

Date: October 26, 2011 5:35pm

Page 1 of 2

Location: Police Department

In attendance: Dan Schramm, Robert Troy, David Wetherald, Dan McCauley, James Kardelis, Mary McDonald, Dan Davis (Smith Barney)

Dan Davis reviewed the September 30, 2011 Morgan Stanley Smith Barney statement showing the beginning balance for the year net of deposits and withdrawals was \$16,511,591 and the total value as of Sept 30, 2011 was \$16,123,501. The fund was down \$388,090 or 2.35% from the beginning of the year. The month of September showed a change in value down \$567,487.

The Oct 24, 2011 maturity schedule shows the current market value of the funds to be \$16,537,291.

The MetLife annuity that matured September 23, 2011 was surrendered and the amount of \$1,250,081.34 was deposited on October 3, 2011 into our money market account at Smith Barney.

This investment was originally purchased September 23, 2002 for the amount of \$900,000.

The Treasury STRIP that was purchased May 20, 1996 for \$102,062 with a 7.081% yield will mature on November 15, 2011 for an accreted value of \$300,000.

As of October 24, 2011 the Morgan Stanley AA Money Trust account has a balance of \$1,358,580 (this includes the annuity surrender) and the Smith Barney Money Market a balance of \$12,596 totaling \$1,371,176. With the addition of the \$300,000 (proceeds from the matured treasury strip) the new total will be \$1,671,176. After considering the monthly payouts for the pension payroll of approx. \$70,000, the GNMA monthly principal return and GNMA monthly interest the board decided to reinvest \$1,500,000. With the current 10 year treasury currently having only a .22% interest rate the board decided that a better return could be made reinvesting in equities. When looking at the September 2011 Smith Barney Statement the portfolio shows 42.6% invested in equities, the cap for the fund is 50% so the total reinvestment into equities is not an issue. As of July 1, 2012 the investment percentage for equities increases to 55%.

Upon review of the performance on the Expert Fund Reports for each of the currently held eight mutual funds the board unanimously decided to close the Growth Fund of America Investment currently valued market of \$515,590 as of October 24, 2011 and reinvest into our currently held Lord Abbett Fundamental Equity Fund.

After discussion the board decided to invest \$500,000 of the \$1,500,000 into the IVY Mutual Funds.

One third in each of the IVY Mutual Funds currently invested in by the fund: The IVY International core Equity Fund, IVY Mid Cap Growth Fund, IVY Small Cap Group Fund. This will give the fund more exposure to the small and midcap mutual funds.

To further diversify the portfolio, Jim Kardelis inquired about purchasing Corporate Bonds. Due to the size of our fund we can do it, but this investment must be purchased through a money manager per the Illinois Dept. of Insurance's investment guidelines. Mr. Davis is a broker/dealer. A ten-year treasury is currently yielding 2.20%. A Corporate Bond with the same rating would yield approximately 2.7%.

Jim then asked about investing into Total Return Mutual Funds. Total Return Funds will allow us to better manage risk and through dividends that are reinvested deliver returns that may not be as high as those of other mutual funds but beat the prevailing rate of interest somewhat consistently offsetting the swings of the other market investments. The pension board agreed to look into these funds to invest the remaining \$1,000,000. Dan Davis upon return to the office tomorrow will email Mary with Total Return Fund recommendations for her to email the board members to come to a consensus on an investment.

Date: October 26, 2011 5:35pm

Page 2 of 2

Location: Police Department

In attendance: Dan Schramm, Robert Troy, David Wetherald, Dan McCauley, James Kardelis, Mary McDonald, Dan Davis (Smith Barney)

Before Dan Davis left the meeting the board decided that the next meeting of the pension board will be Wednesday, January 25th at 5:30pm at the Police Dept. Conference Room. Mary will email everyone the next day to remind everyone to check their calendars.

At the last board meeting, the board had approved the completion of an actuarial for April 30, 2011. Mary mentioned that Wolf & Company, the city's auditors, require a pension fund actuarial every other year. One was done for fiscal year ending April 30, 2010, thus saving the pension board \$2,000 as we would use the Illinois Department of Insurances annual actuarial for year ending April 30, 2011. Public Act 96-1495 effective January 1, 2011 requires alterations to the process the Dept. of Insurance provides suggested tax levy information. Mary contacted Michael Langenfield at the Dept. of Insurance and he does not anticipate the actuarial to be able to be done until sometime mid or the end of 2012.

Upon review of the Illinois Dept. of Insurances April 30, 2010 tax levy determination for the City of Hickory Hill at \$754,576 and the recommendation of Art Tepfer Consulting Group to be \$766,946, Dan Schramm stated that the market value of the investments have improved since April 30, 2010 and an up-to-date actuarial would give a better picture of the City's annual contribution. Mary will contact Art to move forward with an April 30, 2011 actuarial report for the City's April 2013 budget.

With the December pension fund payroll Mary will be attaching the Annual Verification for Member/Beneficiary form required to insure that the information on these pension fund members is current and up-to-date.

Mary provided a listing of the pension payroll payouts and how they would change next year due to the 3% annual increase given every January for retirees over the age of 55.

In January 2012 nomination letters will be going out to the retirees and the disabled fund members as Robert Troy's term will end April 30, 2012.

A check was issued to James Kardelis in the amount of \$690.35 (attended 3 days) and a check to David Wetherald in the amount of \$597.77 (attended 2 days) to cover their expenses while they attended the Annual Conference held in Lake Geneva to receive the required annual training of 16 hours.

At the conference David Wetherald said the topic of stipends given to board members for their services on the board was discussed in the ethics session. This is prohibited under the Gift Ban Act.

Jim Kardelis at the conference talked to the money managers present and found that four or five of them are local and may be suitable fit for our fund. We would then work through a broker and a money manager. The money manager would allow us to purchase the investments of Corporate Stocks and Bonds that we cannot through a broker creating more diversity and investment transparency in the fund. The board had interviewed several money managers a couple of years ago, but would entertain the idea again. Jim said he would pursue the matter trimming down the selection and get back to the board. The board could possibly interview them at our January or April meeting.

Mary provided the board with the meeting notes from the August 24, 2011. The board requested some changes to the notes. Mary will make the changes and email the revised minutes to the board members for approval.

Meeting adjourned 7:00pm