Downers Grove Police Pension Fund Board of Trustees

Regular Board Meeting

May 8, 2017

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DOWNERS GROVE POLICE PENSION FUND
BOARD OF TRUSTEES

REGULAR BOARD MEETING
May 8, 2017
9:00 a.m.

REPORT OF PROCEEDINGS HAD and testimony taken before the DOWNERS GROVE POLICE PENSION FUND BOARD OF TRUSTEES, taken at the Downers Grove Village Hall, 801 Burlington Avenue, Downers Grove, Illinois, before JANET L. HAYDEN, C.S.R., License #084-004484, a Notary Public qualified and commissioned for the State of Illinois.

PENSION BOARD MEMBERS PRESENT:
MR. PAUL LICHAMER, President
MR. ANDREW BLAYLOCK, Trustee
MR. DENNIS BURKE, Trustee
MR. BILL NIENBURG, Trustee
MR. NORM SIDLER, Trustee

ALSO PRESENT:

MS. Judy Buttny

Ms. Jessica Fain, Lauterbach and Amen

Mr. Eric Endriukaitis, Lauterbach and Amen
Mr. Doug Oest, Marquette and Associates

PRESIDENT LICHAMER: Call to order the Downers Grove Police Pension Fund Board meeting for May 8, 2017. Could I have a roll call?
TRUSTEE BURKE: Burke, here.
TRUSTEE NIENBURG: Nienburg, here.
TRUSTEE SIDLER: Sidler, here.
TRUSTEE BLAYLOCK: Blaylock, here.
PRESIDENT LICHAMER: Lichamer, here. Go ahead, and a motion to permit electronic attendance, Item No. 2.
TRUSTEE BLAYLOCK: So moved.
TRUSTEE SIDLER: Second.
PRESIDENT LICHAMER: Roll call.
TRUSTEE BURKE: Burke, aye.
TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE SIDLER: Sidler, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
PRESIDENT LICHAMER: Lichamer, aye. And a motion to accept the minutes of January 23rd, 2017.
TRUSTEE BURKE: I make a motion we accept the minutes of January 23rd, 2017.
TRUSTEE BLAYLOCK: Second.
PRESIDENT LICHAMER: Roll call?
TRUSTEE BURKE: Burke, aye.

TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE SIDLER: Sidler, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
PRESIDENT LICHAMER: Lichamer, aye. Up to Item 4. Boy, at this pace we're going to be done in no time.
TRUSTEE SIDLER: We looked through a bunch of papers over the weekend.
MR. OEST: Yeah. There's a lot of stuff here. I'll give you the market real quick since there's been a lot going on. If you flip forward the first few pages, this is the Marquette update. So this is before the first tab. So, just the first few pages, but page 2 will say Economic Review. I'll wait until you get to that. This is the economy in a snapshot as of – well, when we printed it, but it's changed a little bit.
GDP was estimated at a half percent in the first quarter it came out. The preliminary number of 0.7 percent. So, we're at a much slower pace than what we had been. That was somewhat anticipated. Unemployment was 4 and a half at the end of the quarter. We're down to 4.4. So, the unemployment rate by most standards is at full employment. And core inflation is running at about that 2 percent target

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that the fed has. That is why you think about those three things.

The GDP number is the one that's causing most people a concern, but if you think about why the Fed is raising rates, they're looking at growth, unemployment and inflation. They're right around that 2 percent target for inflation. They put it at full employment. Starting to see some wage growth. And GDP has been slow for a long time.

TRUSTEE NIENBURG: Subject to upward revision?

MR. OEST: Subject to upward revision. Sure. But the big thing there is that, you know, the fed raised rates in March. We're looking again at potentially in June. Right now the market is pricing it at a 83 percent chance of a June rate hike. The next potential one -- at least the way the market is seeing it is in December. So, you might see two more rate hikes this year. But overall, you know, economically it's pretty much the same exact picture we've had over the last several years.

We've had the slow growth. Unemployment rate is improving, but then you see moderate inflation. But the big thing is, you know, the fed raising rates. They raised rates at the end of last year. They raised

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rates earlier this year. If you look at the yield curve, this is where you've seen the most impact.

So, page 3. This is kind of an interesting way of looking at it. You've got the black line, which is where we were at the year end. So, that's 12/31. The blue line is where we were 3/31 of last year, and then the red line is where we are this year at the end of the quarter. And one thing you'll notice from a year ago is we're much higher in the yield curve than where we were. So yields have risen across the yield curve.

The second thing to point out is just in the quarter you've seen the yield curve flatten, meaning that near that three and six months, those rates have risen; longer term rates, the ten and 30 years have actually fallen. So what usually happens in the last few economic cycles is that certain points, you know, you get one of these.

Nobody knows where that's going to happen, at what rates it will happen, but a lot of times the yield curve will flatten out, where the short end, as the Fed starts raising rates, get up there. And then longer rates tend to stay around where they are. And then eventually you'll see short rates above

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long rates, and the yield curve reverts; you've got a recession. So, we'll see if that holds true.

The thing that most people are wondering right now is how many more times is the fed going to raise rates. You know, historically we've seen fed funds rates much higher than where it's at right now. But there are some people -- I just had a lot of manager meetings in the past several weeks where they're thinking that the fed might be 80 percent done with fed hikes.

So, if you take into account the fact that they've eased off quantitative easing and the impact that's had on the market, you could only see maybe a couple more rate hikes before the fed ends up stopping. What else? That's one thing we don't try to predict is what the fed is going to do.

Page 4. When you look at manager returns, this is a big story in fixed income. The lower quality you went in fixed income the better you did. So the top chart is just looking at triple A, which is your highest quality on the left, all the way to triple C on the far right.

TRUSTEE SIDLER: Which we can't buy.

MR. OEST: Which you can't buy. And triple C

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rated bonds were up almost 32 percent last year. If look at it just for the quarter, they're up 4.7. By and large, lower quality in fixed income over the last year has done much better than higher quality. And this holds true even with investment grade. So, if you were a very high quality manager, you actually underperformed over the last year because of that high quality --

MS. FAIN: Good morning, everyone. I'm from Lauterbach and Amen. So, I have your tax levy report. I apologize for being a little tardy.

MR. BURKE: You're excused.

MS. FAIN: And I'll quit in order so you can go ahead and keep going.

MR. OEST: The other thing I'll point out here is the bottom chart is spreads, and that's -- you can kind of think of that as a measure of valuation. And this shows high yield spreads. They're just low relative to the history averages. Meaning that these lower quality bonds might be a little bit overpriced.

But fixed income as a whole, on the next page, page 5. Just year to date through the first quarter is up .8 percent. Year to date as of April, the broad market was up 1.6 percent. So again, a

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little bit of falling yields, higher income from a little bit higher rate has helped out a little bit. So, you've actually seen above what a lot of people are anticipating for -- at least for the last month. And again, the lowest quality did the best. Page 6.

TRUSTEE NIENBURG: What's the lowest we can buy?

MR. OEST: You are limited to investment grade. And even still, triple Bs a lot of managers don't want to buy, because if you do see a triple B downgraded, the way the statute is written, you're required to eventually sell that. And again, you don't want to be forced to sell downgraded bonds. So, most Article 3 and 4 managers are much higher quality.

TRUSTEE SIDLER: Just a quick question as we get on the fixed side, too, Doug. It looks like, looking at Boyd's portfolio, you're comfortable they've completed their move from short to intermediate?

MR. OEST: They have.

TRUSTEE SIDLER: I'm looking at the corporate weightings. They're overweighted. That's completed?

MR. OEST: Everything is complete now.

TRUSTEE SIDLER: It happened a little slower than we wanted or --

MR. OEST: Probably about the right pace. I will

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say that the one thing that Boyd does is they do tend to move their duration a little bit. So that's probably one thing that's hurt them a little bit. You know, we don't think you can time the interest rate. That's pretty tough to do. But by and large, you just look at this year, being longer has been better. So, that has played out and has actually helped out, you know, to the tune of about a percent. But I'd say it was on par on what we were anticipating.

Page 6 is U.S. equities. You know, the one thing I'll point out in U.S. equities is it's the exact reversal of last year. So, 2015, two years ago, growth outperformed value, large cap outperformed small cap. If you go to 2016, small cap outperformed large cap, and value outperformed growth. And then you flip forward to this year, it's just like 2015 again where you saw growth outperforming value and large cap outperforming small cap. So, the last three years you've seen the market just flip flop.

So, that's been relatively interesting. A lot of the trades that were very popular in 2016 aren't anymore. If you've heard people talk about the Trump trade and all that stuff, that's kind of fallen by the wayside a little bit so far this year. But the

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good news is that you've got a 5 percent weight in the large cap growth. A little bit of an overweight in the growth side, which has helped out quite a bit this year. And your small cap manager, who has been much maligned, outperformed by 8 percent this quarter.

TRUSTEE NIENBURG: I knew it.

TRUSTEE SIDLER: Right when they're told that they're terminated.

MR. OEST: They started outperforming. Right? So, that's really the story. Year to date the market is up around 7 percent in the U.S., give or take a couple basis points. We get a lot of questions.

Page 7 just looks at what would it take for the market to be normal from a valuation side of things. This is just looking the at PE, or price of earnings. Price or earnings, one of the two has to change. So, in order for us to be back to what would be considered regular valuation levels, you would either need to see a 21 percent drop in the equity markets or a 27 percent earnings growth. So, that's your baseline.

You know 27 percent earnings growth might seem very, very high, but a lot of analysts are expecting upwards of 20 percent earnings growth this

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year. We're coming off of several quarters of negative earnings growth, so there is some positive momentum going into earnings season, but 27 might be a tough number to hit. But that just gives you an insight into what it would take to get to median valuation levels.

And then page 8 is looking forward when you see valuation levels like we have right now, you know, what do you see over the next five years. And on the left here is the subsequent five-year returns in the equity market. So, you know, negative 15 percent all the way up to 35 percent. And then at the bottom is that PE ratio, so the measure of valuation. So, the further left you are means the cheaper stocks are. And it's no surprise that the cheaper stocks are today.

If you look forward five years from now, there's a much higher return in the equity market. As you go off further and the market is much more expensive, you get much lower five year returns. So, right now we're kind of right in the middle. You know, analyst's expectations, again, are pretty moderate for the next five years. You're seeing a lot of single digit type of expectations for returns.

Non-U.S. equity markets had a big bounce back this quarter. They've been underperforming U.S.

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They're outperforming now. The big story last year was the dollar, which had a pretty large impact on returns. So far this year it's been a tailwind. So you've seen non-U.S. equities do a lot better. And then emerging markets have been the big leader in terms of non-U.S. equities.

And, lastly, you may have heard about the French election, which is finalized now. Emmanuel Macron is now going to be --

TRUSTEE SIDLER: 39 years old.

MR. OEST: He's the youngest ever in history. You know, the big worry for the French election, the reason why you probably have never heard about the French election in the U.S. up until this year was that LePen was -- basically she wanted to get out of the Euro zone. And with U.K. leaving, and then Italy's elections are going to be in 2018 or sometime between now and 2018, and there is a -- right now about on par in terms of that election, at least the polls right now. The five star party that was you looking to, again, get out of the E.U. So, there's concern that if the French election went to LePen, they would move out of the E.U., and they would basically fall apart, which would have a dramatic impact on the markets.

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So it's not out of the woods yet. There's still some other elections -- the Germany elections later this year. That one you don't see -- we don't see any issue in terms of surprise upsets. But that's why everyone is paying attention to it. If that ended up going the bad way, you could have seen a pretty major impact on the markets. But overall, the underlying growth in Europe is still pretty strong, and that's why a lot of people are pretty bullish on non-U.S. equities right now, is that you're seeing some pretty solid movement to the upside in terms of the economies.

TRUSTEE SIDLER: As you look at the Euro elections in Germany, you see Merkel is a much bigger deal than --

MR. OEST: Yes. Merkel has got a pretty sizable advantage right now.

TRUSTEE SIDLER: If she were to lose though, the chance --

MR. OEST: Yeah.

TRUSTEE SIDLER: -- is a much bigger --

MR. OEST: Yeah. It would be a big difference. But she's got a sizeable lead right now and, I mean, she's -- this is her -- it will be her fourth term.

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So, at least the way the market is looking right now, it's pricing at a pretty strong victory there. The Italy one is really the one to look out for, just because they still have pretty high unemployment. There's still -- that populous movement is pretty strong over there.

Anybody have any questions on the market? So if you flip forward past the next tab, go to page 3. In terms of market values, we are underweight to fixed income, and we are overweight to equities, in other words, real estate. Again, thinking about where you would want to be invested, that's probably not a bad place to be given how the markets have moved lately. So again, we're talking a little bit about asset allocation today. So we don't have any recommendations for rebalancing, but we are underweight to fixed income.

So, if you flip forward to page 7, just skip to returns. I will point out from a market value standpoint, that 51.1 is an all-time high from a market value standpoint. The markets have been very good over the last few years. Page 7 has the returns. If you look down that corridor, the three month column, you'll see 3.8 percent for the three month. Very good return.

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Sizably outperforming both the actuarial rate and the policy benchmark.

