A Rescheduled 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; Mr. Patrick Donnelly, Institutional Consulting Director, Financial Advisor with Graystone Consulting in Peoria; 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 October 28, 2019, as printed.

Trustee Tomblin moved to approve the Minutes of the Rescheduled Regular Meeting held on October 28, 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 October 31, 2019, was distributed to all members of the Board. The Performance Update showed the portfolio valued at $143,803,075.00. Since its inception, the total portfolio performance returned 6.06% versus the custom benchmark of 5.92%.
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>$16,488,508</td>
</tr>
<tr>
<td>Aristotle (Large Cap Equity)</td>
<td>$23,079,886</td>
</tr>
<tr>
<td>BlackRock Even Driven (Large Cap Equity)</td>
<td>$1,500,058</td>
</tr>
<tr>
<td>iShares S&amp;P Mid Cap Index (Mid Cap Equity)</td>
<td>$5,234,896</td>
</tr>
<tr>
<td>Kayne Anderson (Small Cap Equity)</td>
<td>$7,602,950</td>
</tr>
<tr>
<td>Vanguard FTSE ETF (International Equity)</td>
<td>$18,814,364</td>
</tr>
<tr>
<td>Thornburg International</td>
<td>$19,274,734</td>
</tr>
<tr>
<td>Segall (Fixed Income)</td>
<td>$46,746,611</td>
</tr>
<tr>
<td>Insured Cash Sweep Account – PCB</td>
<td>$3,513,929</td>
</tr>
<tr>
<td>Cash Management Monitor</td>
<td>$1,547,140</td>
</tr>
</tbody>
</table>

Mr. McShane provided a summary of actions the Board had taken since January 28, 2019. He recapped the October 28, 2019, Board actions stating the Board voted to reallocate $1.5 million from cash management to BlackRock Event Driven Mutual Fund. He said in September the Board reallocated $1 million from Kayne Anderson to Segal Bryant for reinvestment. He reviewed the market and actions taken for 2019 noting the market was up 18% for the first quarter of 2019. He said the Board sold two orders of the iShares S&P 500 Exchange Traded Fund (ETF) as follows:

- Sold 2,368 shares IVV @ $285 per share for a total of $674,904.00 (Sold on 3/15/19)
- Sold 3,050 shares IVV @ $295 per share for a total of $899,745.00 (Sold on 4/23/19)

He reported the Board recently sold its last order of ETFs as follows:

- Sold 3,690 shares IVV @ $305 per share for a total of $1,125,858 (Sold on 10/30/19)

He stated that all sell orders had been fulfilled.

Mr. McShane provided a Capital Markets Overview as of October 2019. He reported the S&P 500 was up year-to-date at 23.2%, International Equities were up 16.0%, Emerging Markets were up 10.7%, and investment grade bonds were up 8.8%. He reviewed the Barclays Universal Government Credit with a 3-year annualized return of 3.9% and a 5-year annualized return of 4.8%. He reported the year-to-date returns for the Global REITs was 22.7%.

Mr. McShane reviewed the S&P 500 current and historical valuation reporting the forward price to earnings (P/E) ratio of 18.8 with a 20-year average of 15.0. He reviewed the earnings per share landscape (EPS) reporting a base case price target of 2,750 versus the current S&P 500 price of 3,093, noting an overvalue of approximately 11.0%. He commented that the trend of the market was up. He said the government had kept the rates low, which contributed to cheaper stocks.
Mr. McShane reviewed the Quarterly Performance Report as of October 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>

Mr. McShane reviewed the current allocations, reporting there was enough allocated in cash and cash equivalents to pay for expenses through March, noting the cash allocation was receiving a fair interest rate. He said the portfolio was over-allocated in small and mid-cap equities, stating that Kayne Anderson continued to perform well. He remarked on International Equities, noting that 30% of those investments was allocated in emerging markets. He recommended no change to the portfolio allocations at this time.

Mr. McShane said Morgan Stanley employed a compliance group to oversee government funds. He said it was the compliance group’s opinion that ETFs were not permissible according to State Statute; however, he said he had a letter from the Department of Insurance stating that it was permissible. He said it was also the compliance group's opinion that the Fund should own a mutual fund and not ETFs. He said the only funds that would be comparable with pricing and returns would be the Vanguard Mutual Fund. He said Morgan Stanley negotiated with Vanguard to buy through the Fund’s account through Morgan Stanley. He said if the Board decided not to take the advice from the compliance group, then a "hold harmless" letter would need to be signed.

