Downers Grove Police Pension Fund Board of Trustees

Regular Board Meeting

August 21, 2017

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DOWNERS GROVE POLICE PENSION FUND
BOARD OF TRUSTEES

REGULAR BOARD MEETING
August 21, 2107
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 MEGAN L. ROMAK, CSR.

PENSION BOAR 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, via telephone
Mr. Eric Endriukaitis, Lauterbach and Amen
Mr. Doug Oest, Marquette and Associates

PRESIDENT LICHAMER: Go ahead and call to order the Downers Grove Police Pension Board meeting for August 21, 2017, 9:00 a.m. Can I have the roll call of officers.
TRUSTEE BURKE: Burke, here.
PRESIDENT LICHAMER: Lichamer, here.
TRUSTEE NIENBURG: Nienburg, here.
TRUSTEE BLAYLOCK: Blaylock, here.
TRUSTEE SIDLER: Sidler, here.
PRESIDENT LICHAMER: All right. Go ahead. Do we need a motion? Are we going to be doing an electronic attendance?
TRUSTEE BURKE: No.
PRESIDENT LICHAMER: Okay. So we'll skip two?
TRUSTEE BURKE: We'll skip two on the agenda.
PRESIDENT LICHAMER: All right. A motion to accept the minutes of May 8, 2017?
TRUSTEE SIDLER: So moved.
TRUSTEE BURKE: Second.
PRESIDENT LICHAMER: Roll call?
TRUSTEE BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
TRUSTEE SIDLER: Sidler, aye.

PRESIDENT LICHAMER: All right. Go ahead with No. IV, Investment Report.
MR. OEST: All right. Everybody should have a copy of our book.
TRUSTEE NIENBURG: It's a book now.
MR. OEST: It's a book. We got a couple extra tabs in there.
TRUSTEE SIDLER: Pictures.
MR. OEST: Pictures, you know. The first is the advertisement section in the front. If you move past that, you will see the symposium. Everyone here is invited. It's the 29th. It starts at 8:00.
TRUSTEE SIDLER: We'll be there.
MR. OEST: You'll learn about bitcoin. Who doesn't want to learn about bitcoin?
TRUSTEE NIENBURG: I don't.
MR. OEST: But, again, they are 15-minute talks, so it's going to, hopefully, keep your attention.
Market Environment. Just a couple of things to point out here. So from an economic side of things, the second quarter came in at 2.6. The estimate was 2.4, so it came out a little bit ahead. If you remember, first quarter was a little bit disappointing for GDP. It was 1.4 percent. The third quarter forecast right now, the

Atlanta Fed is projecting 3.8 percent, so a little bit of a bounce -- further bounce for the GDP.

Unemployment, as of July, is 4.3 percent. Inflation is really the big thing that's being focused on right now.

TRUSTEE NIENBURG: 3.8?

MR. OEST: That's the projection right now. Granted we're really early into the -- that's going to -- I guarantee that's going to change, but that's their projection right now. You know the Fed, they look at growth, unemployment, inflation. Those are kind of the big three. Inflation is really the one that's causing everybody some concern. If it's still below 2 percent, that's their target, they are continuing to look at raising rates, but inflation is probably the biggest concern on their minds still, I guess, what they would stay stubbornly below 2 percent.

As to the time of when we printed this, there was a 48 percent chance of another rate hike in December. That's down to 40 percent now. Really the focus on the Fed is now towards the balance sheet. So, again, if you remember that 4 and a half trillion dollars on their balance sheet, they are going to look at potentially reducing that. In September they are probably going to give

some guidance on that. At least that's what people are anticipating.

So the thought, at least right now, is that maybe they would start to let assets roll off, so they are not going to sell, but as security is matured, they're just not going to buy any to replace them. They were talking about potentially doing 10 billion a month in terms of rolling that off and then escalating that up on a quarterly basis up to 50 billion a month with the goal of getting that balance sheet down. Remember they own a lot of mortgage-backed securities, a lot of treasuries. It makes up a pretty large part of the market, and they were a pretty big buyer, so this is something that's going to be watched really closely. No one really knows how the market is going to take it. There's hope that the demand is going to be there, that it won't cause a major disruption in yields, but we'll see.

So that's really the big stuff going on in the economy. From the market side of things, fixed income markets have actually done pretty well this year so far. Yields have actually stayed pretty steady if not fallen a little bit on the longer end of the curve.

On page 4 look at the yield curve and steepness, and we talked about this in the past, but

this process of the yield curve flattening out, if you look at the black line at the top of the page, that was where we were June of 2016, so you can see that all rates are higher, but what's happening now is that yields on the shorter end of the yield curve are actually moving higher and a little bit faster than the long end and those were actually dropping a little bit, so in essence what you're seeing is the difference between long yields and short yields starting to narrow. Typically that's a really strong indicator, when you have an inverted yield curve, of a recession. So long yields eventually get lower than short yields, and that's been a pretty positive indicator for recessions going forward. We're not anywhere near that right now and no one is calling for that right now, but it is another sign that we're getting a little long in the tooth from an economic cycle. You're starting to see the yield curve actually flatten out.

Skip over page 5. We talked about that already.

Page 6. Equity markets are still doing very well so far year to date. Trend wise the big thing is growth outperforming value by a pretty wide margin. Which is good. We have index position and large cap growth, a little bit of an overweight to growth for the fund, so

that's helping out quite a bit.

On the negative side, small caps are lagging so that's a negative, but you'll see, if you haven't already, SouthernSun had a really good year to date so far. So that's a plus.

TRUSTEE SIDLER: Parting gift.

MR. OEST: A parting gift.

And the other thing to point out here is on page 7. These are just trends. They are called factors, and it really is a way to look at what's doing well in the market. And the one that's doing very well this year so far is quality. You hear a lot of active equity managers talking about buying quality stocks. That's really been in favor this year, so most active managers are actually doing pretty well this year which is a nice reversal of the last few years.

Earnings are going to be really important, you know, from a valuation side of things in the U.S. equity market you can look at Ford PE trailing. You can look at a lot of different ways of kind of slicing the data, but basically any way you look at it, we're about 88 percent of the last 20 or 30 year highs from valuation side of things. Meaning that 100 percent would be we're at all times highs from valuation across the board. So we are a little bit over value from the market side of things, and the thing that can cause that to continue on for a lengthy period is as long as earnings continue to grow, so the market is definitely focusing in on that.

Non-U.S. equity. The big story here is currency. If you look at the difference between just the regular local market for non-U.S. equity and then translating back to the dollar, the overseas markets are actually slightly underperforming the U.S. markets right now in local currency, but the fact that the dollar has declined relative to other major currencies means that non-U.S. equities actually perform very well this year, so that's been probably the largest trend for non-U.S. equity.

The other thing to point out is there was all this concern at the beginning of the year about elections with France. Italy has got their's coming up. The German election is in September, but that's most likely going to be a non-event. But the kind of big news is that sentiment in the Eurozone is actually quite high right now. And when you get all this geopolitical concerns out of the way, there is some positive growth stories going on in the Eurozone.

And then, lastly, real estate. Another good quarter. We're expecting, again, still in that

six to eight percent range and that's where the index is shooting at right about that area.

