

Quarterly Meeting
Libertyville Police Pension Board
January 10, 2017

Call to Order: President William Plumb called the meeting to order at 3:02 P.M., on Tuesday, January 10, 2017. 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.), and Mr. Jeffrey Stolzenburg (Secretary). Also present were Mrs. Patrice Sutton, 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), Mr. Bruce Ebel (Great Lakes Advisors), and Chief Clinton Herdegen (Chief of Police, Libertyville Police Dept.).

Minutes: Copies of the October 11, 2016 quarterly meeting (including closed session) minutes, the October 13, 2016 special meeting minutes, the November 4, 2016 special meeting (including closed session) minutes, the December 20, 2016 special meeting, and the January 5, 2017 special meeting (to include closed sessions) minutes had been previously distributed to trustees for review. The January 5, 2017 special meeting minutes and associated closed session minutes were being deferred from approval pending the receipt of court reporter transcripts. Trustee Buchert made a motion to accept all other minutes. The motion was seconded by Trustee Stolzenburg and passed unanimously.

NOTE: During the preparation of minutes and other paperwork by Trustee/Secretary Stolzenburg, a possible hire date documentation conflict was found reference both newly hired police officers, Matthew Melvin and Jacob Potts. Both officers had pension applications previously approved (10-11-16 quarterly meeting) that listed 9-27-16 as their hire date; however, current benefit reports issued by the Village show a hire dates of 9-28-16. As they were both sworn-in and were both paid for attending the power test on 9-27-16, Treasurer Sutton verified that this is the correct date and will be used for the calculation of all benefits. The benefit report will have to be modified to reflect the correct date. All pension paperwork is in order and reflects the correct dates.

Reports: Mrs. Patrice Sutton (Treasurer) presented the Board with the May 1, 2016 – December 31, 2016 Treasurer's Report. The current total fund balance is calculated at \$29,089,013. Total revenues YTD are \$2,938,564, expenditures YTD are \$1,511,123 with a YTD change of \$1,427,441. Trustee Buchert made a motion to accept/approve the Treasurer's Report. The motion was seconded by Trustee Stolzenburg and passed unanimously.

Mr. Jeff Goodloe, Esq. presented the Attorney's Report. He updated the board reference current disability pension applicants Alejandro Cardona and Richard Meehan. Depositions for Cardona are being scheduled and Atty. Goodloe will update the board as soon as dates are set. A hearing date for Meehan is being scheduled for Thursday, February 9, 2017 at 1:00 P.M. at the Libertyville Police Dept. A Notice of Hearing will be sent by Atty. Goodloe as well as hearing exhibits for review.

The GLA Fourth Quarter 2016 report was disseminated to all Board members. Prior to the meeting, Kelly Weller (GLA) emailed a copy of the investment review to all trustees with comments attached. Those comments included:

- Account fund balance finished the quarter at \$28.8 MM. Gross year-to-date and 1 year portfolio performance of 7.1% was in line with the actuarial expectation and is tracking ahead of the policy benchmark.
- It was a good quarter for equities which were up 2.2%. However, fixed income experienced a negative return of -1.3% as yields went higher after the election and a December Fed rate increase.
- Overall portfolio return for the quarter was up .6%, but slightly lagged the policy benchmark by .1%. Portfolio allocations to International Developed and Emerging Markets, as well as REIT securities were a slight negative detractor for the quarter.
- The GLA separate accounts performed relatively well for the quarter, with only the Large Cap Value account missing its benchmark.
- The mutual funds provided strong overall performance, with Oakmark International continuing its rebound during the last half of the year. Performance for Templeton Global is now exceeding its benchmark in all periods; committee action on the 'at watch status' is pending.
- We have included a 'Recommendation' page which provides a small requested rebalance before the 2017 Asset Allocation guidance that will follow at the April Meeting.

Bruce Ebel (GLA) then reviewed the GLA report with trustees. Starting with the market overview (pg 4), Ebel indicated that the environment of the market in 2016 was very volatile. The expectation of interest rate hikes were not realized due to other world events that kept the rate going down. However, by the end of the year, interest rates were back up to 2.5%. Despite worldwide volatility, the S&P was up each quarter.