Mr. McShane distributed a handout of an analysis of the ETF Index with the recommendation of transferring money from the ETFs to Vanguard 500 Index (VFIAX). He recommended trading the iShares Core S&P 500 for Vanguard MidCap (VIXAX), noting that the fee would drop from 7 basis points to 5 basis points. He said the Vanguard MidCap had a 3-year return of 10.67% and a 5-year return of 9.20%. He reviewed the Vanguard FTSE Developed Markets, which had returns of 6.35% for three years and 3.65% for five years, noting a replacement with Vanguard Total International (VTIAX) with a fee of 11 basis points and returns of 6.06% for three years and 3.16% for five years. He said it was Morgan Stanley’s recommendations to make the trades as recommended at no cost to the Fund in fees or commissions. He said no fees would go into the mutual funds and there were no backend fees. After additional discussion, it was determined to revisit the matter at the January Fire Pension Board meeting.
Discussions were held whether to transfer the ETFs into Thornburg, noting it was an aggressive manager with slightly more growth. It was determined that it was in the best interest of the Fund not to allocate all the ETFs into one manager and Tweedy Brown was identified as a potential manager, which was more conservative.

Mr. McShane recommended exchanging ETF 500 IVV for mutual fund VFIAX and exchange Mid Cap iShares ETF (IJH) for Mid Cap Mutual Fund VIMAX and then review the International Equity in January 2020.

Trustee Smith inquired as to the diversification of the proposed mutual funds, and Mr. McShane stated that the issue was whether ETFs were permissible. He said his firm was advised by their attorneys that ETFs were not permissible according to State Statute. He said he had a letter from the Department of Insurance stating it was permissible; however, he said when he confronted the DOI they did not provide an affirmative answer. As a result, he said his firm provided comparable manager exchanges as it related to fees and compliance. Trustee Smith said it was better to be compliant than to be grandfathered.

Mr. McShane reviewed the Opportunistic Strategy reporting that the Board sold IVV Shares in March, April and October of 2019.

Noting that the overall long-term return rate would be better, Trustee Smith moved to reallocate the funds in iShares Core S&P 500 to Vanguard 500 Indx (VFIAX) and the funds in Vanguard MidCap for Vanguard Mid Cap Indx (VIMAX); seconded by Trustee Tomblin.

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

Mr. McShane said additional information would be provided in January regarding the International allocations.

Mr. McShane reviewed the returns for the Fund reporting a year-to-date return of 15.66% versus the benchmark of 14.00%; Kayne Anderson returned 36.58% versus the benchmark of 17.19%. He reported that Kayne Anderson's performance was due to high quality companies that had balance sheets and cash flow and were in an index that did not have a lot of companies with good balance sheets or cash flow. He reviewed Thornburg's year-to-date return of 16.8% versus the benchmark of 16.84%; Segal returned 6.69% versus the benchmark of 6.83%; and the cash sweep accounts returned 2.68% versus the benchmark of 1.95%. He said the Fund's 10-year return was 6.91%.

Mr. McShane said his firm reviewed some of the bigger State Retirement Funds reporting that IMRF returned 7.4% and the other funds such as JRS, SURS, and SERS returned between 6.3% and 6.5% for a 10-year return. He commented that the Peoria Firemen's Pension Fund returned 6.91% with stringent investment guidelines instituted by State Statute.

Mr. McShane distributed a manager analysis on Thornburg International growth Fund (TINGX). He reported Thornburg had a 10-year return of 9.76% versus the MSCI Index of 4.46%. He reviewed the 7-year return of 7.20% versus the index of 5.01%. He noted Thornburg had outperformed for the 3-, 5-, and 10-year returns. He reviewed Thornburg's portfolio characteristics reporting they owned 50 securities, the market capital was $61,291 million, and had a price to earnings ratio of 24. He said Thornburg had an anticipated growth in earnings-
Discussions were held whether to transfer the ETFs into Thornburg, noting it was an aggressive manager with slightly more growth. It was determined that it was in the best interest of the Fund not to allocate all the ETFs into one manager and Tweedy Brown was identified as a potential manager, which was more conservative.

