rolls of Mary C. Dunne due to her death on September 2, 2019, and to make payment to the Mary C. Dunne Estate, in the amount of $194.74 for 2 days of September 2019 and to receive and file the death certificate; seconded by Trustee Smith.

Approved by roll call vote.
Yeas: Ball, Nichting, Smith, Tomblin, President Troglio - 5;
Nays: None.

**ITEM NO. 6 ANNUAL REVIEW of the Disability of ROBERT PARKMON, with Request to Receive and File or to Take Other Action.**

President Troglio said, pursuant to Board policy, Mr. Parkmon should get reimbursed from Peoria, Illinois to the location of his doctor's appointment. Trustee Ball said she would follow-up with Mr. Parkmon and submit a request for reimbursement in October.
Trustee Tomblin moved to keep Robert Parkmon on another year of disability; seconded by Trustee Smith.

Approved by roll call vote.
Yeas: Ball, Nichting, Smith, Tomblin, President Troglio - 5;
Nays: None.

Discussions were held on whether Robert Parkmon and Physkie Green would need to do another physical before they turn 50 years of age. Trustee Ball said she would contact the Board's attorney for advisement.

**ITEM NO. 7** MONTHLY FINANCIAL REPORTS from LAUTERBACH & AMEN, LLP for the Month of AUGUST 2019, 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 Smith moved to approve the monthly financial reports from Lauterbach & Amen, LLP for the month of August 2019, 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 Ball.

Approved by roll call vote.
Yeas: Ball, Nichting, Smith, Tomblin, President Troglio - 5;
Nays: None.

**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 Tomblin 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 Smith.

Approved by roll call vote.
Yeas: Ball, Nichting, Smith, Tomblin, President Troglio - 5;
Nays: None.

**ITEM NO. 9** DISCUSSION Regarding a Proposed RESOLUTION Regarding CONSOLIDATION of Article 3 and 4 “Downstate” Police and Fire PENSION FUNDS, with Possible Action.

Trustee Troglio said the State of Illinois was trying approve the consolidation of the downstate funds without waiting for the Committee's recommendation. He said this Resolution would ask for the State Legislators to wait to make a decision until the Consolidation Committee had discussed the issues.

Mr. McShane commented on IMRF's position of consolidating with the downstate Police and Fire pension, noting that did not wish to manage the combination.
Trustee Ball directed President Troglio to sign the Resolution regarding Consolidation of Article 3 and 4 "Downstate" Police and Fire Pension Funds and to send a signed copy to the IPPFA; seconded by Trustee Smith.

Approved by viva voce vote.

**ITEM NO. 10** REQUEST to APPROVE the ILLINOIS FIDUCIARY INSURANCE POLICY with ULLICO for the Policy Period November 15, 2019, to November 15, 2020.

Trustee Nichting said Ullico wanted to have a formal Board approval in the minutes. It was discussed that Ullico would continue to represent the Board on the Allen and Brooks appeals.

Trustee Ball moved to approve the Illinois Fiduciary Insurance Policy with ULLICO for the policy period November 15, 2019, to November 15, 2020; seconded by Trustee Smith.

Approved by roll call vote.
Yeas: Ball, Nichting, Smith, Tomblin, President Troglio - 5;
Nays: None.

**ITEM NO. 11** REQUEST for APPROVAL of a RESOLUTION Regarding the RELEASE of EXECUTIVE SESSION MINUTES.

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

Approved by viva voce vote.

**UNFINISHED BUSINESS**

**ITEM NO. 12** DISCUSSION and UPDATE Regarding the Lauterbach & Amen FINANCIAL ANALYSIS of the Fire Pension Board with Request to RECEIVE and FILE or Take Other Action Deemed Necessary.

Trustee Tomblin moved to defer this item to the October 28, 2019, Regular Fire Pension Board meeting; seconded by Trustee Smith.

Approved by viva voce vote.

**ITEM NO. 13** STATUS UPDATES Regarding the DISABILITY APPLICATIONS for GARY STAUTHAMMER and ALDO GREGORY SCOTT, and the JOEY CAMP case.

Trustee Ball said they were waiting on the third doctor’s report for Gary Stauthammer; however, they were ready to proceed with the disability of Stauthammer and the matter of Joey Camp. She said the Board’s attorney would like to hold the Joey Camp matter on the same day as a regular Board meeting. She said the Board’s attorney would like to schedule an off day for the disability matters. She said she was working with Attorney Reimer’s Office to schedule dates and she remarked on the importance of having everyone in attendance for those meetings.
NEW BUSINESS

It was determined that there was no new business to come before the Board of Trustees.

CITIZENS’ OPPORTUNITY TO ADDRESS THE BOARD OF TRUSTEES

It was determined that there were no citizens who wished 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 Tomblin.

Approved by viva voce vote.

The meeting adjourned at 11:10 A.M.

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

/st