Any questions on the market before I jump into the report?

TRUSTEE SIDLER: You guys come out with any thoughts within Marquette as to when the Feds starts to shrink the balance sheet what the final number is or speculate or --

MR. OEST: Well, so early-on there was -- they were floating this one and a half trillion dollar mark over five years. We'll see, but, no, I think --

TRUSTEE SIDLER: What's your feeling?

MR. OEST: In terms of how far they are going to let it go down?

TRUSTEE SIDLER: Yeah.

MR. OEST: I think they are going to play it by ear.

TRUSTEE SIDLER: Yeah.

MR. OEST: I hope that there is going to be enough demand out there and it's not going to be a disruption in the market and it will be a non-event and they'll be able to do it, but I think, like anything, they're probably going to start out small and see how the market reacts and then just keeping going.

TRUSTEE SIDLER: Yeah.

MR. OEST: I'm questioning whether or not we'll hear

more in September. I think they might be pretty general, but we'll see.

TRUSTEE SIDLER: Okay.

MR. OEST: Yeah.

TRUSTEE SIDLER: Thank you.

MR. OEST: Well, behind the tab, page 3, some market values. 52.8 million. Asset allocation wise, you know, we talked about the asset allocation study at the last meeting, so we've got that kind of waiting in the wings. The big story, at least for this meeting, is to talk about the SouthernSun-Ziegler transition and then Boyd Watterson has a request, but overall, you know, the market value continues to grow. Again, another all-time high from a market value side of things.

Page 7. From a return standpoint up 2.2 percent for the quarter. Outperform the policy benchmark, outperform the actuarial rate. Half way through the year up 6.1 percent. Again, outperform the policy benchmark, outperform your actuarial rate. A real good start to the beginning of the year.

If you look down through the composites, fixed income composites outperforming. U.S. Equities outperforming by a pretty large margin. Again, that's due to the growth overweight. And then SouthernSuns had a

really good year. Non-U.S. equity is indexed and real estate principals outperformed. Really the only negative for the year has been the small commodities exposure.

So overall it's been a really good year so far. You know, manager wise on page 9, just to point out that nice parting gift from SouthernSun year to date up over 10 percent relative to the benchmark. Again, kind of -- I think it's a solid manager. Just the volatility is the thing that's a little too much for the Board.

Any questions on any of the performance managers?

TRUSTEE BLAYLOCK: Are you looking for a no?

MR. OEST: Well, I'd be more than happy -- I mean really it's -- not a lot of good stuff.

All right. So behind Exhibit 2 is the first major discussion point here with Ziegler. So you had them come in, they presented, and then in between last meeting and this meeting, basically the lead portfolio manager, the co-CIO, Greg Glidden, retired. So that happened -- I sent this memo out right after it happened. You know, Dan, who came in with Todd and this was the -- I think they were planning -- I think they probably knew that maybe Greg was thinking about retiring. They made Dan the co-CIO recently. You know, the one negative I would say is that we typically like people to just forecast this out. Just be as transparent and let everybody know a long time in advance. This was a little bit more sudden, you know, they let us know in May that he was retiring at the end of July, so that's kind of a -- we let them know we weren't particularly enthused about that.

With that being said, he's been in the market for a long time, he's been doing this for a long time. Everybody wants to retire at some point in time. We understand that. They had a co-CIO, co-portfolio manager in place to take over. You know, from our internal research, we were recommending putting him on alert because any time you have any change in a portfolio manager, it makes sense to do that. The big thing that we want to talk about is does everyone still feel comfortable hiring them just knowing that that change happened? It's a major change that happened between when they presented and now.

So we've got the contract. It's been reviewed. It's all ready to sign. We just wanted to bring this up before that happened to make sure that people were comfortable with the news.

PRESIDENT LICHAMER: What does that mean for us? When a new person like that comes in, does it change

principals, philosophies?

MR. OEST: Dan is not new. He's been there for 20 years.

PRESIDENT LICHAMER: Right.

MR. OEST: So it's not -- what it does is it's just a change in team dynamic. I mean it's -- it will be a different team going forward. That's really the difference. The philosophy and the approach and all that and the analyst behind them are all the same.

TRUSTEE NIENBURG: Dan's not going to do anything differently strategically?

MR. OEST: No. It's the same -- it's that same focus in terms of, you know, balance sheet and cash flow valuation. That's all going to be the same. It's just the other guy is not going to be there anymore.

TRUSTEE SIDLER: Have they had a significant or can you quantify departure of assets that would lead us to conclude, A, you know, their cash flow to invest back into the company problematic?

MR. OEST: Yeah, I haven't seen anything. Our research team hasn't notified us of any major outflows because of this. You know, again, we have Ziegler exposure outside of this, and they are not recommending termination or anything like that. It's

just an alert status meaning that we'll be interacting with them on a more frequent basis and letting them know that, you know, if, let's say, Greg leaves and then in three months an analyst leaves, too, you know, any additional departures or if you start seeing major asset flows out, those are when you start to get worried.

TRUSTEE SIDLER: So he retired at the end of last month?

MR. OEST: Yes.

TRUSTEE SIDLER: Okay.

TRUSTEE NIENBURG: He's not going to another firm where he might pull people with him? Do we know of any dynamics internally where people are loyal to Greg and may --

MR. OEST: It's a pretty small team, and Dan's been there for a long time, too, so I don't -- you know, you never know, but I don't think that's the case.

TRUSTEE SIDLER: I mean an idea is we could bring them in and ask that question directly to them since they are locally and if he just retired at the end of July and Southern is having a blow out year, you know, to drag our feet and say, hey, why don't you

come back in and talk to the Board and then watch and make sure that if Greg is going to do something, Greg is going to do something quick.

MR. OEST: It will probably happen soon.

TRUSTEE SIDLER: The biggest thing when an investment manager leaves and if he has aspirations to do something, A, they are not going to tell us about it or you about it but, B, if they go more than a quarter without moving on that, then, you know, it's become too long of a time frame for them to try to do it.

So a thought for us might be why don't we drag another quarter, bring them in and to talk to them, and if he just retired at the end of last month, if he has any intention to do something, which he's not sharing, we'll find out.

TRUSTEE BURKE: I'd prefer we do that.

PRESIDENT LICHAMER: Yeah, we might as well ride it out.

TRUSTEE SIDLER: Bring them in and say, why don't you guys come -- why don't you and Dan come in and just talk to us again and let's ask them directly.

TRUSTEE BURKE: Make us feel comfortable.

TRUSTEE SIDLER: If Greg's going to do anything that we're not -- I mean the biggest thing is if he goes

somewhere and drags some of the team, then we've got --
MR. OEST: Major issues.
TRUSTEE SIDLER: -- major concerns.
MR. OEST: And they would be more than happy to do that obviously.
TRUSTEE SIDLER: And the conversations that I've heard just from the street, he's not planning on doing anything. He just wanted to retire and is happy to, you know, help them out any way he can.
TRUSTEE NIENBURG: How old is he, do we know?
TRUSTEE SIDLER: I thought he said -- when -- I thought -- when he came in, there was talk about that before. I want to say like late 50's, early 60's. He's got a brother that did not like live past mid 60's, and so I think a comment that I had heard was he -- you know, Greg's thought was, hey, if my brother didn't live that long and I've got -- you know, if I play out the same, I'm going to enjoy retirement, and I've done fine over many years. So I think, based on what the street has told us, that that's exactly what he's intending on doing, but trust and verify might not be a --
TRUSTEE BLAYLOCK: And SouthernSun is doing well right now, so it's not a big -- again, these assets aren't just like sitting in cash right now.