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Mr. McShane reviewed the Opportunistic Strategy reporting that the Board sold IVV Shares in March, April and October of 2019.

Noting that the overall long-term return rate would be better, Trustee Smith moved to reallocate the funds in iShares Core S&P 500 to Vanguard MidCap (VIMAX) and the funds in Vanguard MidCap for Vanguard Total International (VTIAX); seconded by Trustee Tomblin.

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

Mr. McShane said additional information would be provided in January regarding the International allocations.

Mr. McShane reviewed the returns for the Fund reporting a year-to-date return of 15.66% versus the benchmark of 14.00%; Kayne Anderson returned 36.58% versus the benchmark of 17.19%. He reported that Kayne Anderson’s performance was due to high quality companies that had balance sheets and cash flow and were in an index that did not have a lot of companies with good balance sheets or cash flow. He reviewed Thornburg’s year-to-date return of 16.8% versus the benchmark of 16.84%; Segal returned 6.69% versus the benchmark of 6.83%; and the cash sweep accounts returned 2.68% versus the benchmark of 1.95%. He said the Fund’s 10-year return was 6.91%.

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per-share of 13.7, which was considered volatile. He reviewed their top holdings and regional allocations, noting that 22.6% of Thornburg's portfolio was comprised of emerging markets. Mr. McShane distributed handout comparing the current manager fees that reflected the fees as follows:

- Segall, Bryant & Hamill: 17 basis points
- iShares – S&P 500 Index Fund: 4 basis points
- Aristotle: 50 basis points
- BlackRock: 163 basis points
- iShares – S&P Core Mid Cap: 7 basis points
- Thornburg: 99 basis points
- Vanguard: 7 basis points
- Kayne Anderson: 80 basis points

Mr. McShane said Graystone intended to help with the consolidation rule once it was clarified. He said Graystone would serve the Board until they were no longer needed and the transition was complete.

Trustee Ball moved to receive and file the Performance Update Report for period ending October 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 OCTOBER 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>September 21, 2019 – October 5, 2019</td>
<td>October 15, 2019</td>
<td>$ 65,521.56</td>
</tr>
<tr>
<td>October 6, 2019 – October 20, 2019</td>
<td>October 31, 2019</td>
<td>$ 65,596.15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$131,117.71</td>
</tr>
</tbody>
</table>

Trustee Nichting moved to concur and place on file the Fire Marshal's Report for November 2019; seconded by Trustee Ball.

Approved by viva voce vote.

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

- Pensions for November 2019 (dated November 30, 2019) $1,283,097.44
- Mesirow Insurance Services – Fiduciary Liability Policy 11.15.19 to 11.15.20... 8,434.00
- Reimer & Dobrovolny – Legal Services Rendered ............................................ 43.75
- Reimer & Dobrovolny – Reimbursement Allen Disability –Ullico Covered........... (17,772.88)
- Reimer & Dobrovolny – Reimbursement Brooks Disability –Ullico Covered..... (16,130.26)

SUBTOTAL FOR NOVEMBER 2019............................................................... $1,257,672.05

GRAND TOTAL FOR NOVEMBER 2019 .............................................................. $1,257,672.05
Trustee Smith moved to approve the bills for November 2019, in the amount of $1,257,672.05; seconded by Trustee Tomblin.

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

ITEM NO. 4 APPLICATION for REGULAR RETIREMENT PENSION for FIRE CHIEF EDWARD E. OLEHY, JR. to become effective November 30, 2019, (last day paid by the City November 29, 2019) based on 75.00% of his Annual Salary of $163,519.03. Pension to be paid for the remaining 1 day of November, in the amount of $340.66 and $10,219.94 for every month thereafter with recommendation for the Board to Approve.

Trustee Smith moved to approve the Application for Regular Retirement pension for Fire Chief Edward E. Olehy, Jr. to become effective November 30, 2019, (last day paid by the City November 29, 2019) based on 75.00% of his annual salary of $163,519.03 with pension to be paid for the remaining 1 day of November, in the amount of $340.00 and $10,219.94 for every month thereafter; seconded by Trustee Tomblin.

