

Quarterly Meeting
Libertyville Police Pension Board
January 12, 2016

Call to Order: President William Plumb called the meeting to order at 3:02 P.M., on Tuesday, January 12, 2016. The meeting was held at the Alan Shertz Building, 200 E. Cook St., Libertyville, IL.

Roll Call: The following trustees were present: Mr. William Plumb (Pres.), Mr. Michael Buchert (Vice Pres.), Mr. Jeffrey Stolzenburg (Secretary) and Mr. Al Johnson (Trustee). Also present were Mrs. Pat Wesolowski, Director of Finance for the Village of Libertyville and Treasurer for the Libertyville Police Pension Fund, Mr. Jeff Goodloe, Esq., attorney for the Libertyville Police Pension Board, Mr. Kelly Weller (Great Lakes Advisors), Mrs. Christy Coon (Great Lakes Advisors), and Chief Clinton Herdegen (Chief of Police, Libertyville Police Dept.).

Minutes: Copies of the July 14, 2015 and October 13, 2015 quarterly meeting minutes were distributed and read. Trustee Buchert made a motion to accept the minutes. The motion was seconded by Trustee Johnson and passed unanimously.

Reports: Mrs. Pat Wesolowski (Treasurer) presented the Board with the May 1, 2015 – September 30, 2015 Treasurer’s Report (deferred from previous quarterly meeting) and the May 1, 2015 – December 31, 2015 Treasurer’s Report. The current total fund balance is calculated at \$27,462,956. Total revenues YTD are \$1,623,186, expenditures YTD are \$1,469,872 with a YTD change of \$126,314. Trustee Stolzenburg made a motion to accept/approve the Treasurer’s Reports. The motion was seconded by Trustee Johnson and passed unanimously. A copy of the 2015 Municipal Compliance Report was reviewed. The report was signed by President Plumb and Secretary Stolzenburg prior to this meeting and was submitted as required under House Bill 5088 for the Village tax levy filing on the last Tuesday of December.

Mr. Jeff Goodloe, Esq. presented the Attorney’s Report. He discussed the Governor’s 400-page report with aims at consolidation of Article III and Article IV pensions under one investment authority. Much legislative work is still needed for this to pass and is not expected to come to fruition any time soon, if at all. With reference to the current Anderson disability developments, Goodloe related that Article III of the Illinois Pension Code does not specifically state that a pensioner who is determined to no longer be disabled be reinstated; however, there is case law noting the difference between Article II and Article IV. Goodloe also noted the 2nd District Appellate Court decision under *Swoboda v The Board of Trustees of the Village of Sugar Grove Police Pension Fund and The Village of Sugar Grove*. The findings of the court agreed with the Pension Board’s decision to deny line-of-duty disability benefits for an injury occurring during the administration of a department fitness test.

The GLA Fourth Quarter 2015 report was disseminated to all Board members (copy attached). Kelly Weller (GLA) started by stating there was, “...a hard start to 2016...and a hard end to 2015 as well.” Only the S&P 500 had a positive end of year close (Weekly Wire handout). Weller went on to indicate that China emerging market is mainly causal for volatility. GLA is currently only using emerging market/international market

investments as a “diversity factor to mitigate risks in other markets” and create a “smoother risk-base.” Per Weller, “2016 is a year for active management.”

Weller indicated the Review and Outlook portion of the Quarterly Investment Review (GLA Report) is still pending. Investment Goals (pg 5) was tabled for discussion later in the meeting.

Weller then reviewed the account summary (pg 6) and position detail (pg 7). Under the performance summary (pg 8), Weller noted the rate of return versus the rate of inflation (return 400 pts over inflation) indicated the portfolio was “looking good to meet the benchmark.” He then went on to discuss the “revamp” of the mutual fund returns breakdown (pg 9). The two investments most strongly affecting the overall picture were emerging markets (-14.92) and small cap (-4.41). Despite these negatives, Weller stated, “By absolute terms, the portfolio did very well. Not an excuse, just stating.” He recommends that, despite the small cap product underperformance, we continue through a 5-year performance cycle.

