

City of Hickory Hills
Police Pension Board Meeting Minutes
July 17, 2013 5:30pm

Attendance: Dan Davis(Morgan Stanley, Smith Barney- David Wetherald, President-Robert Troy, Vice President and Retiree-Dan McCauley, Elected Trustee-James Kardelis, City Appointed Trustee, Mary McDonald, Secretary and City Appointed Trustee- Dan Schramm, City Treasurer

Dan Davis did a pension fund investment portfolio review as of Monday, July 12, 2013. The mutual fund he is concerned with is the American Funds Fundamental. The year-to- date activity shows in 2013 the fund was up 12.5% and that looks good on a relative basis it really does not look that great. Last year it was plus 1.98% but the 3 year and 5 year numbers have underperformed. The 3 year performance of this fund was 150 basis points and the 5 years about 195 basis points. When I say that it underperformed it underperformed its benchmark. The benchmark is the S&P500 on this. The Morning Star performance rating is that it is two stars for three years but the alarming part is that it is two stars for five years as well. So that I wanted to point out to the group, we own approximate market value \$572,000 it is hard for me to recommend selling a fund that is up 12.5% year to date but once again compared to its benchmark it has underperformed a little bit, but it really has underperformed for five years and if we stay within our discipline approach we do not let a manager underperform for 5 years This is the one fund that probably warrants a discussion. The board after discussion decided to review this investment again at the next meeting.

What the board needs to do tonight is decide where to invest the \$300,000 in the money market earning zero, although we are concerned with interest rates moving up gradually I think we are really left with only one or two ideas which are short term CD's or we can look at mortgages. On short terms Cd's you have to go out three years to get 1% now on our brokered CDs. We can get 2.5% by going out three to four years with the mortgages and that seems like a much better idea. The fund might own them longer than the three to four years and if interest rates move up you are still getting a higher coupon and you are getting your 2.5%. It might make sense to invest \$200,000 of the \$300,000 in a mortgage security. After a discussion the board unanimously voted to invest \$250,000 in mortgages.

The next scheduled meeting of the Hickory Hills Police Pension Board will be Wednesday, October 23, 2013 at 5:30pm.

Dan Schramm stated that he has obtained a FEIN (Federal Employer Identification Number) for the City of Hickory Hills Police Pension Fund to separate this fund from the City. This will allow the Pension Fund to purchase Cd's and the City to purchases Cd's at the same institution and have FDIC protection. The current CD investments of the Police Pension Fund will remain with the City's FEIN number as that is how they were registered, but moving forward the new number will be used for the pension fund investments. In respect to the pension payroll the change will take effect January 1, 2014 so that the retirees will only need to receive one 1099 for the year 2013.

Robert Troy, James Kardelis, and David Wetherald will be attending the October Conference in Lake Geneva to meet their annual training requirements. Dan McCauley stated that to satisfy his training for the year. He took an eight hour class and did eight hours of online training and will provide the support.

While at the October conference Jim Kardelis will talk with the various investment companies to look for a fund manager. This will allow the fund to invest in other areas we the fund cannot at present with a broker.

Mary asked if everyone has reviewed the request from the Coalition for Qualified Status. They are looking for another contribution of \$300.00 to keep the plan IRS qualified. The board unanimously voted to pay the \$300 to the Coalition.

Bob Troy made a motion to adjourn the meeting, David Wetherald 2nd the motion.

The meeting ended at 6:30pm