(Crosstalk)
TRUSTEE SIDLER: Making money right now.
TRUSTEE BURKE: Let's earn while we can and bring them in. Do we need to make a motion on that?
MR. OEST: I don't think so.
TRUSTEE BLAYLOCK: Sign a contract. We haven't signed --
TRUSTEE BURKE: We're not going to sign it. We're going to invite them back.
TRUSTEE SIDLER: Invite them back.
MR. OEST: We'll invite them to the next meeting, have them present and just give us an update on the changes and it's good.
TRUSTEE SIDLER: Yeah.
MR. OEST: Perfect. So the last item is Boyd Watterson. This last tab here is just a fact sheet from their investment grade composite for intermediate fixed income. This is basically the strategy that you're in, but we have our own investment policy based on state statute and based on what we're looking for in terms of this strategy within the pension fund. They have come back and asked for an increase in their triple B limit exposure. We already did that once, and the big difference here is if you look at their composite, they are 42 percent in triple B's and right

now triple B's are doing well.
Low quality and fixed income is outperforming high grade and it's -- they think it's hindering their ability to add value. What I will say is that the big difference here is that in article 3 and 4, if a security gets downgraded from triple B, they have to sell it. And that's really the big difference between this composite, which is not article 3 and 4, and it's state statute assets. And what we're doing is that if you increase this and let's say move it up to 40 percent or 45 percent, that's not many more securities that are potentially at risk of being downgraded. And once an asset gets downgraded, the last thing you want to do is have to sell it in the market because there's a reason it's getting downgraded. The market is probably not going to be looking to buy that security right away.
So my thought here is just to leave it as is, that we understand it's a higher quality portfolio. It's not that we're restricting them from buying triple B's. We already increased it once I think maybe a year and a half ago. I think their thought here is they just want to line it up more with their composite. But I wanted to bring it up and just see is anybody thinking they want to take a little bit more risk on a fixed income side

knowing that triple B's have done very well lately? You know, you wouldn't be violating the state statute by increasing that amount. They just want to be able to add a little bit more risk to the portfolio.
TRUSTEE NIENBURG: Is there any correlation between how the rating agencies behave when we're in a rising-interest-rate-tightening-balance-sheet environment? Is there anything there that we should consider?
MR. OEST: Well, most of these guys are going to tell you that they are not looking at the rating agencies anymore, and I think if they came in here, what they would say is while it's rated triple B, our analysts are saying it's, you know --
TRUSTEE NIENBURG: Right. But the trigger to sell it would be a rating --
MR. OEST: It is a rating agency, yes, and those guys are --
TRUSTEE NIENBURG: -- and this totally -- I never thought about that before whether, you know, the rising interest rate what does that do to outstanding securities?
MR. OEST: In terms of how the rating agencies --
TRUSTEE NIENBURG: Does it drive --
MR. OEST: -- would respond --
THE COURT REPORTER: One at a time, please.

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TRUSTEE NIENBURG: Does it drive increased downgrades when the interest rate environment is increasing?

MR. OEST: Well, you would see -- I mean typically when you see a rising rate environment, you've got a period where that's because of the economic expansion.

TRUSTEE NIENBURG: Right.

MR. OEST: But at a certain point you see that tip over into a recession, so it might lead into that, but I don't know -- I haven't looked at the data. That's just conjecture.

TRUSTEE SIDLER: I will reiterate from our fix shop we have looked at the rating agencies post 2008 and absolutely drawn a conclusion that they were backwards looking and covering themselves; downgrading securities that we felt were not driven by the real economics going forward, and there was a lot of money to be made by just not looking at the cash flows on the bonds versus the actual rating agencies who were very much linked to the table. And many people feel like because of the scrutiny they received are much more willing to downgrade securities to sort of cover themselves versus what they were, so we may have, in a rising-rate environment, a more downgraded securities as anybody that's got outstanding debt now has increased pressure for the cost of capital.

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That being said, remind us, Doug, we give our managers a quarter to sell? It's not an immediate --

MR. OEST: It's not an immediate sell, but it is a -- they do have to sell.

TRUSTEE SIDLER: They are forced to sell, right.

MR. OEST: Yeah. And that's the real issue. If that was not the case, you know, we're of the mindset that the rating agencies are being -- definitely they were lax earlier. Now they are probably the opposite. And that there is some arbitrage to be had there because there are a lot of institutions, like ourselves here, that are forced to not own below investment-grade securities, so there is that premium that you can get there. But the fact remains that we are beholden to the rating agencies, and we would be forced to sell those, so that's the real issue here.

TRUSTEE NIENBURG: So we're signing up for potentially higher returns but maybe more volatile --

MR. OEST: More volatility and potential for sales if things do get downgraded.

TRUSTEE SIDLER: And if there is a downgrade you are selling, you are a forced seller. So there are many firms like ours that go to clients and say, allow us to put a portion below investment grade because we know groups that

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are like public funds that are forced to sell, we'll sell and we'll be able to get a pretty good deal because we know they are selling. So I would agree with the thought of taking on more triple B's at a time when triple B's are at their tightest spread that they've been at probably in 15, 20 years.

MR. OEST: Twenty plus years, yeah.

TRUSTEE SIDLER: And even going farther down the quality spectrum high yield is at the tightest spread it's ever been, so the lower quality you go right now, it's trading for perfection. The overall strategy that they're requesting I would say makes great sense, but given the time of having us trading for perfection right now, I would rather say let's take our yield increase of going from an intermediate to a core versus taking on more lower-quality securities. So we can move out farther on the yield curve and pick up yield and pick up more return, but I think the strategy for us at that is going to say let's watch the Fed increase a couple more times to where we feel like there's a normalized environment and remember we've gone from a 1 to a 5 year to an intermediate attempting to get more yield and now if we go triple B's, we're just throwing less quality into the portfolio.

MR. OEST: So, yeah, again, I echo all of that, and

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we wouldn't recommend increasing it, but they requested it so I figured I would bring it to you guys and make sure you're in agreement with what we thought.

TRUSTEE SIDLER: And, again, their composite is 42?

MR. OEST: It's 42 percent.

TRUSTEE SIDLER: It's 42 percent so they are trying to pull this in line with the rest of their accounts is what they're asking for.

MR. OEST: Yes. So does that make sense to everyone? We'll let them know that we'll just keep it as is and that we understand it's different than your composite and we're okay with that.

TRUSTEE SIDLER: Do we need a motion saying anything that we listened to the request and --

MR. OEST: That might -- just so they know we actually formally --

TRUSTEE SIDLER: Okay. I'll make a motion, unless there's discussion of otherwise, that we have listened to Boyd Watterson's request to increase triple B exposure and at this time don't think it's the right time to do so.