Pages 6 and 7 of the report show that the Libertyville Police Pension Fund (LPPF) is in compliance with statutory limitations and is on target for allocation details. Pages 8 and 9 (Account Summary and Position Detail) show and estimated annual income of \$679,936 and a well-diversified portfolio biased toward equities.

The performance summary (pg 10) shows the underperformance of the GLA large cap product, which Ebel indicates is largely due to statutory limitations of not owning American Depository Receipts (ADRs). With respect to mutual funds (pg 11), Ebel noted that the previously watch-listed fund, Templeton Global Bond Adv (TGBAX), has been removed from that list due to a strong comeback and continued GLA confidence in strategies and managers.

Ebel then reviewed the fund recommendation (pg12) to add \$200,000 into Artisan Int'l Investor FD (ARTIX) which would be taken from Vanguard 500 Index FD ADM (VFIAX). Trustee Plumb questioned the recommendation due to Artisan's below benchmark 3+ year performance (pg 11). Ebel countered that GLA has done their "due diligence" with respect to Artisan and, despite the manager being a possible future candidate for the watch list, they maintain confidence in the fund.

Trustee Plumb then made a motion to accept the GLA report with a rejection of their recommendation to transfer \$200,000 from Vanguard to Artisan. The motion was seconded by Trustee Buchert and passed unanimously.

Old Business: The board then discussed a request for proposal (RFP) to move toward an indexing method of investment for the fund. The fund would maintain the majority of its equity investments in the index (S&P) which would result in significantly lower fees. The fixed income portion of the fund would be managed and would incur fees...but only for that portion of the fund. Trustee Stolzenburg made a motion to have Trustee Plumb, Trustee Buchert, and Treasurer Sutton conduct the RFP and report back to the board. The motion was seconded by Trustee Buchert and passed unanimously.

Trustee Stolzenburg then updated the board with information about previously discussed cyber liability/data breach protection insurance. J. Krug & Assoc's. did not have anyone available to present for this quarterly meeting, but did commit to having someone available at our next quarterly meeting. In the interim, Trustee Stolzenburg will work on obtaining a quote and a specimen policy.

New Business: 2017 pension increase information was disseminated to all board members and reviewed. Trustee Stolzenburg made a motion to approve the 2017 pension increases. The motion was seconded by Trustee Buchert and passed unanimously.

LPPF Rules & Regulations were reviewed and discussed. No modifications, additions, or subtractions were recommended.

Atty. Goodloe discussed the Mendelsohn annual exam report (Dr. Giannoulis), which had been previously distributed to the board for review. The report indicates that disability pensioner Mendelsohn remains disabled. Trustee Buchert made a motion to accept that report and to continue Mendelsohn's disability pension benefits subject to future exams. The motion was seconded by Trustee Plumb and passed unanimously.

With respect to board member elections, only Trustee Stolzenburg's position will expire in 2017. Nomination notices will be disseminated to all active members with election ballot posting to follow if nominations other than Trustee Stolzenburg are made. If no other nominations are received, Trustee Stolzenburg's position will continue for another 2-year term as uncontested.

Closed session minutes were discussed. It was noted that the Open Meetings Act (OMA) has no standard for closed session minutes to be kept closed or to be made public. A more intensive evaluation of the minutes will be made at our next semi-annual review in an attempt to open some of these minutes. Trustee Stolzenburg made a motion to keep all closed session minutes closed. The motion was seconded by Trustee Buchert and passed unanimously.

Routine bills that have been paid after informal approval by email are listed on the agenda and were discussed and reviewed. Trustee Buchert made a motion to formally approve the bills as listed. The motion was seconded by Trustee Plumb and passed unanimously by roll call vote.

Statements of Economic Interest were discussed. Notifications should be arriving soon and completed forms are due by May 1, 2017.

No trustee training certificates were submitted.

Public Comment: None

Good of the Board: The next quarterly meeting of the Libertyville Police Pension Board will be on April 11, 2017 at 3:00 P.M. at the Alan Shertz Building, 200 E. Cook Ave., Libertyville, IL.

At 4:00 P.M., a motion was made by Trustee Plumb to adjourn the meeting. The motion was seconded by Trustee Buchert and passed unanimously.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Jeffrey Stolzenburg", written in a cursive style.

Jeffrey Stolzenburg
Secretary