If you look down that column, you'll see fixed income Boyd Waterson basically matched the benchmark, slightly underperformed. But U.S. equity, non-U.S. equity, real estate, and the alternatives composite outperformed. So, it was a very good quarter. You had a big bounce back from your small cap manager. The growth overweight on the U.S. equity side did very well. Indices continue to do very well. So, the fact that we've got a lot of Index funds in the portfolio continue to do pretty well relative to the active management.

So overall, a very good quarter. A good start to the year. You know, the big question is going to be this valuation issue. And when we talk about the asset allocation, you'll see equity returns drive both the risk and the return of the portfolio. And so whether the market's overvalued or fairly valued depending on these earnings is going to be a pretty big story this year. So whether or not, you know, we're up 7.2 percent in the equity markets right now. If that's going to continue, you're going to see earnings.

Then lastly, page 9 has all the manager

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1 returns. Again, you know, pretty positive across the
2 board. Mentioned Southern Sun up 8.4 percent. They
3 made it back quite a bit relative to the benchmark.
4 Again --
5 TRUSTEE NIENBURG: It's a parting gift.
6 MR. OEST: Yeah. So, they're still, as I had
7 mentioned, I mean this is a solid -- you're looking at
8 the long term numbers, they're very good. It's just
9 they're very volatile. We all know that. And I think,
10 again, the decision here is to go with a little less
11 volatile manager. Again, it's good, what you'd like to
12 see. We kind of had a little bit -- we talked about it
13 the last few meetings, but this will turn around for
14 these guys. It's just maybe a little bit too volatile
15 for the fund.
16 Any questions on any of the manager
17 performance?
18 TRUSTEE SIDLER: If I recall, Boyd I see is in
19 line, and obviously as you look through our fees and
20 what we're paying, they're doing it at an extremely,
21 extremely low rate --
22 MR. OEST: Yes.
23 TRUSTEE SIDLER: -- on what they agreed to. And
24 obviously there's not a whole lot of value add that we

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1 can do. But they were put out of compliance, but I
2 don't see them in compliance -- there's nothing that's
3 on there. Didn't we go through a discussion with them
4 a year ago or so that they were put on alert, or no?
5 MR. OEST: Right now I believe they're in
6 compliance right now.
7 TRUSTEE SIDLER: Okay.
8 PRESIDENT LICHAMER: I don't remember.
9 TRUSTEE SIDLER: I thought we had a discussion,
10 but -- and maybe I'm confusing it. It was just there
11 was discussion that they were going to be told that it
12 was on alert, but maybe their performance turned and it
13 never got to that point, or --
14 MR. OEST: I know -- well, at the last meeting we
15 talked about taking a look at their peers, just to see
16 how they're doing.
17 TRUSTEE SIDLER: Yeah.
18 MR. OEST: I don't know if there's anything
19 formal.
20 TRUSTEE SIDLER: Okay. Okay. And obviously
21 they're in line. There's not a whole lot you can do in
22 this space given the guidelines.
23 MR. OEST: There's not.
24 TRUSTEE SIDLER: They're unbelievably inexpensive

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1 as to what they charge.
2 MR. OEST: And that's the big thing. It's that
3 there's such low fees there. And the last few -- we
4 talked with our research group about fixing the
5 transitions right now, and they're expensive right now.
6 TRUSTEE SIDLER: Yeah.
7 MR. OEST: We've seen transitioning from managers
8 cost in the 60 to 70 basis point range, which again,
9 fixed income, that can eat up a couple of year's worth
10 of performance just in transitioning out of managers.
11 So, we have the search in here. You can see them
12 relative to both the peer group and some other
13 managers, but we don't have any recommendations today
14 with regards to making a move or anything like that.
15 This was more of an informational piece.
16 TRUSTEE SIDLER: Informational.
17 MR. OEST: Any other questions on any managers?
18 PRESIDENT LICHAMER: Yeah, Norm, I don't see it.
19 TRUSTEE SIDLER: You don't remember? I though we
20 had talked about that.
21 PRESIDENT LICHAMER: I didn't write it down
22 either.
23 TRUSTEE SIDLER: And my point was more to look at
24 it and say, look, I don't think -- even if we were to

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1 look or get frustrated, they're in line, but as we go
2 forward and look at the other managers, I don't think
3 we'd ever be able to replace that fee --
4 MR. OEST: The 60 basis points.
5 TRUSTEE SIDLER: -- which at some point you take
6 that into consideration. But when we got them to agree
7 to that fee, I think we scored a pretty good point on
8 that.
9 MR. OEST: Yes. I mean, fixed income fees are
10 huge because again you're talking basis points in terms
11 of performance. Again, that will be a tough one to
12 beat.
13 TRUSTEE SIDLER: We can rattle their cage and tell
14 them we expect more.
15 MR. OEST: Yeah, yeah. So, if there's no other
16 questions, the only other thing that I had was asset
17 allocation, unless there's any other questions.
18 PRESIDENT LICHAMER: No.
19 MR. OEST: So, if you flip past the next tab and
20 go to page 1? And again, just to backtrack here,
21 there's a reason why we're looking at asset allocation.
22 Ziegler, who we talked with the last meeting, there's a
23 core small cap manager. And right now you've got a
24 value manager with that growth index. So, the two of

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them pretty much balance each other out.
Southern Sun is kind of a core to value manager. And what we've tried to do on the U.S. equity side is stay relatively style neutral, so not taking a big bet one side or the other. If you were to just switch to a core manager, then all of a sudden you'd have a pretty big growth overweight in the portfolio.
So, the idea here was both to look at the equity composite, and then also look at the fixed income weighting, and look at potentially reducing that, which will have an impact on return and risk. So page 1 has a couple different portfolios on it. And the current portfolio, if you look at it, it's 42 and a half percent fixed income. And that's what our target is right now.
We've been below that. So, we're around 38 percent right now, but that's the target in terms of fixed income. As you look to the right, Portfolio A, B, C, D and E, you see it goes down to 35 percent, which is the state minimum in terms of what you should be in investment grade fixed income. And that is what most of our clients are moving towards, is having 35 percent fixed income. The reason for that is that expectations for fixed income are very low. And if

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you're trying to hit 7 and a quarter, it's going to be very tough to do that with 42 and a half percent fixed income.
So, if you looked at taking money away from fixed income, there's really only a couple places you can you put it. And we're already at 10 percent in real estate, and 2 and a half percent in commodities. Again, if we think about those things together, we're a little overweight to real estate. So, if you look at real assets as a whole, you're at 12 and a half to 13 percent range, which is right around what we feel comfortable with. The only other real option here is putting back in the equity markets in terms of driving returns up.
So, if look at the couple of portfolios here, you'll see an increase both to U.S. equity and to non-U.S. equity. So, moving from left to right, if you just looked at the total U.S. equity line, you'll see 35 percent at current. A and B both stay at 35 percent, then you move up to 37 percent with C and D.
On the non-U.S. equity side which is where we're a little lower than what we would see most peers at, you're at 10 percent current. You see it

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moving to 12, then to 15, and then Portfolio E all the way up to 17 percent. And then, you know, your real assets stay relatively the same.
TRUSTEE NIENBURG: Is that right that real estate and commodities is showing current 10 and 2 and a half, and back on three in Section 1, it's 12 in real estate?
MR. OEST: Yeah. You're --
TRUSTEE NIENBURG: Two in commodities?
MR. OEST: Just due to the market, you're overweight to real estate because returns have been --
TRUSTEE NIENBURG: So, current is policy?
MR. OEST: Current is policy. Yep, yep. So, those are really the two areas. You see money coming out of fixed income, and going into either U.S. equity or non-U.S. equity. Then within U.S. equity, the real changes are on the small cap and the growth side. So, right now you see it under small cap value, under Current you see about 10 percent. That moves up to small cap core. Again, that's moving to Ziegler.
You see that number start to come down as you move from left to right. From 10 percent to 5 percent. Right now you have a fairly healthy overweight to small caps, which has done well over the last several years. The difference here is that we're

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proposing adding mid cap into the equation, which basically if you kept that weighting in small cap and then added mid cap, you would be very overweight to mid and small cap.
If you look at the way that Southern Sun runs their portfolio, you're getting some of that mid and small cap exposure right now with them. Ziegler is going to be -- you get a little mid-cap exposure, but basically more of a small cap manager. So, that's why you see mid cap being introduced.
And then moving to core, since you're taking the value away, we took the growth away in large cap. So, basically you would move to large-cap core, mid-cap core, and small-cap core where you'd have -- again, the recommendation would be to be indexed in the large mid, and then you have your active manager in small cap.
So, those are all the changes, at least as it's laid out here. And the big thing that we wanted to point out is on the middle of that page, where it says Summary of Portfolio Characteristics. This is your -- what you would consider expected return and expected volatility.
Just as a refresher, we don't input any

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of these numbers. This is all an output. So, we're not sitting around a table saying, We think the S&P is going to return 7 and a half percent over the next ten years. We actually run a Monte Carlo simulation based on a current environment, and simulate forward. So, all of these numbers are basically -- you can think about them like a histogram, where like the chart at the bottom of this page, there's a distribution of returns. And what we're showing here is just the average of all those returns.

So, the average of all these simulations as you currently sit is a little over 6 percent. Obviously, we're trying to hit 7 and a quarter, so we're going to miss that bogie on average based on these simulations. There are a number of simulations that are going to exceed it, but a lot of them that don't.

And then as you move to the right with Portfolio C, D and E, those give you the highest return at about 6.28. The other thing to point out here is your volatility right now is around 9 percent. Moving money out of fixed income and putting it into the equity market is going to increase the volatility of the portfolio. So, basically about a percent increase

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in terms of volatility on an annualized basis.

Again, you can't add return to a portfolio without adding risk to the portfolio. Just based on what the State will allow you to do, there's really not anything else out there that can enhance returns without adding to the risk of the overall portfolio. So, what you're basically talking about here is adding equity risk to the portfolio to increase returns over the next ten years. And the big question is: Is that something people feel comfortable with doing in order to give you a higher probability of achieving that 7 and a quarter percent.

On page 2 we show that probability. So, if you look where it says Summary of Downside Risk, it's about two-thirds of the way down, there's a line at the top there called Downside Probability with a parenthesis, 7.25 percent. That's the probability of not achieving your target rate of the return. So, currently there's about a 65.6 percent chance of not achieving that 7 and a quarter rate. And then the goal there would obviously be to get that down to around 50 percent, or get the odds more in your favor of achieving it.

And again, none of these do that, but it

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gets you more in the right direction, down to about 61 percent. With that 35 percent mandated in fixed income, it's going to be virtually impossible on just simulating forward. The only way that's going to happens is either the equity markets outperform or fixed income markets outperform or both. But it's going to be very difficult to hit that number, which is why again you've heard a lot about people trying to reduce that rate over time.

You know, the number of scenarios that do achieve that is still around 40 percent of the simulation. So, there is a possibility of that happening. It's just we would prefer to be over 50 percent, obviously. But again, you've got about a 60 percent chance of not hitting it; about a 40 percent chance of hitting it.

TRUSTEE BLAYLOCK: What -- off the top of your head, what percent -- you know what percent would change if this was 7 instead of 7 and a quarter? Those percentages would have to change obviously.

MR. OEST: They would improve.

TRUSTEE BLAYLOCK: Not 50 percent?

MR. OEST: No, no. They would improve. I mean, I would guess they would be either in the 60s or in the

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upper 50s. But no, it wouldn't -- that alone would not --

TRUSTEE BLAYLOCK: It's not enough.

MR. OEST: -- 50. And again, if you think about it, your median and average returns with Portfolio E earn about 6.3 percent. So, you're not quite getting up to that 7 percent based on that number.

So, one, the question is on the equity exposure. Moving fixed income lower, again our expected returns for fixed income are in the 2 and a half percent range. It's on page 4. You know, the chart at the bottom of page 4, the red square is fixed income. So, you can see, you know, about a 2.6 percent return. Not particularly exciting. But again, it's nothing we can do with that. That is what the State mandates.

So, the question is: Lowering that weighting down to that 35 percent will basically allow you to put more money into something that's going to be higher return but also higher risk. So, that's really the trade off is that over 10 years we expect the equity markets to be positive, and we would expect them to outperform the fixed income market. So, net, net, you would assume that that's going to be a better

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1 decision. The problem is in the interim you're going
2 to see more volatility to the tune of about 1 percent
3 per year. And it just -- there really is no other math
4 to get a higher return other than to add a little bit
5 to volatility.
6 So, I'll stop there, and just open it up,
7 and see if anybody has any thoughts on that one, just
8 in terms of the overall risk of the portfolio right
9 now, and about -- thoughts about adding more to the
10 equity markets to try to get a higher return.
11 PRESIDENT LICHAMER: Is that a good idea that --
12 since it's stellar performance over the last -- I mean,
13 it's been --
14 MR. OEST: It's been great. Right?
15 TRUSTEE SIDLER: Yeah. It's going to end at some
16 point.
17 PRESIDENT LICHAMER: It's going to, and I don't
18 know if adding -- what your opinion on adding, knowing
19 that we were in a -- there's highs every week.
20 MR. OEST: If you look at Portfolio E, we actually
21 would not change the weighting to U.S. equity. You'd
22 actually add it all to non-U.S. equity.
23 PRESIDENT LICHAMER: And how does that compare to
24 U.S. equity?

