

City of Hickory Hills
Police Pension Board Meeting Minutes
January 20, 2016

Attendees: David Wetherald, President; Robert Troy, Vice President; Mary McDonald, Secretary; Scott Sodaro, Trustee, James Kardelis, Trustee, Dan Schramm, City Treasurer; Dan Davis, Morgan Stanley VP

Dan Davis reported that 2015 was a tough year to make money. In regards to equities for 2015; the DOW Jones was up a quarter of one percent, the S&P500 was up just over 1%, the NASDAQ index was up anywhere from 5% to 8%, and the International index was down 3.3%. In regards to fixed income the ten year Treasury started 2015 earning 2.17% and ended the year at 2.28% up one tenth of one percent. The City of Hickory Hills began the year 2015 with a market balance of \$21,565,887.92 with a net change in cash activity of a negative \$174,315.45 and a market value change of a negative \$261,270.94 the fund balance at the end of 2015 was \$21,130,301.53. Dan Schramm made a suggestion that a portion of the mutual fund investments with fees anywhere from 60 to 150 basis points in fees to outperform the indexes should be moved to purchase an index fund with fees of only 35 basis point in an attempt to reach the goal of a return of 7% annually. Dan Davis was concerned that the right index would be difficult to choose to give the portfolio the proper diversification and the market has not yielded returns on a consistent basis to justify this investment change. The performance report that is currently provided by Morgan Stanley to measure our portfolio to the market is not provided as a blended index. Dan Davis stated that a blended index performance report for measurement is not available at this time.

In reviewing the performance of each mutual fund, three funds underperformed in 2015 and needed to be addressed. The Delaware Emerging Markets mutual fund is the highest risk investment in our portfolio and was first purchased in October 2013. Morgan Stanley believes that a newly acquired money manager should be given three years to perform and the Morning Star rating is favorable so the board decided to keep this investment as is. The Ivy Mid-Cap Growth Fund, which is a fund that the pension fund has made money with, but the fund in the past year has given some of that money back in poor performance. Dan Davis presented the J P Morgan Mid-Cap Fund to replace the Ivy Mid-Cap fund. Jim Kardelis made a motion to move the funds. David Wetherald second the motion. The board unanimously agreed to sell the Ivy Mid-Cap Growth Fund and purchase the J P Morgan Mid-Cap Fund. The Nuveen Santa Barbara Dividend Growth Fund has underperformed and without a replacement fund the board decided to liquidate a portion of this fund at this time and investment more in an existing fund. The board decided to take \$250,000 from the money market balance and \$750,000 from the Nuveen Santa Barbara fund and add to the American Fundamental Investors Fund. Robert Troy made a motion for the sale of Nuveen and the money market funds of \$250,000 to invest \$1million in the American Fundamental Investors. David Wetherald second the motion. The board unanimously agreed to move forward with the sell and investment. A further review of the portfolio showed that 30% of the equity investments are in International stocks. The board determined that was too high and should be reduced to 20%, but will address this issue at the April meeting.

The next meeting of the pension board will be Wednesday, April 27th at 5:30pm at the Police Dept.

Jim Kardelis made a motion to approve the minutes of the November 9, 2015 pension board meeting. Scott Sodaro seconds the motion. The board unanimously agreed to approve the minutes.

At the prior meeting the board approved the purchase of a GNMA after the maturity of December certificate of Deposit. Upon its maturity the investment of a little over a half a million dollars in a GNMA was made.

The pension board has a new member as of January 1, 2016. Mr. Peter Trzeciak joined the police force and will be participating in the police pension fund. The pre-employment medical bills for Mr. Trzeciak will be paid by the City and 50% will be reimbursed by the pension fund. The medical bills will be presented at the next board meeting.

Jim Kardelis's term will be ending April 30, 2016. He stated that he would accept another two-year appointment.

Mary asked for approval for \$325 to be expended for her attendance at the May East Peoria Conference. The board unanimously approved the expenditure.

Mary stated that she will send out the request for nominations for the retiree position on the board in February with the election to be held in April.

Mary stated that all of the retiree annual certifications have been received for 2016.

Dan Schramm stated that the topic of the underfunded balance in the pension fund will be addressed during the City's budget meetings in April 2016 for the new budget year 2016-2017.

In the packet was the existing, dated investment policy for the police pension fund along with one provided by the investment firm of Sawyer, Falduto. The board was asked to review their investment policy for consideration to update our existing policy. Currently the pension board has been following the investment guidelines of the state statute for police pension funds since the current policy in place is outdated.

Jim Kardelis was not at the meeting when the presentation was made by Sawyer, Falduto. He will meet with the representatives of Sawyer, Falduto before the next meeting to discuss a possible relationship in the near future as the board attempts to find a way to move the portfolio to new opportunities.

The meeting adjourned at 7:07pm.