TRUSTEE BLAYLOCK: Second.

PRESIDENT LICHAMER: Roll call?

TRUSTEE BURKE: Burke, aye.

PRESIDENT LICHAMER: Lichamer, aye.

TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
TRUSTEE SIDLER: Sidler, aye.
MR. OEST: That's all I have.
TRUSTEE BURKE: Before Doug leaves should we look at a date for the next regular meeting?
TRUSTEE SIDLER: And a point I want to just bring up, Doug, to think that we're going to get in front of this, we've talked about before and, Paul, as I recall in the last minutes and you, Andy, brought up and Bill and I also echoed, we've had an eight-year run in this equity market, so the timing for us to start getting conservative is probably not years out but maybe quarters out as to if we have the quarter that the GDP increases and international markets continue to run, this could be great for a while, but there is going to be a point in the next couple of quarters where I think we're going to have some very serious discussions about, hey, this has been a great run. Let's pull in the reins a little bit. And we now got a very interesting week in the economy of a president that doesn't appear to get all of the things that are priced into the market, which was lower tax rates, you know, expatriate or repatriation of all the cash overseas. If he's got no ability to get anything done, you know, we could see some

more volatility coming forward, so I think for all of us and you to think, too, that timing is probably -- getting the magic number is going to be well beyond us, but I think being more conservative helped us and not that a 2008 is upon us, but we've had a great run in this market and in the next couple quarters --
PRESIDENT LICHAMER: I said that a year ago, and it's --
TRUSTEE SIDLER: Right. And it's still going. At some point we're going to say, you know what, maybe we miss a little bit on the upside, but let's dial some risk off the table.
PRESIDENT LICHAMER: I agree that that needs to start coming, but it's like if -- if I listened to my gut a year ago, we wouldn't have made, you know, what we have so.
MR. OEST: Well, we're definitely staying on top of it, and we'll make sure -- you know, we brought in that S allocation. We'll look at some stress testing so you guys can see what the portfolio would look like.
PRESIDENT LICHAMER: I like that idea.
TRUSTEE SIDLER: I mean inflation and GDP aren't the things that we're just going to be watching closely.
MR. OEST: Yeah.
TRUSTEE SIDLER: When we start to see that rollover,

it's going to be time for us to say -- if inflation starts to show more than it has and GDP slows, it's going to be time for us to say this has been great run and we've been in front of it so.
PRESIDENT LICHAMER: Doug, I was looking at our commodities stuff.
MR. OEST: Yes.
PRESIDENT LICHAMER: And I mean it hasn't fared well like you think like we want it to --
MR. OEST: No.
PRESIDENT LICHAMER: -- at all actually. As part of your conversation going -- we need to, you know, just let it ride, the commodities let it ride, based on your conversation that, you know, things may slow down on the equity side and we just let it -- but I mean I'm going --
TRUSTEE SIDLER: Inflation has not shown it's face which is what we thought when we made that exposure which, to your credit, was a very small exposure when I was pushing to say, hey, these are right now since June 30th commodities have run pretty hard.
PRESIDENT LICHAMER: Right. Gold and copper they were talking copper this morning, so I understand.
TRUSTEE SIDLER: So when there is uncertainty, those tend to rise. But to this point we just have not seen the

inflation which is what we thought if world economies are printing this much money and central banks are buying everything, inflation, at some point, is going to show its head and it just hasn't.
PRESIDENT LICHAMER: I guess I'm just pointing it out that --
MR. OEST: No, it's --
PRESIDENT LICHAMER: -- it hasn't done anything.
TRUSTEE SIDLER: No, it has not.
MR. OEST: And if you look at -- we've been underweight commodities and we've been overweight to real estate, and that's kind of been our position. If we are going to have the commodities exposure and you're going to have real estate, think of those together as real assets, and between the two right now we still favor real estate and you kind of bundle the two together and that's where we'd rather have the overweight, too. That's consistent with our views, and we continue to say that. I'd say it's less than 2 percent of the portfolio and it is a nice inflation hedge, you know. It's something that moves differently than everything else in your portfolio. And the big thing with commodities is that while the returns haven't been good, there have been time periods where commodities do well and nothing else does. And so from a diversification side of

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things, commodities actually do have a pretty good diversification benefit to the portfolio, so that actually -- countertuitively but it can actually be a risk reducer because it moves differently than anything else in your portfolio.

PRESIDENT LICHAMER: All right.

TRUSTEE SIDLER: We are at 1.8 percent in the portfolio versus a two, five policy. When the market does turn, that's the part that will do well and we've been very underweighted. In 2016 at page 14 of the book there, it was up 14 percent, so it did well for a calendar year last year. And if you look at the market from June 30th, our goal has run pretty significantly and not that the PIMCO commodity index is -- or the real return strategy is mostly gold, but it's an area that I, you know, it hasn't -- it just hasn't done well, but it's a small -- it's a very small -- it's a small bet that we've got.

MR. OEST: Yeah.

PRESIDENT LICHAMER: Yeah.

TRUSTEE SIDLER: If you feel strong about pulling it, it's not going to --

PRESIDENT LICHAMER: Well, it's only one little side over less than 2 percent but I mean --

TRUSTEE SIDLER: It hasn't done well.

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PRESIDENT LICHAMER: You know, minus 4, minus 5.6 year to date, one year, two year, three year, four year, you know.

TRUSTEE SIDLER: It hasn't.

PRESIDENT LICHAMER: So I didn't know if there was -- it may be that was the fund or what.

MR. OEST: It's commodities.

PRESIDENT LICHAMER: Okay.

MR. OEST: Any other questions?

PRESIDENT LICHAMER: And then real estate didn't we buy in more back in February?

MR. OEST: No.

PRESIDENT LICHAMER: Or is it coming up?

MR. OEST: We're overweight to real estate. Yeah, we're fully committed. I mean the only thing I'd say there is that we valorized over 11 percent over the last few years. I would not expect that. That's why we've been saying that's 6 to 8 percent this year. I mean principal has continued to do well. They are outperforming so far this year, but all real estate managers are starting to lower their leverage. They're starting to focus more on income and less on appreciation. So they're starting to get a little bit more conservative. So it's done very well. It's still yielding quite a bit more than fixed income.

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Again, it's different than everything else in your portfolio. It's got good diversification benefits. It's been one of the -- probably one of the best additions to the portfolio.

PRESIDENT LICHAMER: But the company we --

MR. OEST: Principal?

PRESIDENT LICHAMER: Yeah.

MR. OEST: Yeah.

PRESIDENT LICHAMER: They are pretty much diversified, too, in rental income as well.

MR. OEST: They are very broadly diversified, yeah. So we're currently overweight to real estate. If anything, we'll be looking to actually reduce that amount going forward.

TRUSTEE NIENBURG: We flowed more in commodities when we rebalanced in --

MR. OEST: That was -- there was a small amount that went into commodities, yes.

PRESIDENT LICHAMER: What are we allowed in real estate?

MR. OEST: Well, we have a 10 percent target in terms of the allocation. I mean you could allocate more. It's just that's what our comfort level is at because that's a little bit less -- it's a quarterly rather than a monthly --

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or a daily from a liquidity side of things.