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1 MR. OEST: So, if you go back to the -- well, you
2 don't have to go back. I'll just tell you the numbers.
3 The U.S. equity markets over the last ten years were up
4 about 7.6 percent. Non-U.S. equity markets were up
5 about 1.8 percent. So, over that time period, U.S.
6 equity markets have vastly outperformed non-U.S. equity
7 markets. That's been more pronounced over last few
8 years. The last three years our equity markets up
9 around 10; non-U.S. are up around one. So, it's been a
10 much better environment over the last ten years for
11 U.S. than it has been for non-U.S.
12 A couple of different reasons for that:
13 Quantitative easing, the stronger dollar. But by and
14 large, non-U.S. equity markets' valuations are closer
15 to average than U.S. equity markets. So, that's a very
16 good point, is: Do you want to add to equity exposure
17 right now with the U.S. equity markets at all time
18 highs? Our research would recommend not putting more
19 into U.S. equity market. Yo already have 35 percent in
20 your portfolio in the U.S. equity market, but adding to
21 the non-U.S. equity exposure.
22 If you think about the world as a whole,
23 that's about 52 percent U.S., 48 percent non-U.S. in
24 terms of the world market cap, and you're nowhere near

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1 that kind of 50/50 weighting so. So, if you were going
2 to add to equity risk, probably would be better to do
3 it to non-U.S. rather than U.S. given the current
4 weighting.
5 TRUSTEE SIDLER: And, Paul, your point is
6 absolutely duly noted also. Remember, we weathered the
7 market so well in '08 because we were conservative, and
8 this market has run significantly. I would also -- I
9 look at the numbers and say that with interest rates so
10 low, there is no way to get anywhere near our actuarial
11 rate of return, which we're not driving our portfolio
12 to make an actuarial return. We're driving it so we
13 don't have a negative 30 percent when the world did,
14 and we were only down 10 or 15 by being conservative.
15 That being said, I do think we're in this
16 environment -- or at least we'll give one opinion that
17 we're in this environment where international looks a
18 heck of a lot more attractive than domestic from a
19 valuation standpoint. And getting a higher return is
20 going to come probably more from emerging and
21 international as you're starting to see the European
22 markets really outperform the U.S. markets
23 significantly over the last, you know, over the year to
24 date it started to run.

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1 So, I think the idea of going to
2 international to me makes sense, but I think you also
3 -- for all of us, when we start to see this turn, and
4 that's going to be when inflation starts to show its
5 head and interest rates run, I think we're going to
6 have to be much more cognizant to pull back our reins
7 than we historically have been. It won't be one of
8 those where we get easing into it. It's one of those
9 to say, hey, look, this has been an unbelievable run.
10 We're starting to see signs that this could be getting
11 into its froth stage; let's pull back.
12 MR. OEST: Yeah. And that's -- I was going to
13 say, this is -- the decision really here is: Everyone
14 knows at some point we're going to see a pull-back.
15 Nobody knows when that's going to be, but it will
16 happen, and the U.S. will go into a recession at some
17 point. Again, just coming out of a lot of meetings
18 where people are guessing maybe '18, maybe '19. Nobody
19 knows.
20 But at some point, I mean, think about
21 what the fed's doing. They're pumping the brakes on
22 the economy right now. I mean, they are -- by raising
23 rates, that's what they're doing. At some point it's
24 going to tip over. And the question is, as you said,

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you've got an actuarial rate. How aggressive do you want to be towards getting that versus just running the portfolio?

You know, the way things are right now, it's tough because the actuarial rate is supposed to be a 40, 50-year projection. We're living fiscal year to fiscal year, and we know it's going to be very, very tough to hit that actuarial rate unless you see outsize returns in the equity markets. And are we going to manage to the next five to ten years, or do you want to basically stay steady, and basically you have a 60/40 split, and just kind of look to the 50 years?

And, you know, a lot of clients have moved towards the we-got-to-address-the-here-and-now. But there are some clients that have just said, Look, we understand it's a 40, 50-year number. We don't want to let it control us in terms of the asset allocation decisions we make, and look to the future. So, it's -- what we want to do is make sure we get out in front of it, and we talk about this a lot, so it's not a surprise to anybody, is that returns are going to be lower.

That's -- we had a great run. Returns are going to be lower. And in order to get close to

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the actuarial rate, at least from a projection standpoint, you're just going to need to lower your fixed income rate -- or your weighting. That's really the only way, looking forward, that you can have a reasonable estimate of saying, If we get two and a half percent out of fixed income, maybe we could get closer to that 7 and a quarter.

TRUSTEE SIDLER: If you look at the economy, you say, What's going to turn us? And it's going to be GDP growth really picking up and the fed really starting to raise rates. If we are in an extended lower interest rate environment, which we fall into that camp in our shop, that we think that's a possibility, you make the argument all day: Stocks are screaming value versus bonds, because all we're doing is taking whatever interest rates are in the future earnings, and bringing them back into low interest rates, that's a valuation. Whether it's bonds, whether it's stock, or anything, that's really the metrics of what we're going there.

So, to me, international is a heck of a lot more appealing than domestic, but I also I would ask to -- or at least to raise the discussion of thoughts: If we're going U.S. more core on the small cap side, why -- are you open to discussion or should

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we have more discussions of do we want to go more large-cap growth than large-cap core on our domestic exposure? We're tilting the portfolio. Understanding or assuming if we all agree to say, okay, let's reduce our exposure to fixed to the minimum at 35, I guess I would bring up the question: Why do we want to go so aggressive in large-cap core versus mixing up large-cap growth in there also?

MR. OEST: The reason we did that was basically to stay style neutral, which just did not tilt the portfolio one way or another. I can -- we can definitely show you what it would look like keeping, like, the 5 percent allocation in the portfolio, as an example, and showing the core exposure. I definitely would recommend switching all of it over to growth.

TRUSTEE SIDLER: Right.

MR. OEST: That would be a big bet. But keep it at 5 percent then would tilt the portfolio to growth. Not saying right or wrong. We just don't -- stylistically, we don't have an opinion.

TRUSTEE SIDLER: Okay. So, this was more to remain stylistically neutral?

MR. OEST: To remain stylistically neutral. Just to keep that neutral weighting. What it does do is it

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puts you at a slight mid-cap bias, which again smaller caps will tend to outperform in. Your address core, but they're going to have a slight tilt to value, so you're going to have a little bit of a value bias, but it's in essence going to be basically style neutral. But we can certainly show what it would look like if you did have a 5 percent growth in there.

What about going from 42 and a half down to 35 or somewhere in between? Is there anybody that's adamantly opposed to it, or feels --

TRUSTEE NIENBURG: It's just a matter of where you move it either way.

TRUSTEE SIDLER: Well, we're at 38 right now. Right?

MR. OEST: We are. Yeah.

TRUSTEE NIENBURG: What do you think about -- and I realizing this is speculative -- how do you feel about repatriation and tax reforms, and where that would have the most impact?

MR. OEST: Yeah, I mean it's -- one, I have no idea if that's going to happen. It seems like everybody would like it to happen. But I would think in terms of impact, you know, it's going to impact the U.S., bringing over two and a half trillion dollars

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1 into the U.S. You think about -- I was just listening
2 to Bloomberg this morning, and they were talking about
3 Berkshire and Apple in terms of sitting on large cash
4 hoards, and what do they do with it? And companies
5 either are doing buybacks, increasing dividends, or
6 they're looking at -- activity. You know, you think
7 about small cap or mid cap companies. That's been a
8 large target in terms of acquisitions. But what
9 they're talking about in terms of the size of money,
10 Berkshire is talking about going out and finding a $100
11 billion company. Apple is sitting on 250 billion. So,
12 it could be large companies, too, where you see those
13 pops. But, I mean, by and large, the impact would be
14 in the U.S. --
15 TRUSTEE SIDLER: More small than large.
16 MR. OEST: More small than large.
17 TRUSTEE SIDLER: Given regulation cutback.
18 MR. OEST: Yeah. And you think about the tax
19 reform, the reason why you saw small cap, in
20 particular, value pop at the end of the year is because
21 of -- you think about what companies are taxed at the
22 highest rates. Small cap companies definitely
23 materially benefit from low taxes. So, that would,
24 again, who knows how that will actually play out and

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1 what type of rules would be employed, but I couldn't
2 even guess.
3 TRUSTEE NIENBURG: Yeah.
4 PRESIDENT LICHAMER: Well, I'm not opposed to E.
5 TRUSTEE SIDLER: What is your suggestion then for
6 increasing the international exposure? EAFE or --
7 MR. OEST: So, we would want to have a full market
8 exposure. And what we would recommend at that point,
9 you'd want to get both emerging market exposure and
10 some small cap exposure into the equation. So, we can
11 do that through an index, an IMI equity U.S. index will
12 give you full exposure. We can go out and find an
13 active emerging markets manager, which has been proven
14 to add some value over time, but definitely want to
15 have full market exposure, not just developed. While
16 there's a good story in Europe, we'd want to get the
17 emerging market exposure in true full market cap
18 spectrum. Right now you've got --
19 TRUSTEE NIENBURG: I still like Norm's suggestion.
What if -- is there an E-2, E prime or some of that
large cap core, but we keep that at 20, and put five in
--
MR. OEST: We can actually -- absolutely run that.
I can send that out.

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1 TRUSTEE SIDLER: I think we can index that just as
2 easily, and just give us some growth exposure. To me,
3 I think we want to keep some of that in large-cap
4 growth and not go all large-cap core. With that being
5 said, understanding style neutral, but we've got
6 small-cap core and the small-cap core value tilt. So,
7 I would say, look, growth has been outperforming value.
8 WE want to have some exposure, and tilting it 5 percent
9 isn't going to move the needle that much. I think
10 keeping our costs low from the manager perspective, and
11 eventually we can, you know, get exposure to that stuff
12 with less expensive index options.
13 MR. OEST: Yeah.
14 TRUSTEE SIDLER: It seems to me to make sense,
15 even though understanding emerging market, we could
16 probably add value going active. But it's not a big
17 amount of money, and I would rather see us keep our
18 expenses low.
19 MR. OEST: I mean, your all-in fees right now are
20 32 basis points. I mean, that's very, very cheap. So
21 we certainly want to be mindful of that. So,
22 absolutely. I can run -- I can run that portfolio and
23 just send it out just so everybody has it on record of
24 what it would look like. And again, the trade-off is

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1 it's more expected return; a little bit more risk. And
2 again, the thing to remember here: 35 of your
3 portfolio is in high quality fixed income.
4 TRUSTEE SIDLER: Right.
5 MR. OEST: So even if the world goes in a bad
6 place, you still have 35 percent of your portfolio in
7 high quality fixed income, which, you know, relative to
8 other public pension funds out there that aren't
9 controlled by the State, that's a very conservative
10 allocation, all things being equal.
11 TRUSTEE SIDLER: I fall into the idea that
12 interest rates are low. If we do get any repatriation
13 of this money oversees, and some less deregulation,
14 earnings growth has really come from buying back stock,
15 and then the activity. There hasn't been a big
16 increase of investment in technology in U.S. in small
17 and mid-cap companies, and the regulation, if we can --
18 if they can cut some of that back, the small and mid
19 caps are going to run with that.
20 And I think the challenge for all of us
21 is going to be when we start entering into the euphoric
22 stage, and you get in a cab, and the cab driver starts
23 telling you you're going to make 30 percent buying
24 this, that's when we have to say it's time to really

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pull back. Because can we get one more year? Can we get another year and a half? At some point -- Paul, to your point earlier, we have gone to an historic seven-year run in these markets where they don't.

But you also look at a low interest rate environment and a solid, you know, earnings growth environment, and the demographics in U.S. tilt towards the millennials who are entering into a big prime spending years. And if they start household formation and getting out of their student debt, which this weekend there was an announcement of how they're calculating their debt, and not putting all of their student debt towards calculations towards debt to income, that allows them to get a house a little bit easier than what was before that legislation passed. I think it's pretty good landscape still for the economy.

PRESIDENT LICHAMER: So, are you going to send that out?

MR. OEST: I will send it out. I'll call it Portfolio F.

PRESIDENT LICHAMER: F. All right.

MR. OEST: Anyone have any other questions on anything?

PRESIDENT LICHAMER: I think it's a good idea.

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TRUSTEE NIENBURG: Thanks a lot.

TRUSTEE SIDLER: Yeah. Thank you. Very good discussion. Has Southern Sun been notified?

MR. OEST: No. So, that's the last thing. Thank you for reminding me. So, I haven't heard anything on the contract yet.

TRUSTEE BURKE: Well, I want to make sure. The thing -- I got the contract, sent it to Reimer's office. I have not heard back from Reimer's office. I've gotten a call from --

MR. OEST: Siefert(phonetic)?

TRUSTEE BURKE: Yeah. And I said -- I gave him Rick's number. I said, "Call him. He's the one that has to say okay."

