

GLENVIEW POLICE PENSION MEETING

April 28, 2016

Next Meeting Date: Wednesday - July 27, 2016

In Attendance:

K. Christell - President
G. Colis – Vice President
J. Foley – Board Secretary
D. Owen – Treasurer

M. Tomanek – Morgan Stanley
M. Bosley – Village Finance
D. Flessner – L & A
Jason Franken - Actuary

ROLL CALL:

The meeting was called to order at 8:35am by Board Secretary J. Foley.

MINUTES:

Motion made by J. Foley and seconded by K. Christell to approve the minutes with two amendments. All in favor.

TOMANEK:

Presented the Glenview Police Pension Fund Quarterly Performance Review ending March 31, 2016.

Quarter in review:

Despite the worst January in global stock market history, US equity markets ended the quarter about even and international positions down 3-5%. Fears of a global recession, ineffective central bank policy, China currency war and declining oil process all caused investors' anxiety. The S&P 500 Index increased 1.3% for the quarter, and value stocks leading the way over growth stocks. The bond market benefited from falling rates: the 10-year US Treasury yield fell to a quarter end of 1.77% from 2.27%.

Looking Ahead:

We are seeing encouraging signs of stabilization in China, and believe a gradual rebalancing will continue. Oil prices seem to have bottomed, and are likely to stay subdued for some time. The risk of recession has risen to 30%; however global recessions are relatively rare, (10 times in the last 45 years). Our economists' expectation for Developed Markets inflation in 2016 is now down to just 0.8%, and 1.9% for 2017. We expect only one rate hike from the Fed in late 2016. Repeated easing initiatives by global central banks are having diminishing effects on financial markets. "Things are mixed, not great."

Manager/Fund Issues:

Key Portfolio Manager for Virtus Emerging Markets Funds to retire May 2016.

Graystone During the Quarter:

Created Draft Mutual Fund Watch/Fire Criteria and assisted Finance in transfers for pension payroll.

Complied analysis for the Village to complete the GASB 67/68 reporting requirements.

Revised Asset Allocation Analysis to reflect the updated Global Investment Committee expected return assumptions.

Attended the Graystone Annual Directors meeting.

Recommendations:

- Rebalance the equity portfolio back to targets
- Considering transferring \$1.5 million from Large Growth and all emerging markets to fixed income (Segall Bryant or ladder).
- Review and consider new mutual fund Watch/Retention Criteria
 - Qualitative change in manager's stated style
 - Significant professional turnover at management organization
 - Quantitative excessive historical underperformance
 - Less favorable risk adjusted returns as measured by Sharpe, down capture, or peer comparison
 - Excessive style drift measured by R2
 - Overlap or incompatibility with existing fund managers
 - Historical risk potentially incompatible with board tolerance

OWEN:

Stated, in looking at the long term picture of police at 7% and fire at 7.25%, both boards should be sharing information related to pension levels. It is about future liability and solid management. It's important to have discussions between the two boards when it comes to global issues related to long-term returns. He stressed the importance of taking small steps and then re-evaluating.

BOARD:

The information on lowering the investment rate of return to 6.75% will be shared with the Village.

Trustees Colis and Christell discussed selling the Virtus Emerging Market Funds now compared to waiting for an additional 3-months.

COLIS:

Requested Jason calculate the difference between the investment rate of return of 7.0 % to 6.75%.

BOSLEY:

Presented the Cash Flow Analysis for the pension fund. Everything is on target and will look at the long range outlook for investment returns.

DEREK:

Presented the Monthly Financial Report for the Month Ending March 31, 2016 and the Cash Basis.

FRANKEN:

Presented the Actuarial Valuation with a 90% funding value. The initial target was changed from 100% to 90%. The updates showed a considerable change due to changes to the mortality table (includes females, etc.). Not included in the report is that liabilities were coming in lower than what was reported by Art Tepfer. Art also reported additional numbers of retirees at 43 v. 42, included a COLA adjustment for surviving spouses which they do not receive. He was over stating surviving spouse information by \$2.4 million. By removing the data presented by Art, Jason's calculation lowered by 2.4 million. Jason will also be removing the following wording: *Fractional parts of years used in describing pension benefit calculation*. All assumption data are now the same across the board.

Motions:

Motion made by J. Foley and seconded by K. Christell to revisit increasing equity allocation as well as consideration of 55% to 60% high yield next quarterly meeting. All in favor.

Motion made by J. Foley and seconded by G. Colis to approve a change in the rate of return to 6.75%. All in favor.

Motion made by J. Foley and seconded by Colis to instruct Jason Franken – Actuary to re-do the actuarial rate report showing the 6.75% rate. The report will include the actuarial assumption listing at no charge. All in favor.

Motion made by K. Christell and seconded by J. Foley to move 1.5 million out of large Cap Growth and split 50-50 between AM-CAP and Growth Fund. Taking \$750,000.00 from AM-CAP and American Funds Growth and moving to cash. The purpose is to get in line with policy and rebalance. Also the appropriate funds to address per Mary Tomanek. All in favor.

Motion made by J. Foley and seconded by K. Christell to accept probationary Officers Neil Gunderson (4/25/16) and Thomas Varga (4/27/16) as Tier II into the police pension fund. All in favor.

Motion made by J. Foley and seconded by G. Colis to continue the same liability insurance policy with no changes to coverage with Chubb Insurance and to also disburse funds of \$16,275.00 with Mesirow Financial. All in favor.

Meeting adjourned by J. Foley and seconded by K. Christell at 11:00am. Additional meeting dates of July 27(Wednesday) and October 25 (Tuesday).



Kevin Christell – President
Glenview Police Pension