Mrs. Christi Coon then discussed the IVY High Yield fund, which was sold prior to this meeting. She recommended re-investment in the Lord Abbett High Yield Fund to replace IVY (approx \$750,000). A Lord Abbett informational handout was disseminated to all trustees. Trustee Plumb expressed disagreement with investment in Lord Abbett. Alternatively, Plumb would like to see an investment policy change to completely remove investment in high yield/junk bonds, decrease overall fixed income equity investments, and to increase exposure to equities. Plumb recommended a re-allocation of funds to an equities target of 55% (currently 51%), and a fixed income target of 43% (currently 47%). The removal of high yield bonds (currently 4%), would reduce the current fixed income equity exposure from 14% to 10%....that 4% being re-invested into the equities portion of the fund. Trustee Buchert agreed with removal of high yield/junk bonds from the portfolio and to the expansion of equities exposure. Buchert also did not want to continue investing in high yield funds and wished to hold the funds from the sale of IVY as cash/cash equivalent until further investment options could be presented and investment policy changes effected. Trustees Johnson and Stolzenburg deferred to the expertise of Plumb and Buchert. Weller expressed concerns of the Board’s recent refusals to accept certain investment recommendations by GLA.

After discussion, Trustee Stolzenburg made a motion to change the fund’s investment policy to exclude high yield bond investments. The motion was seconded by Trustee Buchert and passed unanimously.

Trustee Stolzenburg then made a motion to hold IVY funds (\$750,000) as cash or equivalent, to not invest in Lord Abbett, and to wait until the next quarterly meeting to decide on the 4% re-allocation into equities. The motion was seconded by Trustee Buchert and passed unanimously.

A final motion was made by Trustee Stolzenburg to accept the GLA report with holding the portfolio as is. The motion was seconded by Trustee Johnson and passed unanimously.

Old Business: Investment policy review and formal modifications were tabled until the next meeting. Pension Board Rules and Regulations were reviewed and no changes were discussed or recommended.

Atty. Goodloe distributed the Pension Board's exhibits with respect to the pending Anderson disability pension hearing. Anderson's attorney (Wysocki) is asking for a date in March. The Board discussed intent to move forward sooner than March and to request a date in late February. Atty. Goodloe recommends "better evidence practice", which would be live testimony from experts/doctors/witnesses, as opposed to depositions. Per Goodloe, the Board can expect 2 days of hearings in which the Board has the burden of proof.

New Business: Discussion of indexing investment options was passed. Trustee Buchert made a motion to formally authorize the payment of bills as listed in the agenda. The motion was seconded by Trustee Johnson and passed unanimously.

The final QILDRO order in Re Marriage of Kemmet was tabled pending receipt of a certified copy and the \$50.00 fee.

2016 pension increase information was distributed and reviewed (attached.) Trustee Johnson made a motion to accept/approve the pension increases as listed. The motion was seconded by Trustee Stolzenburg and passed unanimously.

Closed session minutes were discussed. Trustee Stolzenburg made a motion to keep all closed session minutes closed. The motion was seconded by Trustee Buchert and passed unanimously.

Statements of Economic Interest were discussed.

Copies of certificates for attendance and completion of 16-hours of continuing trustee education at the IPPFA Trustee Training Program, Grand Geneva Resort, lake Geneva, Wisconsin on October 6-9, 2015 were submitted for Trustees Plumb, Smith and Stolzenburg (attached.)

Public Comment: None

Good of the Board: The next meeting of the Libertyville Police Pension Board will be on April 12, 2016 at 3:00 P.M. at the Alan Shertz Building, 200 E. Cook Ave., Libertyville, IL.

A motion was made by Trustee Stolzenburg to adjourn the meeting, seconded by Trustee Buchert and passed unanimously.

Respectfully Submitted,



Jeffrey Stolzenburg
Secretary