MR. OEST: Yeah. We haven't --

TRUSTEE SIDLER: Until we get the contract --

MR. OEST: Yeah, the idea would be -- because, look, the contract, there's big sticking points, I mean who knows?

TRUSTEE SIDLER: Right. Exactly.

MR. OEST: If something happens, you know.

TRUSTEE SIDLER: Do you want to -- is it okay, Dennis, follow up then again, and say hey, get it -- we need to move on?

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TRUSTEE BURKE: Yeah. I have to talk to his office anyway about another issue, which we'll discuss later. And I'll say we need some response. I sent it two months ago, you know. Because Ziegler sent the contract pretty quickly.

MR. OEST: Yeah, after we had that --

TRUSTEE BURKE: -- after that meeting when we selected them.

PRESIDENT LICHAMER: But in the meantime we got our 8 percent.

MR. OEST: Which was nice. I think the thing to remember with these guys is, look, they're a high -- they're a good manager. They've done a good job over the long term. It's just they're way more volatile than what you would like, and that's your -- you know, you take your 8 percent outperformance this quarter and --

PRESIDENT LICHAMER: And we'll take it.

TRUSTEE SIDLER: Over the long term -- (Simultaneously speaking over.)

PRESIDENT LICHAMER: They were 21 percent last year, and we're still trying to make up for that. They owe us a little -- another eight to kind --

MR. OEST: Ten years they're still up over

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3 percent annualized, but yes.

TRUSTEE SIDLER: A couple more good quarters.

MR. OEST: A couple good more quarters and you'll be right back there.

PRESIDENT LICHAMER: All right.

TRUSTEE SIDLE: They have one.

TRUSTEE NIENBURG: -- next three years under your mattress.

PRESIDENT LICHAMER: Item 5. Eric? Sir?

MR. ENDRIUKAITIS: Yes.

TRUSTEE BURKE: Who goes first?

MR. ENDRIUKAITIS: I'll be quicker. So, I'll take the lead on this one.

TRUSTEE SIDLER: And, Doug, it's up to you. If you want to stay, you're more than welcome. If you have other meetings, you don't need to sit through the rest of the whole thing. We appreciate your --

MR. OEST: Thank you.

TRUSTEE BURKE: Usually before you leave though, we do have some discussion on an idea of when we might meet next time so that we can --

TRUSTEE BLAYLOCK: Does it have to coincide with the tax levy stuff?

TRUSTEE BURKE: We should be voting on the tax

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levy, I think, the next time. Right, Judy?
MS. BUTTNY: Yes.
PRESIDENT LICHAMER: When do you think is a good time? When do you want that done?
MS. BUTTNY: Well, when do we normally meet?
TRUSTEE BURKE: July or August.
MS. BUTTNY: Yeah. Either of those would be fine.
TRUSTEE BURKE: Now, just a side note, we will talk in -- the situation with that pension hearing. It looks like it would be in June sometime. I'm getting dates that might be in my e-mail. I just came back from being off ten days. We can do it -- it will be in June. This one will be in -- next one will be July or August.
TRUSTEE BLAYLOCK: August? Paul and I are on days in August.
MS. BUTTNY: We can do early August maybe?
TRUSTEE BLAYLOCK: Yeah. 7? 14?
TRUSTEE BURKE: 7, 14, 21 Bill and Norm, does that work at all for you?
TRUSTEE SIDLER: 7?
TRUSTEE BLAYLOCK: 8/14.
TRUSTEE SIDLER: Oh, 8/14. Yeah. I may call in.
PRESIDENT LICHAMER: Do you want to do the 21st?

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TRUSTEE SIDLER: What ever works for you guys.
TRUSTEE BURKE: How about the 21st? Does that work better?
TRUSTEE SIDLER: Either one.
PRESIDENT LICHAMER: I got court on the 21st at 1:00. So, I'd rather -- I would rather Downers Grove on my day off. What else would I want to do?
TRUSTEE BURKE: The 21st?
TRUSTEE BLAYLOCK: The 21st is better, or not?
PRESIDENT LICHAMER: Yes. I've got to drive -- yes.
TRUSTEE BURKE: 8/21, 9:00.
PRESIDENT LICHAMER: Yeah. Then we just spend the day.
TRUSTEE SIDLER: Does that work for you, Bill?
TRUSTEE NIENBURG: Yeah.
TRUSTEE BLAYLOCK: Now you can go.
MR. OEST: Let me know what you hear. Thanks, everybody.
TRUSTEE SIDLER: Thanks, Doug.
TRUSTEE NIENBURG: Thanks, Doug.
PRESIDENT LICHAMER: We're all ready, Eric.
MR. ENDRIUKAITIS: Sounds good. All right. I believe everyone has a March 31st monthly compilation

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report with them. If you'll turn on page 2-1. This is your balance sheet. Shows a good snapshot of the fund as of March 31st, 2017. Starting with your assets, your cash and cash equivalents: 165,371. Money market mutual funds: 1,233,502. Securities is at 18 million. Insurance contracts: 6,011,868. Equities over 4.4 million, and your mutual funds at 20,076,168. Accrued interest at 149,835. So, as of March 31st, your total net position held in trust is 51,103,842.
Turn the page over to 2-2. This is our income statement. So, showing activity for three months. Your village contributions, a whopping 121.57. And your actual member contributions 172,750. Next we have your investment income. The interest and dividends earned: 251,478. And your unrealized and realized gains and losses, a positive 1,656,655. For a gross of 1 million 908. Net is 1 million 879.
Deductions, administrative expenses paid to date: 21,604. And your benefits at one million nine. So, for three months we show a positive transmission of $1,016,800.42. Got a big number right there, 51 nine.
TRUSTEE SIDLER: I'll take it.
MR. ENDRIUKAITIS: Onto our supplementary

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information, 3-1, is a simple pie chart, the investment mix. 4-1. This is your cash analysis report. This is for a rolling 12 months of non-investment activity. The top corner is your cash and money market account balances for the year. Excuse me. Next we have your contributions, which is your income. Looks like June you guys get a large tax fund. So, in a couple months we should see that. Then following that we have expenses. Benefits at 336, and then followed by administrative expenses throughout the last 12 months.
5-1 is the line graph for 4-1. So, blue is the cash position, red is the income, green is the expense.
TRUSTEE SIDLER: So, this doesn't say it on that. What was the -- we can go through this, the projected year that we go cashflow negative, depending on retirements. We can look at it in future as it goes down.
MR. ENDRIUKAITIS: Yeah. If you look at 4-1, you can see when you start seeing some negative cash flow.
TRUSTEE SIDLER: Throughout the year.
MR. ENDRIUKAITIS: Throughout the year. Correct. And then, of course, when you get your large tax funds in June and September, it's a real big positive cash

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flow months.
TRUSTEE SIDLER: This was more geared towards when we can -- you guys had did some historical analysis of when we expect retirees to go cash flow negative for the year.
MR. ENDRIUKAITIS: Correct.
TRUSTEE SIDLER: This is throughout the interim year.
MR. ENDRIUKAITIS: Yes. I believe that we did that, what was it, '14?
TRUSTEE SIDLER: Yeah.
MR. ENDRIUKAITIS: So, it's been a couple year since we did one of those.
TRUSTEE SIDLER: Maybe that would be something that you could just take a look at, and give us with the current numbers of retirees. And when we go through that analysis, just to look again as to say our income for the year, and then with retirees when we project across that.
MR. ENDRIUKAITIS: Okay.
TRUSTEE NIENBURG: Would it be too much to put another column in here that kept that 12 month total?
MR. ENDRIUKAITIS: We've been getting a lot of questions about that. I just -- with Thomson Reuters,

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it's a real finicky system. So, we're going to work on that.
TRUSTEE NIENBURG: Okay. Because it looks like rolling forward looking 12, we're overall negative with quick math. Right?
MR. ENDRIUKAITIS: Correct. At first glance. Yeah. So, we'll work on that. And, Norm, I'll put that as a -- would you rather do, like, a year-end, so like the October, November meeting? Or would you want that at the next meeting?
TRUSTEE SIDLER: If it's something that's easy to pull together for the next meeting. If not, as we look at the end of the year with the updates of retirees from, you know, there's an announcement today.
MR. ENDRIUKAITIS: Okay. Sounds good.
TRUSTEE SIDLER: Thank you. Perfect.
MR. ENDRIUKAITIS: Moving on, 6-1. This is your detailed run report. So, we have your village and member contributions, the totals for month, and accumulative totals for the year. Followed by investment income of interest and dividends, gains and losses broken down by account and category, with totals for the month, and cumulative totals for the year.
TRUSTEE NIENBURG: Can I get -- because you've

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asked for that projection before. Should that be like a once-a-year deep-dive thing that we do?
TRUSTEE SIDLER: I think we project -- if you remember, we project it based on what we think the retirees are going to be. But as they come in, then it gives us more accurate information as to what it looks like. I do. I think it's very detailed for us to say, okay, given what we currently know for retirees versus working, when those two lines cross, and what it looks like. And it's always an estimate, but each year that goes by, we have much more accurate information.
So, I would argue, yeah. I think it's something that we could put on to look at, and maybe let us know if there's a special charge that's for that, what that is, so that we can analyze okay, what's the cost for us to do. But I do think --
TRUSTEE NIENBURG: Like a once -- a nice one. A good once a year exercise.
TRUSTEE SIDLER: Yeah, because if we get the numbers, it's becomes much more helpful to us to project, okay, what do the cash flows look like now for real versus what we looked at two years ago.
TRUSTEE BURKE: Norm, I think you're right. Now that the year is, the way it's starting, we have a

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retirement in front of us right now that's starting in a few days. And then if you go out 12 months, we -- you know, there will probably be four or five additional retirees in that time period.
TRUSTEE SIDLER: Right. And you were very helpful, Dennis, to look at projected -- and you guys gave input, too, as to what you thought when people might cross that path and consider retirement, that gives us a much better picture of what our finances are going to be from a cashflow standpoint.
TRUSTEE BURKE: Yeah. In 24 months we'll probably have -- from what we have today, not counting the person that's leaving at the end of the week, we probably have a total of about seven additional retirees in the fund.
TRUSTEE SIDLER: I recall, as we looked at that, if memory serves, it was like 18 or 19 when we crossed the path.
TRUSTEE BURKE: Eighteen is a heavy year, and you're right.
TRUSTEE SIDLER: Right. Of who is eligible.
TRUSTEE BURKE: Correct.
TRUSTEE SIDLER: And then we assumed if they're eligible, you know, you guys did the study, Eric, it

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was okay. We assume if they're eligible, that they would retire --
MR. ENDRIUKAITIS: Right.
TRUSTEE SIDLER: -- what it would look like at that. And I think we've got --
TRUSTEE NIENBURG: A five-year projection. I mean, if you think about the asset allocation discussion we just had, having that, and you're in the back of your mind --
TRUSTEE SIDLER: Because that, in essence, that's all we're running. We're running it to match what that cashflow needs are. And if we see that hey, we've made a nice run in the market, and cash flow needs an increase significantly, that may be a good time for us to sort of pull back and say hey, let's put some more into fixed income, and hopefully rates are a little higher than they are right now.
TRUSTEE BURKE: Right.
TRUSTEE SIDLER: So, maybe we'll shoot for June 30th, and let us know what the cost of that specific project is.
MR. ENDRIUKAITIS: Okay.
PRESIDENT LICHAMER: Are you good? Eric, do you have more, or are you good?

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MR. ENDRIUKAITIS: Real quick, if you want to turn to 9-1 through 9-3? This is your contribution report. This shows all members' contributions. So we have through prior fiscal year, which ties back to the DOI statement, which we just filed last week. Then we have your current fiscal year, which ties back to the income statement. Followed by your cumulative running total for each check from members into the fund. I just wanted to point that out. Then I don't know if Judy wants to know about the vendor check report.
MS. BUTTNY: Yes. We could re-prove that now instead of waiting, if you wanted to, the vendor check report.
MR. ENDRIUKAITIS: Sure. And that number is on 11-3. Full payment for the quarter: $193,126.55. It's the last page.
MS. BUTTNY: Which is consists of payroll related items previously approved contracts. You'll see a couple items in there: INSPE, the fiduciary liability policy we approved at the last meeting. You see these in and out.
TRUSTEE NIENBURG: Got that.
TRUSTEE BURKE: Do we need a motion on that?
MS. BUTTNY: Uh-huh.

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PRESIDENT LICHAMER: Just real -- on 3/31/17 medical insurance for $8237, that was --
MS. BUTTNY: That gets deducted from people's checks.
PRESIDENT LICHAMER: Okay.
MS. BUTTNY: And paid to the Village.
PRESIDENT LICHAMER: And then the life insurance also.
MS. BUTTNY: Same thing.
TRUSTEE BURKE: The same thing.
TRUSTEE SIDLER: When does that liability policy come up each year?
TRUSTEE BURKE: We just had it the last time around, so that would have been --
MS. BUTTNY: Around April 1st.
TRUSTEE SIDLER: Around April or March sometime? Okay. So that's a one year --
TRUSTEE BURKE: It's a one year.
TRUSTEE BLAYLOCK: They were just here, Norm.
TRUSTEE SIDLER: I didn't know if that was a one year.
TRUSTEE BURKE: They only do it one year.
PRESIDENT LICHAMER: We just went with them.
TRUSTEE BURKE: That protects us.