TRUSTEE SIDLER: For the record, we sold 750,000 in real estate back in April. We put 250 in cash, 250 in international equities and 250 in the commodities. So we took a little bit off the table as its run extremely well. Any recommendation then to change anything where we're at?

MR. OEST: No. We're still okay with the allocation but, again, depending on how the rest of the allocation -- the reason why it hasn't gotten that far out of whack is that the equity markets continue to run. We just want to be mindful -- if it gets high again, we want to make sure we keep pulling back.

TRUSTEE SIDLER: We've been underweighted fixed income, overweighted real estate. That's played out well and international and growth have helped.

MR. OEST: A nice bounce back from SouthernSun.

TRUSTEE SIDLER: A nice parting gift from SouthernSun.

TRUSTEE NIENBURG: Geopolitical concerns aren't driving more inflow into commodities than your other clients?

MR. OEST: No.

TRUSTEE NIENBURG: Not yet?

MR. OEST: No.

TRUSTEE NIENBURG: They're still ignoring all that?

MR. OEST: I mean inflation is one of those things that for the last seven years, last eight years, you know, basically ever since – people have been thinking commodities are really going to run and just inflation has just stayed below 2 percent.

PRESIDENT LICHAMER: All right.

TRUSTEE NIENBURG: Good discussion.

TRUSTEE BURKE: Did we want to look at a date for our next regular meeting so Doug will have it on his calendar?

TRUSTEE BLAYLOCK: When are you looking? What month?

TRUSTEE BURKE: I'm looking at October knowing that it's not working out very well for even the hearing, but maybe if we come for the regular date, we can try and do everything at one time.

TRUSTEE BLAYLOCK: So, Norm, the 23rd didn't work for you, right?

TRUSTEE SIDLER: Did not. I'm out of town.

TRUSTEE BLAYLOCK: Is there anything else during that week?

TRUSTEE SIDLER: The 25th, 26th, 27th are good.

TRUSTEE BURKE: 25th, 26th, 27th. Is that good for you guys?

PRESIDENT LICHAMER: Any one of those.

TRUSTEE BLAYLOCK: All those work for me, too.

MR. OEST: The 25th is good for me. 26th and 27th I've got other meetings.

TRUSTEE BURKE: Bill?

TRUSTEE NIENBURG: I can try to protect it. The middle of the week is just kind of a roll of the dice.

TRUSTEE BURKE: I don't know if we can even do the 25th in regards to the hearing.

TRUSTEE NIENBURG: Since we're having such trouble scheduling it, just see if the 25th works, and I'll try to work around it.

TRUSTEE SIDLER: What about the following Monday? Is it better early in the week?

TRUSTEE BLAYLOCK: The 30th?

TRUSTEE SIDLER: Yeah.

TRUSTEE BURKE: Well, we can schedule our meeting. I don't know if we will be able to do the other thing. Does the 30th work for you, Norm?

TRUSTEE SIDLER: Yes.

TRUSTEE BURKE: Bill?

TRUSTEE NIENBURG: Uh-huh.

TRUSTEE BURKE: You guys?

PRESIDENT LICHAMER: Uh-huh.

TRUSTEE BLAYLOCK: Yep.

TRUSTEE BURKE: Okay. We'll let them know that our next regular meeting date will be on October 30th and see if they can make it then and we can put it on the agenda if we are going to do the hearing.

TRUSTEE SIDLER: A date change from the 11th? The 11th was set?

TRUSTEE BURKE: Yeah, because there were problems. I want a full board.

TRUSTEE SIDLER: On our end?

TRUSTEE BURKE: On our end.

TRUSTEE SIDLER: Oh, okay.

TRUSTEE BURKE: I want a full board for this meeting because of the vote we have to take.

TRUSTEE SIDLER: Yep.

TRUSTEE BURKE: So October 30th, Pauly?

PRESIDENT LICHAMER: Yep.

TRUSTEE BURKE: Bill says okay. Andy says okay. Norm says okay.

TRUSTEE BLAYLOCK: We'll do the hearing at the end of our pension board meeting?

TRUSTEE BURKE: If they are able to do it, it will be at the end.

TRUSTEE BLAYLOCK: Okay.

TRUSTEE SIDLER: Is the 30th okay?

MR. OEST: Yeah, looks good.

PRESIDENT LICHAMER: I would suggest then a shortened version that day for a meeting.

TRUSTEE SIDLER: And go into the hearing.

MR. OEST: Oh, I was going to say if you're talking about bringing in Ziegler --

TRUSTEE BLAYLOCK: We won't do that at that time. Probably shouldn't do it then.

TRUSTEE SIDLER: We can do a conference call in between.

PRESIDENT LICHAMER: I guess.

TRUSTEE SIDLER: We're going to have a long meeting.

TRUSTEE NIENBURG: Should we do our normal meeting earlier in October and try to get --

PRESIDENT LICHAMER: I think the 30th --

TRUSTEE BURKE: I think we can do it all in one day.

PRESIDENT LICHAMER: Since we're all available on the 30th for the regular meeting and for the disability hearing but just we'll have it shortened.

MR. OEST: We can tell them 15 minutes or 20 minutes or something like that.

TRUSTEE BURKE: Yeah, as long as they are here, they have to wait until we are done, so I would say I'd like to conduct that business, have Ziegler come in and get it all done.

TRUSTEE SIDLER: Okay.

PRESIDENT LICHAMER: If Doug could shorten up his part, we probably wouldn't have a problem.

TRUSTEE BLAYLOCK: We'll have to plan on a long meeting then.

TRUSTEE BURKE: I don't think it will be very long.

TRUSTEE BLAYLOCK: No, the first part for sure.

TRUSTEE BURKE: Okay. So we're going to have our next meeting on October 30, 2017, at 9:00 a.m. here.

PRESIDENT LICHAMER: Uh-huh.

TRUSTEE BURKE: Okay. Thanks, Doug. Will we see you in St. Louis?

MR. OEST: You will. Till then.

TRUSTEE BURKE: You bet.

MR. OEST: Enjoy the eclipse.

TRUSTEE SIDLER: Don't look direct, right?

TRUSTEE BURKE: I think it's going to be cloudy they said.

MR. OEST: Good.

TRUSTEE SIDLER: It can still be done.

TRUSTEE BLAYLOCK: Bye, Doug.

TRUSTEE SIDLER: See you, Doug.

PRESIDENT LICHAMER: Eric, you got the floor.

MR. ENDRIUKAITIS: Sounds good. Good morning.

TRUSTEE BURKE: Good morning.

MR. ENDRIUKAITIS: I think I gave everybody a July 31st monthly compilation report. Let's start on page 2-1, balance sheet. Starting with your assets. The funds totaled cash and investments is $53,124,130.04 plus the accrued interest of $147,993, so total net position for July 31st for the fund is $53,262,878.29.

Flipping over to the next page on 2-2. This is our income statement. So, we're showing activity for seven months. Contributions from the Village and actual members at 1 million 9, followed by the investment income of 3 million 6 for a total of 5 million 599 less the payments out of 2.4 million, so the additions in, less the payments out, so for seven months we show a positive change in position of 3,175,835.

