

LAKE BLUFF POLICE PENSION FUND  
REGULAR BOARD MEETING  
January 21, 2016 5:30 P.M.

Roll Call

President Vinson called the regular meeting to order at 5:38 P.M. at the Lake Bluff Public Safety Building Conference Room.

Trustees Present: Brad Adams, Mark Betz, Erik Gehrke (arrived at 5:43), Catharine Lemieux and Tom Vinson.  
Trustees Absent: None.

Others Present: Treasurer Susan Griffin, Attorney Barbara Bell, and Graystone Consulting Advisors Thomas McShane and James Kolbusz.

Non-Agenda Items and Visitors

None

Approval of Meeting Minutes & Consideration of IPPFA Membership Dues

Trustee Adams opined that the Board decided against continuing its membership in the IPPFA organization at the October 15<sup>th</sup> meeting. Treasurer Griffin's notes indicate that no firm decision had been made at the October meeting. *Trustee Adams moved to not renew membership in the IPPFA organization; the motion was seconded by Trustee Lemieux and approved on the following roll call vote: Ayes: Adams, Betz, Lemieux, and Vinson. Nays: None. Trustee Gehrke not present for this vote.*

Trustee Adams stated that the October 15, 2015 minutes, Item #1 paragraph 3-Investments should reflect that the portfolio is underweight in international equities not large cap equities. *Trustee Adams moved to approve the October 15, 2015 minutes as amended; seconded by Trustee Lemieux and approved unanimously on a voice vote. Trustee Gehrke was not present for this vote.*

**1. Investments/Investment Policy**

a. Investment Report

Mr. McShane distributed an investment report as of December 31, 2015. He discussed the capital markets overview for the 4<sup>th</sup> quarter of 2015. Mr. McShane commented on the S&P 500 by sector noting that the energy sector was down 21% for the year but consumer discretionary sectors were up almost 26%. Trustee Lemieux asked about the composition of the diversified financials category. Mr. McShane remarked that MSSB 12-month S&P price target methodology shows the base case outlook as 13.2% upside with a 60% probability (with a current S&P 500 price of 1922.)

Mr. Kolbusz reviewed the portfolio target allocations and performance by asset class compared to the fund total and benchmarks, respectively. He noted that the portfolio is underweight in cash and fixed income and overweight in mid-cap and large cap equities. Discussion ensued regarding ASB Capital Management past performance with Mr. Kolbusz stating that during the 4Q2015 the fund reallocated \$733k under ASB management to Harding Loevner and cash. He stated that Cohen & Steers REIT performance for 2015 is -3.36% compared to its benchmark at 2.83% and is currently under review by MSSB.

Mr. Kolbusz distributed graphs showing the Russell 2000 and Russell mid-cap benchmark with quartile rankings of actively managed funds noting that fewer than half of the small blend managers are beating the index and only 10% of the mid-cap blend managers are beating the index. Mr. Kolbusz also distributed an exchange traded funds index analysis showing the expense ratios, total assets, and 2014 and 2015 returns for mid cap and small-cap equity funds. He recommends closing the Vanguard Mid-Cap (VMVIX) and distributing the proceeds into \$200,000 cash for monthly disbursements and the balance into iShares Core S&P Mid-Cap (IJH); and selling the Vanguard Small-Cap (NAESX) Index Funds and using the proceeds to purchase iShares Core S&P Small-Cap (IJR). *Trustee Adams moved to authorize the reallocation of funds as discussed; seconded by Trustee Betz and approved on the following roll call vote: Ayes: Adams, Betz, Lemieux, and Vinson. Nays: None. Abstained: Gehrke.*

**2. Treasurer's Report**

Treasurer Griffin reviewed the Statement of Net Assets and Changes in Net Assets reflecting unaudited net assets as of December 31, 2015 of \$9,141,909. The Changes in Net Assets shows the estimated amounts for January-April 2016 with a projected net asset amount of \$8.957 million at the end of the fiscal year. Treasurer Griffin noted that the non-interest bearing checking account with Lake Forest Bank & Trust has a balance of \$106k; therefore she will contact MSSB to reduce the amount of the monthly cash transfer to the checking account in order to minimize the balance in the account. *Trustee Adams moved to accept the Treasurer's Report, seconded by Trustee Lemieux and approved unanimously on a voice vote.*

**3. Pension Trustee Elections & Appointments (Lemieux, Betz, Vinson & Gehrke)**

Treasurer Griffin noted that the terms of Trustees Lemieux, Betz, Vinson and Gehrke are up at the end of April 2016 requiring reappointment for Trustee Lemieux and vote of the beneficiaries for Trustee Betz and among the active officers for Trustees Gehrke and Vinson. Treasurer Griffin will send notices to all beneficiaries and active participants for nominations to start the process. Trustee Lemieux indicated that she is willing to stay until the end of 2016 but does not desire to be reappointed to another two year term. Treasurer Griffin will advise Village President Kathleen O'Hara so that she can begin recruitment of a replacement Trustee.

**4. Disability Pension Recipients Annual Physical Examination**

The Illinois Municipal Code 40, ILCS 5/3-115 states that "Medical examination of a police officer retired for disability shall be made at least once each year prior to attainment of age 50, as verification of the continuance of disability for service as a police officer. No examination shall be required after age 50." Treasurer Griffin noted that, in the past, Attorney Collins has coordinated the scheduling of the examinations with the physician and the disabled officer. He receives the medical report and provides the results to the Pension Board. Disability pension recipients Betz, Canzoneri, and Landy are under age 50 and subject to this examination. Attorney Bell noted that INSPE is a service that assists pension funds in doctor selection specific to the beneficiary's disability. After discussion, the Trustees agreed to authorize Attorney Collins to coordinate the fitness for duty examinations for the disability pension recipients pursuant to the IL Municipal Code.

Trustee Lemieux left the meeting at 7:00 PM.

**5. Board Member Training Updates**

Trustee Adams completed his required ethics training. He will forward the certificate of completion to President Vinson for recordkeeping.

**6. Executive Session – None**Items from the Members/Treasurer

None

Next Board Meeting Dates

- The 2016 regular meetings are scheduled for: **Thursday at 5:30 PM in the Lake Bluff Public Safety Conference room April 21, July 21, and October 20, 2016.**

Adjournment

At 7:07 P.M. Trustee Adams moved to adjourn the meeting; Trustee Gehrke seconded the motion and it was approved unanimously on a voice vote.

Respectfully submitted,

Mark Betz  
Secretary

Susan Griffin  
Treasurer/Recording Secretary