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PRESIDENT LICHAMER: Okay.
TRUSTEE BURKE: We need a motion to accept the check report. Does that sound right? In the amount of $193,126.55.
TRUSTEE BLAYLOCK: Second.
PRESIDENT LICHAMER: Roll call?
TRUSTEE BURKE: Burke, aye.
TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE SIDLER: Sidler, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
PRESIDENT LICHAMER: Lichamer, aye.
TRUSTEE SIDLER: Quick question on that. We have not got many of the fees associated with Reimer yet.
TRUSTEE BURKE: Oh, we've been getting them along.
TRUSTEE SIDLER: I saw some of them in there, but the legal services, have we got the vast bulk of them?
TRUSTEE BURKE: He serves those papers -- or sends those papers to Paul, who then forwards it to me. We forward it to Judy because it has an invoice in there for those services. So, we're not going to get one lump bill for all of it. It's just an ongoing process.
MS. BUTTNY: He does it monthly.
TRUSTEE SIDLER: So, we're sort of up to date with him?

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TRUSTEE BURKE: Yeah. We should be up to date until our next hearing on that matter.
TRUSTEE SIDLER: Okay.
PRESIDENT LICHAMER: Did you have additional?
MS. FAIN: Sorry?
PRESIDENT LICHAMER: Do you have anything else or no?
MS. FAIN: I have a couple of reports for you guys, but I didn't know if you needed to vote to approve or accept the monthly report. I never know the exact legalities.
TRUSTEE BURKE: We just did.
TRUSTEE SIDLER: Yeah. We just did for the payment.
TRUSTEE BURKE: For the payment. Yeah, that's right.
MS. FAIN: Perfect. All right. Yeah, I have a couple reports for you guys today. I'll have everyone take one and pass it. The first one I'm passing around is related to your audit. It's a risk assessment report, and we're actually going to go through it last, but there's only one page on here that's really relevant. It's going to kind of tie into our tax levy discussion. It's page 24. So, pass it around so

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everyone can flip to page 24. Flip back to that page, and then kind of set it aside.
And now actually I'll hand around the tax levy. So, the tax levy report is going to be stamped DRAFT at the moment. We are waiting on final audited assets. It should be here your next meeting where you formally approve it. But also because it sounds like there might be some discussion today, perhaps on the rate of return assumption. And I did bring some information on that as well.
But let's go ahead and get started. It's going to be page 3 that we look at first in your tax levy report. Every single year this is the most useful page because it's a snapshot of what was recommended last year, how your funded percentage looked last year, and then of course what you look like this year.
You'll see that this year's recommended contribution is a little bit over 3 million. So it's $160,000 increase above what was recommended last year. Now, of this $160,000 increase, around 100,000 of it was anticipated or expected. Every single year your contribution's expected to go up about 3 to 4 percent, because every year you're going to contribute more money for your active guys. They're getting closer to

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retirement, and then you're also going to contribute a little bit more money to pay down that unfunded liability.
So, in just a second we'll go through where the additional roughly $60,000 increase came from, but I did want to point out the funded percentage at the bottom of the page. People always like to focus on that a lot, and make sure that it's improving from year to year. On both a straight market value basis as well as a smooth return actuarial basis, you'll see that you had an increase of a little bit less than 1 percent. So, we are seeing that positive increase in direction, which is what we do want to see in our fund.
So, let's see where that additional, roughly, $60,000 increase came from. It's going to be a few pages ahead, page 8, and it's a backside page. On page 8 we're going to be focussing on this right-hand column, and starting at the top and following it all the way to the bottom. The top of this page details that expected contribution increase that we talked about. That was around $100,000.
The second half of this page details all the kind of behind the scenes moving parts that can contribute to your tax levy. Some of them caused an

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increase in your levy. Some of them actually caused a decrease, but the overall net effect was an additional increase of about $60,000.
So, the first item was salary increases. Salary increases this year came in almost exactly what we anticipated but just a few dollars shy. So, a little bit smaller salary today means we're now projecting just a little bit smaller salary retirement for your population. So just a little bit smaller benefits, but the fund is obligated to pay out. So we saw a really small decrease of about $525 simply related to how payroll came in for the year.
The next item was demographic changes. Your fund had a couple changes that cause increases. You did have some individuals who retired. You also hired some additional members. However, these increases were offset by the fact that you had two terminations.
When it comes to termination, even if you have to refund them contributions, even if they can get some sort of deferred or vested benefit, that's a lot less expensive on a fund than if they were to work all the way to retirement and collect a full pension. So, these terminations actually helped to offset those

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increases, and overall we had a net decrease of around $28,000.

The third item is assumption changes. This year the SOA released three additional years of information on mortality study. The nice thing about being really up to date with your tables is that when new information comes out, you see the impact is very minor: Less than a 1 percent impact on your contribution, which is what we want to see. We want to make sure that we're up to date so anytime we get new data, it's not really going to rock your contributions or cause a big detriment on your budget.

The two remaining items, asset return and contribution, we're going to flip ahead one more page. It's going to be a backside page as well, page 12, to talk about those two items. So, we know the discussion earlier that currently we have an assumption that over the long term or the life time of the fund you're going to get about a 7.25 percent return on your investment.

You'll see at the top of page 12, any time you see a number in parenthesis, it means you actually beat that return assumption. And you'll see that anytime a number is outside of the parenthesis in that top chart, it indicates that we didn't quite hit

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it. So, we see that over the past four years, we have hit ii one out of the four times.

At the bottom of page 12, off to the right-hand side, you'll see your current smoothed actuarial return is less than 7.25, coming in at around 5.8 percent. Anytime you don't hit that return assumption, what happens is you'll see an increase in your levy. The way that we build our assets is through contributions from our employees, from our levy, or through investment returns. So, anytime we fall a little short, the only place it can come from is from the levy. So, we do have an increase of about 48,000, simply related to investment returns for the year.

We'll go through one last item, and then we'll kind of touch back on that investment return assumption. So, the last item that slightly impacted your contribution was taking a look at comparing what your fund requested in the form of the levy, and then what you actually received. Last year's recommended contribution was around 2.9. And if you were to look at the second line item, Plus Employer Contributions, you would see that your fund received a little bit short of this, around 2.68. So, on paper, at first, it looks like your fund was shorted a little bit what was

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requested.

That's where this second report that we set to the side can be really helpful. So, in reality there's about a one-year lag between when we developed this contribution, you go out for your levy, you actually collect those dollars. This chart on page 24 takes that into consideration. It shows in the real world comparing what you've requested and what you've received.

So, it's a lot more fair to compare that 2.68 that we received, taking that into account, knowing that there's about a 12-month lag. And you'll see that in reality, you've been receiving over 100 percent consistently for the past five years. You average right now right at 101 percent into your fund.

Now, unfortunately, the tax levy process doesn't let us take into consideration kind of the real world. So, on paper it looks like you were shorted a little. So, you saw a very small increase in your fund, about 15,000, simply because on paper it looks like that there was a little bit of shortfall. As I said, in reality there wasn't. You received more. It's just more of a timeline issue. And I really like to emphasize that, because I don't want the tax levy

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process and those restrictions to maybe imply a situation that's totally different than what's going on.

Now, this report that we set to the side that goes in your audit, what it is is a stress test of your fund. Basically we take a look at what you've been receiving versus what's been contributed over the past five years, and we see whether or not that's contributing towards good fund help or perhaps a way we're funding is actually not contributing towards good fund health. Of course, if you're receiving on average over 100 percent, that's contributing towards good fund health. And the results of this report indicate that your fund is heading in a really positive direction if you were to continue this behavior.

So, this is a document that actually goes in your report, unrelated to your tax levy. This is just for the audit, but it does have some very useful information in there, and a really nice five-year history which can be good when people are concerned about: Is our pension being properly funded? Are you -- you know, are we receiving what we should every single year? You have this nice five-year history. As I said, it goes into your audit that can help to

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emphasize a good fund health.
MS. BUTTNY: The property taxes that we're collecting right now were for last year. So, that's why that's just kind of confusing.
MS. FAIN: Yeah. And it's just the nature of the beast. So, that's what make it tough. So, we talked about kind of all the behind the scenes little moving parts. There was an expected increase. We had another little bump from updating our assumptions by adding three years of mortality experience, and another little bump for not quite hitting our return, and then another little bump that's really related to this time lag that happens with the tax levy process. All that being offset a little bit by how payroll came in and our population came in.
So, these are the different pieces that make up your tax levy for the year, and got us to a little bit over 3 million. Is there any initial questions about the levy?
TRUSTEE BURKE: Where do you show the levy at here?
MS. FAIN: It's back on that very first page, page three.
TRUSTEE BURKE: On this one?

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MS. FAIN: Yep. This one at the very top. That 3,076,088. Now, this is the recommendation based on current assumptions. So, one of the things that was discussed was perhaps considering adjusting the rate of return assumption from 7.25 percent down to 7 percent. So, I did bring an exhibit that shows you what your levy would look like if that was the decision of the board.
When it comes to your actuarial assumption, your actuary actually has no power over them. The actuary does not set a single assumption. It's up to the board. What the actuary does is we tell you what is a reasonable range of assumptions. So, for example, for a fund your size, a reasonable range of investment returns is 6.25 percent to 7 and a half percent. And so your current assumption is within that range. It's up to the board whether or not you want to go more aggressive or more conservative within that reasonable range.
And there's two risks for being wrong. If you go too aggressive and you assume that you're going to get a much higher return, and you fall short of it, in the end it's going to cost you more money because it has to come from the tax levy. And if you

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don't get it from investments, you got to put it in later. But if you go too conservative, you assume a much lower return and you end up beating it, there is a cost with that, because, of course, if more money was put into the pension fund, decisions when it came to raises, other money that -- other funds that would have gone to, perhaps hiring, all those can be impacted by what your ultimate tax levy is. So, there's two kind of risks when you think of the return assumption for being wrong.
What I'm here to do is simply to let you know that you're in the reasonable range, but it's ultimately up to the board whether or not you want to go a little bit more conservative in that range, more aggressive, or to stay the same. Your investment professional, he's the one that can be best to guide you from market outlooks. I would never in a million years pretend to be well versed in that enough to predict markets and what's going to happen. As I said, I'm just here to kind of guide you and let you know that you're currently reasonable, but it is a wide range, and the board could choose to go more conservative.
You'll see that if we were to adjust that

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rate of return assumption from the 7.25 percent, which is going to be in Column A, to the 7 percent, we would see our required contribution recommendation go from a little bit over 3 million to around 3.3 million. And if there is a different rate of return assumption, whether it's more conservative or more aggressive, if you feel like it's more realistic for your fund, and you'd like to see those numbers run, that's something that we can provide as well.
TRUSTEE SIDLER: So a quarter percent decrease is roughly a $300,000 increase in contribution request tax levy.
MS. FAIN: Yeah. Typically it's going to be percentage based.
MS. BUTTNY: Yeah. It's 235 over the 7 percent, but three over last year. Right?
MS. FAIN: You're looking at about a 7 and a half to 8 percent increase every time you decrease it the 25 basis points.
TRUSTEE BLAYLOCK: Yeah, four over last year.
TRUSTEE NIENBURG: On page 3, the prior valuation 4.9, should I be trying to reconcile that with the employer contribution that's shown on the stress test chart?

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MS. FAIN: No. So --
TRUSTEE NIENBURG: Why not?
MS. FAIN: You are receiving this year, currently, contributions related to that 2.9.
MS. BUTTNY: They're coming in June and September.
TRUSTEE NIENBURG: So, 2017 will be 2.9.
MS. FAIN: Correct.
MS. BUTTNY: It's the 2016 levy that's levied in 2017.
PRESIDENT LICHAMER: There were -- the fire department reached out to me. They were -- did they reach out to you yet?
MS. BUTTNY: Not -- other than they wanted to talk, but I haven't talked to them yet. Their meeting is Wednesday.
PRESIDENT LICHAMER: Okay. Do you have any inclination what they were doing, or no?
MS. BUTTNY: They asked for numbers from Jessica at 7 percent.
MR. ENDRIUKAITIS: Well, they asked for, like, a range from 6 and a quarter -- or 6 and three-quarters, 7 and -- 7.25 I think.
MS. BUTTNY: At the last meeting. And then they asked for the full report at 7, I believe. Right?

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MS. FAIN: So, it was my understanding that they felt that 7 percent was where they wanted to go, but they knew that it was going to be a pretty big bump in contributions. So, they wanted to maybe have the 6.75 number there just to say hey, it's not as big a bump if we had gone to 6.75. So, it was my understanding that it was more to help support the 7 percent versus being what they thought realistically.