Moving right along. Let's go to 4-1. I want to take you to that middle section, contributions. See that first line item, current tax. As you can see, in the far right-hand column for June and July you got some tax deposits in. We are expecting a large tax deposit in September and October.

If you go down one more to expenses, your benefit is at 342 and the followed by your

monthly expenses broken down.

Flip over two pages to 6-1. It's your detailed revenue report which we have the employee-employer contributions with the left-hand side showing July 31st, right-hand column seven months ended, and then we have your investment income of interest and dividends, gains and losses broken down by account and category. Once again left-hand side is July, right-hand side is seven months ended.

8-1. Let's look over 8-1. It's your fund detailed expense report which we have pension benefits broken down by type with totals for the month and totals for the year followed by administrative expenses broken down by category.

9-1 through 9-3 is the active member contribution report. The far, right-hand column shows total contributions as of July 31, 2017.

Page 10-1 through 10-12 is a payroll journal for the month of July. I'll let you take a moment to look through that.

Finally, 11-1 through 11-3, which is the Fund Quarterly Vendor Check Report, shows all checks, transfers and expenses out of the fund as of May 1st through July 31st, 2017. And that total is on the back page of

$200,387.71.

Any questions?

TRUSTEE NIENBURG: What is the Illinois State Treasurer payment?

MR. ENDRIUKAITIS: That is the DOI compliance expense.

TRUSTEE NIENBURG: What is that?

TRUSTEE BLAYLOCK: Department of Insurance.

TRUSTEE NIENBURG: What are we paying for there?

PRESIDENT LICHAMER: State of Illinois.

TRUSTEE BLAYLOCK: The State of Illinois is telling you to pay.

TRUSTEE NIENBURG: That's a ransom.

PRESIDENT LICHAMER: It is. Everything they do is ransom.

TRUSTEE BLAYLOCK: Probably funding the Department of Insurance.

TRUSTEE NIENBURG: Okay.

TRUSTEE BLAYLOCK: You want to try to get out of that?

TRUSTEE NIENBURG: That would be great.

PRESIDENT LICHAMER: That's not annual is it? Do we pay 8,000 annually?

MR. ENDRIUKAITIS: I think it's a statutory law, but

you guys are capped out at 8,000, so you would never pay more than 8,000.
PRESIDENT LICHAMER: Still a lot.
MR. ENDRIUKAITIS: I understand.
MS. BUTTNY: Until they change the law.
MR. ENDRIUKAITIS: Yes, until they change the law.
TRUSTEE SIDLER: Not getting a lot for it, Paul, is that what we're saying?
PRESIDENT LICHAMER: Yeah.
TRUSTEE BLAYLOCK: Did you get everything you needed you requested via e-mail the -- you were requesting the --
TRUSTEE BURKE: For the new people?
TRUSTEE BLAYLOCK: Yeah.
TRUSTEE BURKE: I got it all right here. We're gonna --
TRUSTEE BLAYLOCK: That's new business.
TRUSTEE BURKE: We're going to sign them in. Paul and I will sign after we vote it in. I'll scan these, e-mail them to Eric, and then I'll put the originals in their pension file here.
MR. ENDRIUKAITIS: Okay.
TRUSTEE BLAYLOCK: Sorry to skip ahead.
TRUSTEE SIDLER: Dennis, can you just remind us just for the numbers, I don't think they are all in here, what's

active versus retired right now as we sit? Do you know off the top of your head? I mean we have 51 -- or I'm sorry, 74 --
TRUSTEE BLAYLOCK: We don't have that many right now. I think we're short.
TRUSTEE BURKE: You mean --
TRUSTEE SIDLER: Active police officers paying into the pension versus retired.
TRUSTEE BURKE: We got 73.
TRUSTEE SIDLER: Seventy-three active.
TRUSTEE BURKE: We're missing one.
TRUSTEE SIDLER: That are retired right now.
TRUSTEE BURKE: That are retired right now?
TRUSTEE SIDLER: I started counting, but I didn't know if Dennis knew off the top of his head.
MR. ENDRIUKAITIS: Full retirees is 65.
TRUSTEE SIDLER: Sixty-five, thank you.
Do you guys work on Harvey? Did you see the notice on the -- the weekend of the Tribune had a big article on it.
MR. ENDRIUKAITIS: Oh, really? For fire or police?
TRUSTEE SIDLER: Fire.
TRUSTEE BLAYLOCK: Police and fire it was about.
MR. ENDRIUKAITIS: We handled fire.

TRUSTEE BLAYLOCK: That they haven't paid forever.
TRUSTEE SIDLER: And obviously I think there is going to be those types of funds. It will be interesting to watch what they do. I saw there was a legal declaration made that they obviously got to pay everything that they collect into the funds, but a matter of a village that's going through significant cash flow shortages on everywhere they look.
MR. ENDRIUKAITIS: Correct.
TRUSTEE SIDLER: It will be interesting to watch.
TRUSTEE BLAYLOCK: I saw that it said 12 million dollars. They have to pay 12 million for all the back --
TRUSTEE SIDLER: Did you see the article?
TRUSTEE BLAYLOCK: Yes, I read it today.
MR. ENDRIUKAITIS: It's an unfortunate situation and the south suburbs are getting hit pretty hard right now as far as cash flow, you know, with the population probably decreasing and low income, people not paying their taxes, you know, it's unfortunate.
PRESIDENT LICHAMER: I think in Harvey's case it was scandal.
TRUSTEE BLAYLOCK: They were not paying.
TRUSTEE SIDLER: They were collecting and paying in like 15 percent of what their --
PRESIDENT LICHAMER: Well, they were moving money to

accounts.
TRUSTEE SIDLER: Oh.
PRESIDENT LICHAMER: The government took over their water department.
TRUSTEE SIDLER: That was in the article.
PRESIDENT LICHAMER: That was in the article. Because that money was being moved --
TRUSTEE SIDLER: They were using it for --
PRESIDENT LICHAMER: -- out of that and being moved into other accounts, and I'm sure it was disappearing from there.
TRUSTEE SIDLER: Yeah.
PRESIDENT LICHAMER: I mean it's part of that, you know, poor government.
TRUSTEE SIDLER: Right. It will be interesting to watch what some of those, you know, southern -- I think it's, you know, like the Indiana-Illinois border cities are --
MR. ENDRIUKAITIS: Right.
TRUSTEE SIDLER: -- what happens with their pensions as those are going to be going bankrupt in a fair -- what did it say? I think it was in the next six or seven years.
TRUSTEE BLAYLOCK: Well, it said they were using the active members to pay the retired members.

