

Meeting: Wednesday, August 24, 2011 5:30pm

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Location: Police Department Conference Room

In attendance: David Wetherald (President/Active Member Elected Trustee), Robert Troy (Vice-President/Retiree Elected Trustee), Dan Schramm (City Treasurer), Mary McDonald (Secretary/City Appointed Trustee), Dan McCauley (Active Member Elected Trustee), James Kardelis (City Appointed Trustee), Dan Davis (Smith Barney, Broker)

Approval of the minutes of the April 27, 2011 meeting was made by the board.

Dan McCauley enrolled on-line to attend the January 2012 IPPFA 32-Hour Trustee Certification Course to be held in Naperville. He gave the support documentation to Mary to issue the required \$750.00 fee. James Kardelis, and David Wetherald will be attending the Annual Conference to be held in Lake Geneva, Wisconsin at the Grand Geneva Resort and Spa. The conference runs October 4<sup>th</sup> through the 7<sup>th</sup>. Mary will forward the conference registration information while David and Jim will make their own travel accommodations for reimbursement. Mary attended the April 2011 conference in St Charles. Bob Troy cannot make the Annual Conference and is planning on attending the April 2012 conference. The Trustee Certification program will complete the training requirements for Dan McCauley.

Dan Davis of Smith Barney reviewed the July 31, 2011 investment statement; along with the August 24, 2011 maturity schedule and the major market swings in the past three weeks.

The change in value as of the July 31<sup>st</sup> statement reflects a year-to-date change in value of a plus \$642,836 (that is a plus 3.92% through July). July was not a fantastic month but there is a small change in value to the plus side of \$29,352. The year-to-date market gain of \$642,836 takes into account all the money coming into the account and all the money that goes out of the account. If you look at the checks issued for the year on the July statement of \$489,655 and the deposits for the year of \$720,257 this nets to a positive of \$230,602. The account value is \$17,268,805. If you add up the mutual funds (\$5,115,953) which is 29.63% and the annuities (\$3,046,667) which is 17.64% total (\$8,162,621) which is 47.27% equities. The board is trying to keep investments at 50% of equities and 50% of fixed income. The closing balance in the money market is \$95,585.

If we take a look at the maturity schedule and where the account is as of the close of market August 23, 2011, the equity portion is down about 8% year to date. The good news is that the other 50% is up about 7-8% so our YTD performance is pretty flat. How can we be up 7-8% in bonds when our average yield is 4%? That is because you have the income of the bonds at 4% and the appreciation of the bonds at 3-4%? So through yesterday's close we are really back where we started January 1, 2011.

Upon review of the maturity schedule dated August 24, 2011 the portfolio has a current market fund balance of \$16,485,654 containing a money market balance of \$199,900. The fund has a MetLife annuity contract actually comes due on Sept 23, 2011, the beginning balance was \$900,000 and as of August 24, 2011 market value is \$1,348,309 difference of \$448,309 so even with the market correction this annuity

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is up about 50% since the fund has owned it. Dan Davis recommended the board surrender that contract and reallocates the proceeds into equities as it is a more efficient way to reinvest. Currently ten year treasury bonds are yielding 2.1%. We do not have to decide today which mutual funds we want to buy. Dan Davis recommended that the board would be better off to wait until we receive the proceeds as we will not receive them till October and then we can decide how to allocate them when we meet in October. In addition we have a Treasury Strip maturing on November 15, 2011. This reinvestment can also be discussed at the next meeting. When we meet in October, I will have numbers to show you how the eight mutual funds are performing, especially during a market down turn. I think at that time it would make sense to see if we are going to make any changes. There were two funds that we talked about at the last meeting in April. One was the Europacific Fund and the other was the Growth Fund of America both offered by American Funds. These are two funds that we should consider replacing. Basically they are under performing based on their benchmarks. The board agreed to surrender the annuity if at the time the maturity matures it is still above the purchase price.

Dan Schramm stated: The City will be making its plan year contributions of \$650,000. The distributions will be \$325,000 in December 2011 and \$325,000 in April 2012.

Prior to Dan Davis leaving the meeting a tentative meeting date of Wednesday October 26, 2011 was agreed upon pending everyone checking their schedules.

Dan Schramm stated: We are going to have another actuarial evaluation as soon as the annual report is complete for Art Tefner. The city auditors said that the actuary needs information from the Illinois Dept. of Insurance to complete the actuarial evaluation. The Dept. of Insurance said that we may not be getting that information till the middle or end of October or November.

Dan Schramm- Anything more on the military buybacks.

Dave Wetherald stated: I sent the info that Mary sent me to each of the officers (Mike Rattigan, Al Lopez, and Eric Schultz) and had a meeting with each guy explaining it to them. I told them from the time I sent the email as we (the pension board) agreed that the calculated amount to be paid to the pension fund for the two year buyback would be only good for 30 days.

Meeting adjourned 6:25pm