But ultimately, this board wants to make a decision what, you know, on what you think your fund's hitting. If you're thinking the 7 percent, you know, the nice thing is that Fire does seem to be heading that direction as well. But if you are feeling more or less aggressive, as I said you ultimately get the call on this one 100 percent.
PRESIDENT LICHAMER: And I don't mean to jeopardize our fund in any way, but they were interested in discussing if we both moved, what that would do to the levy. If we took turns moving, what that would do to the levy. So, that was what their discussion that they wanted to sit down with, or at least feel us out.
TRUSTEE NIENBURG: This is really just a recommendation to council, and council makes the

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ultimate decision on the levy. Right?
MS. FAIN: Correct.
TRUSTEE BURKE: Well, council decides the levy. We can make the recommendation. Our recommendation is based on our assumption. I mean, if we want to add $300,000 to the levy, we would make a recommendation to lower to 7 percent, which I would not support upfront. I think the last two years our investments were not very good, and I think that the Village did the thing they were supposed to do and fund it at 100 percent. And I think this would be the year that we say hey, we don't want to raise it 300,000 more than it should be.
TRUSTEE NIENBURG: Actually, it would be almost four if we go at 7.
TRUSTEE BURKE: I think that, you know, if they want to do it this year, and say that we might consider it for next year, I'd feel better that way, that we're a board that's working with the community in mind.
PRESIDENT LICHAMER: And I agree with that, but when Dave Fieldman(phonetic) sat in here, and we had a 14 percent return because of a positive stock market, we didn't do anything then either. You know, it's like I don't want to do it this time because the market didn't do well. And when the market does do well, we

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don't do anything. I mean, so far we haven't done anything in quite awhile.
TRUSTEE SIDLER: And we've taken --
TRUSTEE NIENBURG: On the rate of return.
TRUSTEE BURKE: On the assumption.
TRUSTEE SIDLER: I mean, there's obviously -- the understanding of how the game works for the minutes to allow -- is we can increase our assumed actuarial rate of return to 8 or 9, and all of a sudden our funding status looks outstanding. We all know in this room that's unrealistic. So, our job is to put as much as we can into the funds, and understand it's going to have an impact on the Village in terms of the cash flow needs of that.

I do think longer term we're going to need to get below 7 and a quarter. Whether we do it this year or whether we do it the next year, I do think, you know, given a low interest rate environment and a state mandated 35 percent, it's going to be difficult for us to close the gap in funding.

Now, as I've alluded to and said -- and you guys have heard ad nauseam -- the real math where it goes upsidedown is once an officer gets over 70 years old, the compounding COLA that's -- catching up

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to that number is next to impossible. And, you know, if we have officers that live into their 90s, that's where it really, really, really impacts you guys as you guys get to that age to say you've got somebody that's -- that's where the compounding COLA just takes off in an area where there's not a low enough rate that we can put in if everybody in this fund lives until they're 90 and above, which we hope that happens but --

TRUSTEE BLAYLOCK: And that's where Tier 2 comes in.

TRUSTEE SIDLER: But that being said, was my next point to say, every hire that we've had over the last --

TRUSTEE BLAYLOCK: Six years.

TRUSTEE SIDLER: -- six years has been Tier 2 employees versus Tier 1.

MS. BUTTNY: Sometimes.

TRUSTEE SIDLER: We have not had a Tier 1 employee hired --

MS. BUTTNY: Well --

TRUSTEE BURKE: You can if they come from another department.

TRUSTEE SIDLER: If they come from another department, but we have not.

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TRUSTEE BURKE: We have not.

TRUSTEE BLAYLOCK: Yes, we've had -- no Tier 1 in six years?

TRUSTEE BURKE: No. They've transferred their Tier 2 time.

TRUSTEE BLAYLOCK: Oh, Tier 2 people transfer. Well, there you go.

TRUSTEE BURKE: It's been so long. You know, it's been six years. And a lot of these guys coming over, you have to have a minimum of two years to transfer, and they're transferring three to four, that's still Tier 2.

TRUSTEE BLAYLOCK: There may be one in there that we're not -- for the most part, there may be one in there, but for the most part it's been all Tier 2. So, those are all --

TRUSTEE SIDLER: It's lower impacted in terms of when that rolls through. Right.

TRUSTEE NIENBURG: Are we allowed to essentially like glide past this thing? What if we scrape five basis points off a year for the next --

PRESIDENT LICHAMER: I don't know. You mean in quarters?

TRUSTEE NIENBURG: Yeah.

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(Simultaneously speaking over.)

TRUSTEE SIDLER: You mean like -- down-payment on it instead of a quarter percent.

TRUSTEE NIENBURG: When looking at the valuation increase year to year, so 2017 to 20-- or 2016 to 2017 it was a $225,000 increase. What's proposed now is 160, so that's a deceleration. We knock that up -- that down to 7.2, maybe we still decelerate the increase?

(Simultaneously speaking over.)

TRUSTEE SIDLER: To me that makes a lot of sense to say, look, a quarter percent move is going to be $300,000. If both sides do it, you know, that's probably 6 to $700,000 to Judy and the request that comes from it. But making a down-payment on it, and starting to move in that direction --

PRESIDENT LICHAMER: I -- I -- you know, and I'm not saying it has to be this year. I always hear what Dennis has to say understand, and I understand the needs of the taxpayer and the Village, and I by no means want to do that. I really don't want to jump on board with Fire Department, and now we're -- both of us are now six.

TRUSTEE NIENBURG: I don't know how that would

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play out at the council level. If we both move, are they going to, you know --

PRESIDENT BURKE: Right -- -

TRUSTEE NIENBURG: -- both of them.

PRESIDENT LICHAMER: My argument, though, is we keep talking about it.

TRUSTEE NIENBURG: We keep talking about it.

PRESIDENT LICHAMER: -- we starting to move it, and when the market was stellar two or three years ago -- what was that return we had that year? 14 percent?

TRUSTEE SIDLER: Closer to 15 percent.

PRESIDENT LICHAMER: It was 15 percent and, you know, the board members at that time said, I can't bring this to the council.

TRUSTEE SIDLER: If we can go five basis points and start --

TRUSTEE BURKE: Can we just up and do that?

TRUSTEE SIDLER: Can we do 7.20 versus 7.25?

MS. FAIN: You have to achieve it in a slightly different way. So, if you knock off, you know, point 05 percent every single year, it looks like -- and you can be flagged for looking like you're playing with your assumptions, because in theory you should only ever update your assumptions maybe every five to seven

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1 years if you're truly thinking of this as a long-term
2 40-year return.
3 Instead, the way that you achieve the
4 same thing is you would say: We have 7.25 now, we want
5 to go to 7 percent, but we want to transition over five
6 or seven years to do it. So, your report would
7 actually say it's at 7 percent, except that you're not
8 doing the full contribution. That would be -- it's
9 more like a payment plan. So, you achieve the same
10 end.
11 It's just a way of not making it look
12 like you're kind of playing with the return assumption.
13 So, that's something we can definitely do. We can do
14 it if you want to get there in three, five, or seven
15 years. It's something that we can do for sure.
16 TRUSTEE SIDLER: I know it makes a whole lot of
17 sense.
18 MS. BUTTNY: You'll pay interest on it.
19 TRUSTEE SIDLER: Right. I mean, it's not hitting
20 them with $300,000 year over year and that goes. It's
21 the start of the process and say -- because we have.
22 We've talked about many years we need to get 7.
23 PRESIDENT LICHAMER: Since you've been on the
24 board. You had to start this --

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1 TRUSTEE SIDLER: I mean, we started at 8 and a
2 quarter. I think over the last 15 years we were -- we
3 were at 8 and a half, I think, when I started.
4 TRUSTEE BURKE: Yeah, you're right.
5 TRUSTEE SIDLER: And we've gone from 8 and a half
6 to 7 and quarter, and I think we -- all said, we need
7 to go to 7.
8 PRESIDENT LICHAMER: It stalled I don't know how
9 many years.
10 TRUSTEE BURKE: What do you think about her
11 proposal?
12 TRUSTEE SIDLER: I think it makes -- I think it
13 makes -- Bill's idea, and if the ability to say -- as
14 long as -- I think we can defend if anybody comes back
15 to us and says, You're trying to gain your assumptions.
16 We're not going up and down. We have an intended goal
17 to get to 7.
18 TRUSTEE BURKE: We have an intended goal to get to
19 7, and we're doing it in a way --
20 TRUSTEE SIDLER: And we're doing it in an
21 incremental period. I mean to me --
22 TRUSTEE NIENBURG: I think there's a good message
23 for the taxpayers, too, in we're decelerating the
24 contributions.

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1 TRUSTEE SIDLER: Right.
2 TRUSTEE BURKE: Right.
3 TRUSTEE BLAYLOCK: So, what is that? $60,000 per
4 year over five years or something?
5 PRESIDENT LICHAMER: What was eventually our
6 endgame though? In what percent?
7 TRUSTEE SIDLER: We have had discussions in the
8 six handle(phonetic), in the high six handle(phonetic),
9 eventually. But I think we've been talking -- we've
10 gone from, you know, over the last 13 years, from an 8
11 -- I think an 8 and a half when I started to where
12 we're at at 7 and a quarter. And I think the goal of
13 getting to 7 or in a high 6 will all depend on where
14 the interest rates are at.
15 So, we do enter a phase where interest
16 rates are rising, and we have the ability to buy
17 government, you know, guaranteed stuff at a higher rate
18 than we are today. We're going to be able to get to
19 that rate, but we're far between today and there. And
20 I think we've got that, you know, reality of we need to
21 be a little bit more aggressive in the equity markets.
22 But understanding we weathered 2008 better than almost
23 everybody else we've talked to, because we're
24 conservative. Right?

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1 So, we're playing this game of getting a
2 little more aggressive in the markets but also
3 realizing we might miss a little on the upside. I'd
4 rather see us do that, and start to pull this thing
5 back to maybe a year and a year and a half.
6 TRUSTEE BURKE: It's going to come back.
7 TRUSTEE SIDLER: It's going to pull back.
8 PRESIDENT LICHAMER: I missed it the last time.
9 TRUSTEE SIDLER: We all did. But as you look back
10 and you see the froth, and you know that, you know,
11 every place you talk to, people are saying that they're
12 getting 40 or 50 percent, you need to buy this, that's
13 a pretty good sign for us to say, Look, it's getting
14 frothy. Let's pull back.
15 PRESIDENT LICHAMER: And I don't know -- I wish
16 there was a chance to talk to Fire, too. Maybe if --
17 they're meeting when?
18 MS. BUTTNY: Wednesday.
19 PRESIDENT LICHAMER: You know, I'm working
20 Wednesday day shift.
21 MS. BUTTNY: They're meeting at 5:00 p.m.
22 TRUSTEE SIDLER: If we can run it, and it's a
23 pretty quick run, I think going from a 7 and a quarter
24 with the intended goal within a three or -- I don't

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1 know if it's a three or a four or a five year period --
2 MS. FAIN: You tell me.
3 TRUSTEE SIDLER: -- to get to 7 percent. I mean,
4 I think it makes sense, and it's -- any way we come at
5 it, it's going to hurt putting more money into it. But
6 I think from our standpoint, our job is to fund this,
7 do the best that we can, and I think at a realistic
8 rate of what we see out in the marketplace and what
9 interest rates are at. The state mandates we have to
10 have a minimum of 35 percent in an asset class that's
11 going to give us two. So, you know, mathematically
12 we're challenged.
13 PRESIDENT LICHAMER: How hard is it to run those
14 reports?
15 MS. FAIN: We can have it to you by the end of the
16 week. I was going to say one other big positive thing,
17 doing the transition plan versus chipping it down each
18 year was something you all talked about earlier was
19 your Tier Ones. Whenever they transfer service over, a
20 calculation is done based on what they need to put in
21 your fund in order for you to accept them, and it's
22 based on your assumptions at the time.
23 So, if you were to use an assumption of
24 7.2 when someone were to transfer this year, in the end

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1 it's going to calculate that they don't need to put in
2 quite as much money versus under this method, you would
3 calculate it using the 7 percent. So, they'd need to
4 put in, you know, the full amount that would be needed.
5 So, that's the other big thing to keep in
6 mind with this assumption, is that whenever we're doing
7 this transfers of service, this number drives
8 ultimately what people need to contribute into your
9 fund of they want to join. So, that's another kind of
10 positive of doing it for the fund. It helps protect it
11 on --
12 PRESIDENT LICHAMER: You mean doing the big -- the
13 quarter --
14 MS. FAIN: Correct.
15 TRUSTEE BLAYLOCK: You're going to end up doing
16 the transition. It's automatically going to be at
17 7 percent for the next -- whatever, next five years if
18 we decide. If somebody wants to come to our fund,
19 they're going to use that 7 percent even though we're
20 only at 7.2 --
21 MS. FAIN: Right.
22 TRUSTEE BLAYLOCK: -- next year, but they have to
23 go in 7 because eventually it's going to be 7.
24 MS. FAIN: Versus kind of doing it the other way