TRUSTEE SIDLER: Right.
TRUSTEE BLAYLOCK: That basically it was going to come to a head soon.
TRUSTEE SIDLER: Pretty quick.
TRUSTEE BLAYLOCK: Thankfully that's not here.
TRUSTEE SIDLER: Right. That will never be here. That's what we got to make sure.
TRUSTEE BLAYLOCK: Do you have anything else?
TRUSTEE BURKE: Tax levy.
MS. BUTTNY: Well, we should probably --
MR. ENDRIUKAITIS: Oh, yeah. Jessica apologizes, but she's willing to be on a conference call if you're willing to talk to her regarding the 7.25 percent and 7 percent.
TRUSTEE BURKE: If we don't do it today, we will have to have a special meeting, right?
MS. BUTTNY: Yeah, we need to do it, so we might as well get her on the phone if nobody cares.
(Whereupon, Jessica Fain attended the hearing via conference call.)
MS. FAIN: Can everybody hear me?
TRUSTEE SIDLER: Yeah.
TRUSTEE BURKE: Yeah.
MS. FAIN: I am so sorry, everyone. I definitely see the e-mail that I promised I would come out, but I guess I'm

just scatterbrained preparing for our office -- that's occurring this weekend. I'm usually much more detail oriented, so I definitely did promise to attend and it looks like I marked on my calendar that we didn't need to, so I'm very thankful that you're all willing to let me conference call in so we can go over the document.
Does everyone, by chance, have access to the three-page PDF transition plan that got e-mailed over back in May?
TRUSTEE BURKE: We have it in our hands.
MR. ENDRIUKAITIS: Jess, real quick. We have a recording secretary. Can you spell your last name out?
MS. FAIN: Yes. So it's F, as in Frank, A as in apple, I as in igloo, N as in Nancy. So the word pain, which I guess I'm being to the Board this morning, but with a letter F.
MR. ENDRIUKAITIS: Thanks, Jess.
MS. FAIN: Perfect. Is everybody ready to get started?
MS. BUTTNY: We're ready.
TRUSTEE BURKE: Yes.
MS. FAIN: Okay, perfect. So in front of you, you should have a three-page PDF that is going to be a transition plan. The first page of it is really just an

intro to the key assumptions being made. All of those assumptions on there are the same normal ones that we use in your tax levy report except, of course, that top line shows that this would be transitioning to using a 7 percent rate of return versus our previous rate of return. The second page is actually going to breakdown the numbers to go with the transition plan, and then the last page we will look at will kind of graphically show those results.
So one of the things that we do when we present these transition plans, is we want to take into account that the fiscal year end, your report dated, and then the fiscal year end in which you would actually receive those dollars are often different.
For example, you'll see in this report under that 2016 column for the 2016 fiscal year end, which already ended, you received 2.689 million. Now for the December 31, 2017, fiscal year end, you're already collecting those dollars into the fund right now. Any decisions we make budgetary wise we can't really impact this figure at this point in time because we're already in the middle of that fiscal year end. So that number you see reported there, that 2.920, what that is related to is the tax levy report that would have been completed the prior year. So the figures that you would have requested probably

in December of 2015, so what happens is December 31, 2015, got fiscal year end and you get a report created and then typically in 2016 you'll ask for those dollars and then actually start collecting them in 2017, so that's that tax levy lag.
So is there any questions on where the 2.689 number comes from, which is in blue, what's recorded in your audit and what you actually received and then the 2017 would be what you most recently requested and what you're actually collecting dollar wise. Does that make sense why in both of those figures both the normal scenario and the transition scenario that those numbers are exactly the same?
MS. BUTTNY: Yes.
TRUSTEE SIDLER: Uh-huh.
MS. FAIN: Okay, perfect. So 2018, next year, that's when whatever decisions that we make in the current year will be impacted. The top line figure, the full contribution recommendation, that would be the amount that we would request this year, start collecting in 2018, if we went straight to a 7 percent rate of return and we didn't transition in whatsoever. You can see that it's quite a bit of a bump. We would be going from last year requesting 2.9 to this year requesting about $400,000 higher coming in at

3.3. So it's easy for us to sit in our office and request $400,000 more for your funds because we're not the one having to balance, you know, where budget dollars go, balance did not request the tax levy, we don't have to worry about any of those stressful decisions that really impact how villages operated.

So what we can do is this transition scenario. What we set up for you is a five-year period and what would happen is that instead of requesting the full 3.3 million this year, the bottom line number, that 3.13, shows the smaller amount that we would request so it's about 180,000 dollars less for the current year, so we're going to request higher amounts but it's not going to be that full bump up to 3.3. We're kind of working our way up there.

Now, in 2019 the full recommended amount, if you weren't doing any sort of transition funding, would be around 3.5. And then 2019, still being that transition year, we won't recommend again the full amount. We'll request a smaller amount about 3.37. And you can see that repeated all the way across, but every single year all the way up to 2022 it will be the full amount that you would request if you were not doing any sort of transition amount and you were just putting in the regular amount you request

each year and then beneath that will be a lit bit less amounts.

Now, your first question might be is why the full contribution recommendation every year still increases? Remember that with a tax levy process it's designed so that every year your contribution should increase about 3 to 4 percent, so even if we weren't doing transition funding, you'd have that normal 3 to 4 percent all the way to 2040, and that's because all the way across every year you take down a little bit more unfunded liability and then you also put in additional dollars for your active population because of end of year service and getting closer to retirement. So even if we weren't transition funding, our levy is designed to always increase about 3 to 4 percent.

With transition funding what happens is you don't request as much in those early years and then long term, once we hit 2022, you will see that the dollar amount we're requesting is just a little bit more, about 90,000 more, than what it would be if we had not done transition funding and that's because, of course, we got to make up for those prior four years when we were putting in a little less.

You can see it graphically on the

next page if you were to look. That top green line is our normal tax levy process, so you can see that slow fit adds to it and it's designed to steadily increase about 3 to 4 percent every year. And then that bottom blue line, that's our transition plan. So in the first four years you can see that we put in a little less until eventually hitting 2022 and then you will actually see that blue line start to increase slow and steady as well. And that blue line long term will always run just a little bit higher than the green one. That's kind of the cost of transitioning. So there's four or five years of not putting in quite as much long term. It costs us a little dollar if you can kind of think of that as a missed opportunity because we didn't put in as much money, didn't earn those investment returns, so it cost us a little bit long term in order to smooth into this.

The amount that it's costing you long term is pretty minimal if you were to go back to that chart on Page 2. We actually calculate long term over 20 years how much additional. You can think of it as missed investment returns it costs to fund, and you can see over a 20-year period that it will cost you about an additional 340,000, which is approximately .41 percent, so not even half of a percentage point, so it is a pretty minimal cost and that's the transition plan. You want to make sure that

it's no greater than a five-year year period otherwise we're really just deferring the issue down the road, but you want to make sure that if you are deferring it for three or four or five years that long-term it's not a lot more expensive on the funds. As you can see here, that it's a fraction of a percentage point more expensive on the fund.

Is there any initial questions on this?

TRUSTEE NIENBURG: Yes. Does that reflect a transition meaning each year the rate is decreasing slightly, or is it a deferred and then it transitions all at once?

MS. FAIN: So I can show you exactly what we mean by that. So the way we set it up is usually it's designed where every year you expect your contribution to increase about three to four percent. With the transition plan -- let me pull it up here the actual worksheets so I can give you the percentage. How it will work here for the transition plan is that the very first year you will have a break. You will see that instead of putting in the 3.3 you will put in 3.13.

TRUSTEE NIENBURG: Yep.

MS. FAIN: And every year during the transition plan, because you do get that initial drop, your contribution is designed to increase about 7 and a half percent until we hit 2022 and then it will revert back to that 3 to 4 percent. So it will give you a nice drop down the first year, you increase a little bit more rapidly, and then once you hit the end of the transition period, you will go back to that smooth 3 to 4 percent.