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

ITEM NO. 5 REQUEST to APPROVE the ELECTION TO CONVERT A DISABILITY PENSION BENEFIT TO A RETIREMENT PENSION BENEFIT for LARRY TULLY to become effective December 1, 2019, (last day Duty Disability paid November 30, 2019) based on 65.00% of his Applicable Salary of $104,047.73 (including longevity). Regular Retirement Pension to be paid for the remaining 30 days of December, in the amount of $5,454.00 and $5,635.92 for every month thereafter.

Trustee Tomblin moved to convert a disability pension benefit to a retirement pension benefit for Larry Tully to become effective December 1, 2019, (last day Duty Disability paid November 30, 2019) based on 65.00% of his applicable salary of $104,047.73 (including longevity) with regular retirement pension to be paid for the remaining 30 days of December, in the amount of $5,454.00 and $5,635.92 for every month thereafter; seconded by Trustee Smith.

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

ITEM NO. 6 MONTHLY FINANCIAL REPORTS from LAUTERBACH & AMEN, LLP for the Month of OCTOBER 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 Ball moved to approve the monthly financial reports from Lauterbach & Amen, LLP for the month of October 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 Smith.

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

ITEM NO. 7 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 Smith 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 Ball.

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

ITEM NO. 8 DISCUSSION Regarding an ACTUARIAL ASSESSMENT of the New TIER II CONSOLIDATION LAW to Determine How it Will Impact the Fire Pension Funding Level.

President Troglio said he had asked to have this item placed on the agenda for discussion in order for the Board to conduct due diligence to review the impact on the funding level going forward.

Trustee Nichting commented on the Consolidation Bill passed in Springfield stating that it was believed that consolidating the downstate funds would save the pension funds money; however, he said there would be no savings for municipalities.

President Troglio said consolidation would add to the unfunded liability. He commented that the new legislation would bring the Tier II members closer in line with Tier I with subtle differences.

Trustee Nichting commented on the 2019 audit and he inquired whether the Board was comfortable with recognizing the language in the engagement letter with Sikich with the modifications from last year's letter. He said the engagement letter would be on the agenda for January 2020.

Discussions were held regarding the approval of the engagement letter with Sikich for the audit to begin January 2020. Trustee Nichting said the engagement letter would be presented for approval by the Board in January; however, he asked that the Board agree with Sikich beginning its work as soon as possible to complete the audit in a timely manner. Discussions were held regarding the previous engagement letter with Sikich, noting that there had been previous concerns relating to liability.
Trustee Ball said she would obtain the engagement letter Sikich soon wherein it could be signed and then ratified at the January 2020 Fire Pension meeting.

No objections were heard.

Discussions were held noting the Board’s Attorney would send a letter to the City after Sikich provided a review with the Board regarding the actuarial costs and/or savings under the new State Statute.

No objections were heard.

**UNFINISHED BUSINESS**

**ITEM NO. 9** DISCUSSION Regarding Setting a Date or Cancellation for the DECEMBER REGULAR BOARD MEETING, Due to the Holidays. Recommendation: Take Action Deemed Appropriate.

Trustee Smith moved to cancel the December Regular Board Meeting; seconded by Trustee Tomblin.

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

**ITEM NO. 10** 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.

By agreement of the Trustees, it was determined that this matter would no longer be visited by the Board.

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

**NEW BUSINESS**

**Pension Fund Legal Counsel**

Discussions were held regarding legal representation at Board meetings and whether the Trustees wanted personal representation or teleconference representation. Trustee Nichting requested an update on the contract and its terms for review by the Board at the January Board meeting.

**Public Hearings for Stauthammer, Scott and Camp**

President Troglio said the December 4, 2019, date for the Stauthammer, Scott and Camp matters had been cancelled. Trustee Ball said those hearings were in the process of being rescheduled for January 9, 2020, at 9:00 A.M. in Room 404.
CITIZENS' OPPORTUNITY TO ADDRESS THE BOARD OF TRUSTEES

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

EXECUTIVE SESSION

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

ADJOURNMENT

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

Approved by viva voce vote.

The meeting adjourned at 11:33 A.M.

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