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1 where we just -- say, it's 7.2, next year we say it's
2 7.15, and we don't actually have some sort of formal
3 plan in place, in that scenario you would calculate it
4 at the 7.2 or 7.15, depending on what year.
5 So, this is a way of making sure that
6 anyone were to join as Tier One, it's going to be
7 calculated at 7 percent. So, you're going to get, you
8 know, the appropriate amount of money transferred over.
9 TRUSTEE SIDLER: Bill, do you think five basis
10 points to go from 7 and a quarter to 7.20 for this next
11 run with the stated goal of --
12 TRUSTEE NIENBURG: So, if we do that, we put that
13 glide path in motion, you're saying the assumption of
14 record is 7 for transfers in?
15 MS. FAIN: Correct. So, how it was kind of
16 looking at tax levy --
17 TRUSTEE NIENBURG: But we stand --
18 (Simultaneously speaking over.)
19 MS. FAIN: Yes. In the back of your report, it
20 would say that your assumed ultimate return is 7
21 percent. There would be a whole section talking about
22 a transition plan. And on this front page, page 3,
23 what you would see is the recommendation at the top
24 would be that 3.3, but then there would be a whole

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1 section on how we are transitioning to this number over
2 five years. Therefore, the current recommendation for
3 this year is actually, you know, maybe 3.1 -- something
4 like that. So, it would be a little bit additional
5 language. I can highlight all that when I send it
6 over.
7 TRUSTEE SIDLER: Do you want to move it 5 basis
8 points over three or five? What's the proposal?
9 TRUSTEE NIENBURG: I don't know. What do you guys
10 think? More aggressive? Less aggressive?
11 PRESIDENT LICHAMER: If we set it in motion though
12 -- if we do 5 basis points, you said that would be five
13 years to get down to 7. Could next year we say, you
14 know, things look really good, we can do 10 basis
15 points, but -- you know what I'm saying? Move it --
16 TRUSTEE BLAYLOCK: It doesn't look like --
17 MS. FAIN: -- is changing just how quickly you get
18 there, and that's okay. Yes. Because you're not
19 messing with your assumptions. You're just saying hey,
20 we want to get there a little faster.
21 TRUSTEE SIDLER: That's a good point.
22 TRUSTEE BLAYLOCK: I'd say you for sure do over
23 five. If something changes in our favor and it looks
24 better, then we can change it at that point. But over

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five --
TRUSTEE SIDLER: So, your thought is go five years, and the goal of 7 and a quarter to 7, and if we feel like it's better -- to Paul's point -- we can then come back and say all right, next year --
TRUSTEE BLAYLOCK: And we're still not looking like we're messing with anything.
MS. FAIN: And we've had a couple of funds who did the five year or the four year, and then year three they received more in contributions. It it was a good year in returns, and they actually -- I guess you could say ended the transition a year sooner than they thought, which is perfectly fine. That's a positive thing.
TRUSTEE SIDLER: And I think the message you relay to everybody as it goes forward is to say, Look, we understand, you know, what we're asking of the Village and all the taxpayers, but we have also been hiring Tier 2 employees. We're doing our part. Now we're doing this over a slow period of time, understanding we have a responsibility to fund this. That's our fiduciary duty. And what we've done as a group is hire Tier 2 employees that cost to the fund is substantially less than a Tier 2 -- than the Tier 1. I think that's

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--
PRESIDENT LICHAMER: -- I mean, the rate of return this high, that money -- you said -- is going to have come from somewhere.
TRUSTEE SIDLER: Right. So, we're going to need to fund. It's just a matter of how we do it and where we get it. I think going to Tier 2 is an important, you know, is an important gesture on the police department's behalf, showing this is what we're doing in terms of future obligations on the pension fund. And then for us to say, you know, we want to get to a 7 percent.
TRUSTEE BURKE: Yeah. I can agree to going to 7 percent incrementally point 5 over five years. Being reviewed annually, in the event we have a great year, we can do something difference. I can support that.
TRUSTEE NIENBURG: Was that a motion?
TRUSTEE BURGE: No. I --
TRUSTEE BLAYLOCK: Do we need to make one yet, or do we wait until we have everything --
(Simultaneously speaking over.)
MS. BUTTNY: We need a number and then do it in August.
TRUSTEE SIDLER: And we can't give a number until

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we got --
MS. FAIN: And we should have the audited assets by then as well typically.
TRUSTEE BURKE: Yeah. We'll do that in July or August.
MS. BUTTNY: -- close to done.
MS. FAIN: Perfect.
TRUSTEE SIDLER: Does that give you enough time that we do it in July, or do we need to do a conference call?
TRUSTEE BURKE: Well, we're doing it August 21.
MS. BUTTNY: Well, I'll have an idea where you're going to go to be able to put in on my projection. When you split the number --
TRUSTEE BURKE: Will you send us -- yeah, send Judy.
MS. BUTTNY: And I'm guessing you can tell us about what it is. Right?
MS. FAIN: Right.
MS. BUTTNY: So, right now as it seems, yeah. That would be fine. I'll have a number to use.
MS. FAIN: I can send you what it would be based on draft assets right now by the end of the week, and then once we get the audited one in, if they're even

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any different, we can give the final number.
MS. BUTTNY: Right. And if I know that's where the board wants to go, that's very helpful.
TRUSTEE BLAYLOCK: Maybe the fire department can think about something like that as well.
PRESIDENT LICHAMER: I don't think it's ever really been -- possibly we never thought of that.
MS. BUTTNY: No. It was never presented previously.
TRUSTEE NIENBURG: I think I get one every once a year.
TRUSTEE SIDLER: We'll call it the glide path.
(Simultaneously speaking over.)
TRUSTEE BURKE: We've got to pay some bills.
TRUSTEE BLAYLOCK: No. We did that already.
MS. BUTTNY: We took care of that.
PRESIDENT LICHAMER: Judy, if I may, since it's your turn, how are we tracking our budget with the attorney? I know we budgeted more knowing Officer Eddy was going to be doing his hearing. Are we tracking budget-wise appropriately?
MS. BUTTNY: Let me get back to you on that.
PRESIDENT LICHAMER: I know we set extra aside.
MS. BUTTNY: We did.

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PRESIDENT LICHAMER: Reimer sends those bills, and I look at them and I'm like, oh, boy.
MS. BUTTNY: I'll get that for you.
TRUSTEE BURKE: He thinks we've got $50 million.
TRUSTEE SIDLER: Of liabilities is what we need to tell him.
PRESIDENT LICHAMER: You got anything else, Judy?
MS. BUTTNY: Other than to edit the meeting -- Norm Sidley report.
TRUSTEE BURKE: If you're going to go over new business, Mr. President, I do want to announce that we did have an election because Trustee Blaylock's term was ending in April. Close election. And the thing about it was we were -- Judy was sitting there. I was there, and our clerk had a family issue. So, this was tense because we had 20 votes for Andrew, 19 votes for this other person, and we had one ballot unopened yet.
If it was for the other person, we have to have a runoff. If it's for Andrew, he wins. Open it up: Andrew. He won the two-year term. Congratulations.
PRESIDENT LICHAMER: Congratulations.
TRUSTEE SIDLER: Is that a true story?
TRUSTEE BURKE: I'm not kidding you, Norm. Judy

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was there.
MS. BUTTNY: No yard sign.
PRESIDENT LICHAMER: You didn't put your yard signs out.
TRUSTEE BURKE: It was 19 with one left. What are we going to do? And it ended up -- it resolved itself. And we had three come in late the last day I worked, which wouldn't count. Two out of the three were for you anyways.
TRUSTEE NIENBURG: It was that Facebook campaign.
TRUSTEE BURKE: Now, I don't have it on the agenda, but that means at the next meeting it will be on the agenda for us to elect board officers because it's after every election. You have to revote your board.
TRUSTEE BLAYLOCK: Right. You can't do that in new business? Usually it takes us five minutes.
TRUSTEE SIDLER: He's a three-year term. Right?
TRUSTEE BLAYLOCK: Two.
TRUSTEE SIDLER: Two now?
TRUSTEE BLAYLOCK: It's always been two. You guys might be different.
TRUSTEE SIDLER: Ours changes. Mine was just put in two this year.

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TRUSTEE BURKE: You were made three.
TRUSTEE SIDLER: I was three. This last one was two.
TRUSTEE BURKE: You all have to get behind Paul because --
PRESIDENT LICHAMER: I'm up next year.
TRUSTEE BURKE: -- he's up next April, and this guy --
TRUSTEE SIDLER: Start the yard signs.
TRUSTEE NIENBURG: Who's the guy?
PRESIDENT LICHAMER: Just another guy.
TRUSTEE BURKE: Nice guy. Steve Miller. He's working with the DEA right now, but he put out an e-mail to all sworn personnel that he wanted to be on the board.
TRUSTEE SIDLER: Take a shot at Paul.
TRUSTEE BURKE: Well, the interesting thing was is there was 21 votes for Andy, 19 votes for this one person. Three different people voted for themselves or something else. If they had voted for the guy, he'd be sitting here this morning.
TRUSTEE BLAYLOCK: And so, should we do that? Are we on the new business yet, Paul?
PRESIDENT LICHAMER: Yes. We're on it.

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TRUSTEE BLAYLOCK: It usually takes us like five minutes to do --
TRUSTEE BURKE: Well, we've got the court reporter. We'll record it. Okay. Do we have any nominations for president?
TRUSTEE BLAYLOCK: I'll nominate Paul Lichamer for president.
TRUSTEE SIDLER: I'll second that nomination.
TRUSTEE BLAYLOCK: Do we vote on that?
TRUSTEE SIDLER: Does Officer Lichamer accept the nomination?
PRESIDENT LICHAMER: I accept.
TRUSTEE BURKE: A vote?
PRESIDENT LICHAMER: Roll call?
TRUSTEE BURKE: Burke, aye.
TRUSTEE SIDLER: Sidler, aye.
TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
PRESIDENT LICHAMER: Thank you.
TRUSTEE SIDLER: You don't have to worry about voting for yourself.
MS. BUTTNY: When's the inauguration?
TRUSTEE BURKE: Now we have nomination of vice president of the board.

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TRUSTEE SIDLER: I will nominate Andrew Blaylock for vice president of the board.
TRUSTEE NIENBURG: Second.
PRESIDENT LICHAMER: Roll call?
TRUSTEE BURKE: Burke, aye.
TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE SIDLER: Sidler, aye.
PRESIDENT LICHAMER: Lichamer, aye.
TRUSTEE BLAYLOCK: Secretary. I will nominate Dennis Burke for secretary.
TRUSTEE SIDLER: Second.
PRESIDENT LICHAMER: Roll call?
TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE SIDLER: Sidler, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
PRESIDENT LICHAMER: Lichamer, aye.
TRUSTEE BURKE: You don't need me.
PRESIDENT LICHAMER: There you go.
TRUSTEE BLAYLOCK: All right. See, I told we could do that.
TRUSTEE BURKE: Okay.
PRESIDENT LICHAMER: New police officers.
TRUSTEE BURKE: You gave us those folders, didn't you?

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MS. FAIN: Would it be these?
TRUSTEE BURKE: Yes.
TRUSTEE SIDLER: Even though Bill and I don't hold an official title on the board, we were still waiting for maybe, you know, after 15 years we'd get our special card: Member of the board. If in trouble, please --
TRUSTEE BURKE: Sure, Cicero you'd get a badge and a --
(Simultaneously speaking over.)
TRUSTEE SIDLER: We're setting our goals even higher then.
TRUSTEE BURKE: If it was two weeks ago, we probably could have had something printed. But that person retired. Can't get anything printed these days.
TRUSTEE SIDLER: We'll have to go back to having a car, a badge and a car.
TRUSTEE NIENBURG: Just a sticker, like a detail for my window. Most importantly my wife's window.
TRUSTEE BURKE: We have two new police officers that we hired. They're in the academy now. Applications for Jennifer Rosario and Eric Servatius. I would recommend that we accept them into the fund.
TRUSTEE SIDLER: That puts head count at?

