

City of Hickory Hills Police Pension Board
Specially Called Meeting
June 8, 2016 5:30pm

Attendance: David Wetherald, President; Robert Troy, Vice-President; Dan Schramm, City Treasurer; Mary McDonald, Secretary; Jim Kardelis, Trustee

Tom Sawyer and John Falduto of Sawyer, Falduto Asset Management LLC had put together a summary analysis based on the Hickory Hills Police Pension fund investment portfolio provided by Mary which shows where the fund is today and where your fund would be if it was managed by Sawyer Falduto. Sawyer Falduto is now managing 119 other funds attained within the last 8.5 years. Their responsibility would be to take care of the day to day investing of the fund using the II State Statute investment guidelines, the investment management agreement, and the City of Hickory Hills pension fund investment policy that has investment parameters within it. They will also work with the City's auditors if there is any need in regards to fiscal year end audit filings and GASB requirement. Schwab would be a separate independent custodian of the asset investments. If Sawyer, Falduto managed the whole portfolio, both the equity and fixed investments the firm can make portfolio level investment decisions without waiting for a quarterly meeting and the fund may have missed an investment opportunity.

Jim Kardelis stated that instead of Falduto handling all sections of the equity market and the bond market the fund would have a large cap manager, a mid-cap manager, an emerging markets manager, a bond manager; each experts in their respective market instead of a general manager.

John Falduto stated that the way the state statute is written regarding the fixed income side of the portfolio is not overly complex and staff as Sawyer Falduto has been managing bonds for over twenty years. The analysis side of the stocks is much more complex than the fixed income side of the portfolio and that is why Faludto uses mutual funds managers for the equity portion of the portfolio and Faludto is the overseer of the equity funds. Our role as the fiduciary is to make the decisions on what makes the most sense for the portfolio. As a general rule the performance of a mutual fund in relationship to its peer group for two or three quarters in a row gets our attention, but we do not want to make a decision too quickly because you land up chasing returns. The performance, a management change, a structural change to the operation of the fund will cause us to review the fund for a possible change, both to sell or buy a fund on a timely basis.

Our role as the fiduciary is to make the decisions on what makes the most sense for the portfolio along with direction from the police pension board.

The fee is 25 basis points and the mutual fund fees are built in and all of our performance is net of all those fees. Investments are 100% no load front or back fees or early withdrawal penalties and we do not collect any 12B1 fees from the mutual funds as we use institutional classes of shares which is the lowest cost share available. The only fee is the one we charge you in hard dollars per quarter. One quarter of our annual fee is due at the end of a quarter.

Schwab has an account asset transfer form to move the portfolio assets from Morgan Stanley to Schwab. Once the completed form is presented to Morgan Stanley the assets start to transfer over in about two days. After the funds are transferred a meeting with the pension board can be held regarding the changes to the transferred assets.

A monthly statement is received from Schwab as well as a quarterly performance report by the pension board.

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A review of the summary analysis of our portfolio they provided for this meeting was reviewed

Tom Sawyer and Jim Falduto left the meeting.

The board has a discussion regarding the presentation made on June 7th by the Morgan Stanley firm and today's presentation.

David recommended that before we adopt the new investment policy that we sit down with the firm of choice and discuss the pros and cons of the new investment policy.

The board will have Mary forward the Sawyer Falduto contract to Attorney Reimer for review before moving forward with a vote.

David read the portion of Sawyer Falduto's contract verifying that written notice not an email would need to be provided to them to terminate the agreement at any time.

The decision on the investment firm will be finalized and a vote taken at the July 20, 2016 meeting.

The meeting adjourned at 7:00pm.