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TRUSTEE BLAYLOCK: Who knows. We're short still two more or three more.
MS. BUTTNY: Right.
PRESIDENT LICHAMER: Quite a few.
TRUSTEE BLAYLOCK: Yeah, we're still short people.
TRUSTEE SIDLER: It's at 70.
TRUSTEE BURKE: I think it's 71.
TRUSTEE SIDLER: 71?
TRUSTEE BURKE: 71.
TRUSTEE SIDLER: Tier 2 both, confirmed?
TRUSTEE BURKE: Oh, yeah. Both are Tier 2.
MS. BUTTNY: One was born in 1995.
TRUSTEE BURKE: So, I make a motion the board accept these two applicants into the Downers Grove police pension fund.
TRUSTEE BLAYLOCK: Second.
TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE SIDLER: Sidler, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
TRUSTEE BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
TRUSTEE BURKE: And during -- from between -- after our last meeting, we had a resignation of an officer, Thomas Gagner. He left to go to some Federal

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agency. And he's -- so far I don't know. He hasn't made application for refund. Has he?
MR. ENDRIUKAITIS: Correct.
TRUSTEE SIDLER: Do you believe he will, or you don't know?
TRUSTEE BURKE: I don't know.
TRUSTEE BLAYLOCK: I think he probably will. I mean, he's only got four years -- three, four years.
TRUSTEE BURKE: But he's got more than two, which will allow him transfer if he went back to a local PD. I don't know. That's just an announcement. And then we have the retirement that will be happening very, very shortly. Five days. The paperwork is in. It's all just a matter. May 12th, Tim Dutton. 30 years of service. He's going to be retiring.
PRESIDENT LICHAMER: I gave Eric his paperwork.
TRUSTEE BURKE: Did you get the signed -- did you get the signed one from Judy and somebody?
MR. ENDRIUKAITIS: Uh-huh.
MS. BUTTNY: No. I haven't seen anything yet.
MR. ENDRIUKAITIS: Oh, I got the --
MS. BUTTNY: You got the application --
MR. ENDRIUKAITIS: I got the application.
MS. BUTTNY: Then you have to do the calculations,

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and it has to be signed.
TRUSTEE BURKE: Do you have the calculation?
MR. ENDRIUKAITIS: I sent it -- sent it out of Friday afternoon.
TRUSTEE SIDLER: Yeah. I got it right here, Dennis, if you need to. The suggestion was always, by Reimer, that we give the exact date of retirement, the dollar amount, the applicable salary, and his pension. Mr. Secretary, these are yours.
TRUSTEE BURKE: Okay. He is retiring with an effective retirement date of May 13, 2017. His annual salary at the time of retirement is $98,453. He's had 30 years of creditable service, which earns 75 percent pension. The original pension amount is monthly $6,153.31, which annualizes at 73,839.72. I move we accept this retirement.
TRUSTEE SIDLER: Second.
PRESIDENT LICHAMER: Roll call?
TRUSTEE BURKE: Burke, aye.
TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE SIDLER: Sidler, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
PRESIDENT LICHAMER: Lichamer, aye.
TRUSTEE BURKE: Do you need us to sign this now,

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and give it back to you?
MR. ENDRIUKAITIS: Correct. Yes.
TRUSTEE BLAYLOCK: Does everybody sign it, or just Judy?
TRUSTEE SIDLER: No, no. Well, you got the original application.
MR. ENDRIUKAITIS: I've got the application. That was signed today.
MS. BUTTNY: A trustee and me. So, whoever wants to sign.
TRUSTEE BURKE: Go ahead.
TRUSTEE SIDLER: Have at it. Put your name right on it.
MS. BUTTNY: Usually Dennis and I do.
TRUSTEE BLAYLOCK: Let's keep it consistent.
PRESIDENT LICHAMER: Old business?
TRUSTEE BURKE: Old business. I feel kind of old.
TRUSTEE BLAYLOCK: Do we have anything to discuss? I thought we were going to discuss -- nothing on officer Eddy today?
TRUSTEE BURKE: Oh, well, yeah. I was -- just before we adjourn, we have received the doctor's reports and the specialists review of the --
TRUSTEE SIDLER: Oh, you've done that then?

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TRUSTEE BURKE: That's done.
TRUSTEE SIDLER: Okay.
TRUSTEE BURKE: And the next thing was for us to set a date. I called Reimer's office, talked to Mimi, and Mimi says that he's busy all May. I said, "Well, send me some June dates, and I'll send it out to the board. I think it's only going to take one more meeting to finish this up. So, we have to meet sometime in June to finish the Eddy petition.
TRUSTEE SIDLER: Who sends a copy of that report that he just completed that was requested from the board?
TRUSTEE BURKE: He sent it to the president, who gave it to me as secretary. And once we have a date set, he will hand them out the morning, day, afternoon of the meeting.
TRUSTEE SIDLER: Oh, we don't get a chance to see it before?
PRESIDENT LICHAMER: You should send it out before for review.
TRUSTEE SIDLER: He sends everything before so we can review it.
TRUSTEE BURKE: Then I'll send it all out.
TRUSTEE SIDLER: Okay. Just confirm with Rick

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that that's protocol, because last time --
PRESIDENT LICHAMER: He put on the cover letter that he didn't want to disseminate it until he got it all together. You know what I'm saying?
TRUSTEE SIDLER: Right.
PRESIDENT LICHAMER: He didn't want each report getting thrown around. And then he'll put them together in a package, and I strongly would ask that he give it to us ahead of time.
TRUSTEE BLAYLOCK: So we can have it all.
TRUSTEE BURKE: I can scan it all.
PRESIDENT LICHAMER: Just double-check with him.
TRUSTEE BURKE: I've got to call today. I'm going to say --
TRUSTEE SIDLER: I would request we have it before.
TRUSTEE BLAYLOCK: Because there's a lot of stuff to review.
TRUSTEE SIDLER: Just as we had last time, because there's a lot of review.
TRUSTEE BURKE: There's a lot of information in it.
TRUSTEE SIDLER: And we don't have it until the morning of.

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TRUSTEE NIENBURG: Yeah. That was like a weekend worth of --
TRUSTEE SIDLER: Right.
TRUSTEE BURKE: Do you have any of these papers, the application of those two officers?
MR. ENDRIUKAITIS: The new officers? Yes, correct. I just need a new hire sheet, which I got from Andy.
TRUSTEE BURKE: Okay. So, these are ours then?
MR. ENDRIUKAITIS: Correct.
TRUSTEE BURKE: I'll give it to Judy, and she will give them to Pat, and put them in there, create their pension file. Yeah. So, it's going to be in June that we'll have the hearing to finish Officer Eddy.
TRUSTEE BLAYLOCK: So, you'll try to get us some June dates, then just send it out to the board?
TRUSTEE BURKE: Yes.
TRUSTEE BLAYLOCK: And we'll try and figure out something that works with everybody.
TRUSTEE BURKE: And what I'll probably do is when I do that, with Mr. Reimer's blessing, I'll attach all the paperwork so it's with it.
TRUSTEE BLAYLOCK: Okay.
PRESIDENT LICHAMER: There's a lot to review. Any

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other old business?
TRUSTEE SIDLER: Is that another thick document?
PRESIDENT LICHAMER: No, no, but I mean if you want to review the old stuff, and then review his -- what do they call that --
TRUSTEE BURKE: Independent medical exam with the evaluation done by a specialist, with his comments which are very important.
PRESIDENT LICHAMER: And then he sent the IME to the other three doctors to review. They reviewed his IME, and gave them to Andy.
TRUSTEE SIDLER: Oh, they did?
PRESIDENT LICHAMER: Yes. So, it's like -- it's another file.
TRUSTEE SIDLER: If we have, you know, preferably a good week to two weeks before that meeting so we can spend some time reviewing.
TRUSTEE NIENBURG: Independent testing?
PRESIDENT LICHAMER: Independent medical evaluation, IME.
TRUSTEE NIENBURG: Wasn't there -- we were looking for a work restriction. Like a -- there was some -- there was a specific term that we were trying to get out of the test. Right?

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TRUSTEE SIDLER: I think it was work restriction.
TRUSTEE BURKE: What we were looking at was work restriction, but if, in fact, the injury that he -- that he is pointing at was the causative factor of what happened.
TRUSTEE NIENBURG: We already had a lot of medical reports towards that question already.
TRUSTEE BURKE: Right, but we have a very definitive answer in this paperwork.
TRUSTEE NIENBURG: Okay.
TRUSTEE BURKE: And I won't tell you. Keep you in suspense.
TRUSTEE NIENBURG: He's all about the suspense.
TRUSTEE SIDLER: He's all over that.
TRUSTEE BLAYLOCK: Well, the suspense factor, he didn't know who won the election. I wouldn't be sitting here --
(Simultaneously speaking over.)
PRESIDENT LICHAMER: Do we have a motion to adjourn?
TRUSTEE BLAYLOCK: So moved.
TRUSTEE SIDLER: Do we have a quick -- just a very quick analysis of --
MS. BUTTNY: Sure.

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TRUSTEE SIDLER: Sorry, Mr. President. If you may give us the benefit of how is business in Downers Grove?
MS. BUTTNY: So, we'll talk quickly about 2016. You know it takes us a little while to get final numbers because of a three-month lag in -- particularly the sales tax revenues. But then we had the auditors come in in April, and we were getting our financials done and out the door.
We had a balanced budget: 46.3 million. Actuals came in closer to 45.7 million. So, we're 600,000 under revenues and also expenses. WE had a couple of extraordinary items that allowed us to add 180,000 to fund balance.
But the revenues that are going down are income taxes, sales taxes and telecom taxes. That's what hit us in 2016. Income taxes, there's three factors. The removal of the cap on the net operating loss. So, obviously if the cap is removed, you're paying less taxes.
Shift from corporations to pass-through entities. So, the corporate tax rate is higher and a lot of people are turning into limited liability companies, et cetera, getting in as a lower tax rate.

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And then an increase in tax credits that have been taken.

Sales tax, we lost ground in food and auto in 2016. You know, we can make some guesses what's happening with the Mariano's that opened in Westmont. We think it's been drawing a lot of people on the south end of town over to shop over there. And autos is more of a trend that just seems to be national trend.

It's early for me to talk to you yet about sales tax. January is all we have. It was then lower than last year. Income taxes have been lower than the previous year. So, we had a break even budget of 46.9 million for 2017. We estimate that we are going to be about $1 million under. So, we are taking actions to try to reduce the expenses by the same amount because we do not want to run a deficit.

We had a fortunate winter without a lot of snow. We figured we saved about $150,000. There's other operational savings of about $150,000 that we're going to be able to incorporate. And we've decided not to make some internal service fund transfers this year to the tune of $600,000 so that we can continue to balance our budget. Things like equipment replacement.

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We are going to defer the purchase of a pumper truck by a year. Fleet.

Those are some of the areas, the internal service fund that we cannot make as large of a transfer. And the way those work is all the departments get charged for either the equipment or their fleet maintenance. And so we just won't transfer as much money into those funds.

So, we're keeping an eye on everything. You know, we're concerned. Every time we open up the newspaper, some other retail store is closing. We are working on long-range planning now. We are going to be looking at recommending an alternative revenue source. And what we're looking at is the food and beverage tax. So, council will be talking about that shortly.

PRESIDENT LICHAMER: Taxing food and beverage?

MS. BUTTNY: Yes. So, prepared food.

TRUSTEE BURKE: Every other town around us does it.

MS. BUTTNY: A lot of other communities are doing this. When you look at our sales tax by category, eating and drinking is a category that grows. Actually, if you want to look.

TRUSTEE SIDLER: Have to eat more and drink more.

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MS. BUTTNY: Well, we've got, you know, a few. If you look around town, there's more restaurants in the downtown than there ever was. We've got a lot of good restaurants in town that is a growing source. It seems to be what the millennials do, as opposed to buying things like previous generations. They're more into the eating and drinking experiences. Not so interested in purchasing cars, it appears.

TRUSTEE NIENBURG: What about any -- I know this is high level. Not to put you on the spot. Any -- Economic Development just did their report. And highlights from there that we can feel good about?

MS. BUTTNY: Actually, yeah, there are. I don't have those with me. I can send you my draft of what I'm putting in our Caffar(phonetic.) Because it talks about all of the businesses that are moving into town.

PRESIDENT LICHAMER: Moving in?

MS. BUTTNY: Yes. Well, but development. Sometimes it's an apartment. You know, it's a good thing to have an apartment building move into town. It's a good thing to have a lot of things -- an employer move into town, because that creates jobs. That's good for the economy. With the way our taxes are done, we like to see sales taxes, but --

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PRESIDENT LICHAMER: Well, you know, it's the first time in 23 years I've been here that it's a ghost town at 75th and Lemont.

TRUSTEE BURKE: Oh, it is.

PRESIDENT LICHAMER: Ultra Foods.

MS. BUTTNY: Exactly.

PRESIDENT LICHAMER: Who else?

MS. BUTTNY: And those have yet to really be --

PRESIDENT LICHAMER: Service Merchandise has never been filled. I mean it's --

MS. BUTTNY: Right.

PRESIDENT LICHAMER: It doesn't look good.

MS. BUTTNY: I knows he's working on it, and that's all I know. By I can send you my draft report. I'll send it out to the board so you can see the report of the things that are happening in town.

TRUSTEE NIENBURG: How was December sales tax revenue? Do you remember? Versus a year ago?

MS. BUTTNY: I don't remember exactly December. I believe it was down.

TRUSTEE NIENBURG: Just wondering about the Christmas season.

PRESIDENT LICHAMER: Ask Amazon. We've got a motion to adjourn.

TRUSTEE BURKE: Next meeting --
TRUSTEE BLAYLOCK: So moved.
TRUSTEE BURKE: -- is going to be 8/21.
TRUSTEE SIDLER: Second. Thank you, Judy.
MS. BUTTNY: Sure.
PRESIDENT LICHAMER: Roll call.
TRUSTEE BURKE: Burke, aye.
TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE SIDLER: Sidler, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
PRESIDENT LICHAMER: Lichamer, aye.

(Which were all the proceedings had and testimony taken at the public hearing of the above-entitled cause.)

STATE OF ILLINOIS)
) SS.
COUNTY OF DU PAGE)

I, Janet Hayden, C.S.R., duly qualified and commissioned for the State of Illinois, County of DuPage, do hereby certify that I reported in shorthand the proceedings had and testimony taken at the hearing of the above-entitled cause, and that the foregoing transcript is a true, correct, and complete report of the entire testimony so taken at the time and place hereinabove set forth.

Janet Hayden
CSR License #084-004483

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