Does that make any sense? We try to develop a -- there's a few ways we can do it, and we can rerun this as well if you like it the other way. We can either set your amount to, A, today, and you can increase a dollar amount. Like every year say, for example, you put in an extra 80,000 each year or we can say 6 percent increase, say you put in 3.3, and every year it increases about 7 and a half percent until you're done transitioning it out and then it goes back to the steady increase.

TRUSTEE BURKE: So, excuse me, then after five years, the Board's assumption rate is 7 percent?

MS. FAIN: So technically the Board's assumption rate today would actually be listed at 7 percent just the way we're budgeting to it will smooth into that, but your report will actually state that you're using 7 percent. You're just transitioning and funding to that 7 percent calculation. It will actually be listed in the report already at 7 percent today.

TRUSTEE BURKE: Okay. So it would show that we are going to 7 percent; however, we're transitioning into it over a five-year period.

MS. FAIN: Correct.

PRESIDENT LICHAMER: What basically I understand is we're still doing the 3 to 4 percents every year like we normally would, but we're basically taking -- slowly paying off that difference in our actual percentage rate, correct? That's what we're --

MS. FAIN: Correct.

PRESIDENT LICHAMER: That's what we're easing -- we're not taking a big lump.

TRUSTEE BURKE: We're not asking for a larger levy.

PRESIDENT LICHAMER: Right.

TRUSTEE NIENBURG: So my question was are we glide pathing to that or are we deferring it for five years and then kicking it in. It sounds like we're on a glide path.

TRUSTEE SIDLER: We're glide pathing.

TRUSTEE NIENBURG: How come it's not broken out here? How come we can't see this separately? I'd like to see, you know, it's 7.25 now. It's X minus 1, X minus 2, X minus 3, until we get to 7 in the 5th year.

MS. BUTTNY: I think the rate immediately goes to 7.

PRESIDENT LICHAMER: It does.

TRUSTEE NIENBURG: From an assumption standpoint.

MS. BUTTNY: Right.

TRUSTEE SIDLER: But from a real standpoint --

TRUSTEE NIENBURG: But how we're managing it there's an effective rate, right?

TRUSTEE BLAYLOCK: Like the way you explained it the first time where you would go seven two to seven one five to seven ten, that's the way you want it the first time.

TRUSTEE NIENBURG: Yeah, that's what I would have thought we could see --

TRUSTEE BLAYLOCK: Is that technically what is happening?

MS. FAIN: In a sense it's achieving a similar goal, but the way that it's reported it's not described in that sense and so it's described as immediately being 7 but the cost of that being like almost a separate payment plan so that they only have you reporting the tax levy, I guess you would say, the four initial drops. So it's a way of achieving that in a similar mathematical manner, but it's not actually broken out and stated that way if that makes any sense.

What I could do real quickly is I have your report right in front of me. For the first year that 3.13, just for the Board transition, I can show you --

I can kind of break that out -- piece out just for our discussion purposes if you give me one second.

TRUSTEE SIDLER: It's going to be roughly --

MS. FAIN: You're kind of wanting to know -- you know that the 3.31 is the full amount recommended if we're using a 7 percent rate of return. So what rate of return would give us a full amount equivalent to 3.13. Is that something similar to, you know, a 7.25, or is that something similar to a 7.2.

TRUSTEE NIENBURG: Right.

TRUSTEE BLAYLOCK: Right.

TRUSTEE NIENBURG: Put simply how do you come up with 3.13?

MS. FAIN: Oh, how do we come up with it? That's pretty simple. It relates back to the amount that we wanted to increase each year, so we determine -- our process involves first doing that top calculation. If we were to drop immediately to 7 percent today, it would be 3.31 and there were five years --

TRUSTEE NIENBURG: But that's -- there were two things --

MS. FAIN: -- that's what those normal projections look like and then what we do is we back into what dollar amount would we need to put in today so that in five years you would be contributing the full amount, but we do want your payments each year to increase by a steady fixed amount, fixed percentage rate, so we calculate the initial and then back into figuring out a payment plan where it would increase over five years by a 6 percentage -- of a half percent.

TRUSTEE NIENBURG: Right.

MS. FAIN: If that makes any sense how we back into it.

TRUSTEE NIENBURG: It does, but the full contribution recommendation for 2018 includes both a 3 to 4 percent natural increase plus a drop to something for the assumption and the late return and I think -- I think it's reasonable to look at this almost like a zero based budget on how we get up to 3.31 with the combination of the natural increase plus the rate of return assumption. I want to see the building blocks.

TRUSTEE SIDLER: Does it make sense that if you look at a 3.130 over 2.920 that's a 7.2 percent increase, Jess, as you alluded to. So if we can look -- is it just as basic as saying that we're on a 3 percent cost of living adjustment, so anything above that, so that 4.2 percent, is roughly what we're paying above and beyond, so if you take 4.25 percent, you know, off of a 7 and a quarter, you're

looking -- we've gone from a 7.25 to a 7.2021 roughly.

TRUSTEE NIENBURG: Yeah.

TRUSTEE BLAYLOCK: So it's basically achieving what you were trying to achieve at going about a .05 every year.

TRUSTEE NIENBURG: Yeah.

TRUSTEE BLAYLOCK: It might not be exact, but that's about what it is; is that correct, Jess?

TRUSTEE NIENBURG: I would just like a little bit more --

MS. FAIN: You want me to tell you what the amount would be if we were to do a 7.20 rate of return?

TRUSTEE BLAYLOCK: No.

TRUSTEE SIDLER: You're just saying what exactly is it.

TRUSTEE NIENBURG: Yeah, I want to know --

TRUSTEE SIDLER: I guess the question is what exactly is our actuarial rate if we put in 3.130 understanding that technically we're at a 7 percent, but we're realizing mathematically we're not there yet. So if we're right -- so your question is if we're not 7.25, at the end of 2018 if we do a 3.130 levy, what is that percentage of an actuarial return work out to which I am assuming would be like a 7.21 roughly.

MS. FAIN: Actually I typed in a code and I'm running

it on the worksheet right now so in about hopefully 20 seconds I can tell you roughly what that figure would be.

TRUSTEE SIDLER: Okay. From a historical --

MS. FAIN: You're thinking of it from an alternate view which is, you know, if we were to -- the 3.31 if we're roughly using a 7.21, as you were stating rate of returns, I can tell you that hopefully in about 15 more seconds I should be done.

TRUSTEE SIDLER: And while you're running that, for those that we've been on the Board of going back and I kept track of going back to 2000, we have gone from a 9 percent actuarial return in 2000 to a current 7 percent over that 17-year time frame.

MS. FAIN: There has been a significant shift by the Board in that rate of return assumption. And a huge significant shift in the amount that the Village has been putting into the fund as well. We were not the actuary back in 2000, so it would be interesting to hear how much it has shifted, you know, over a relatively short window when we think about it all the way from 9 down to looking at 7 percent potential rate of return. And it really does have quite an impact on the budget and the amount that is recommended and all those items.

TRUSTEE SIDLER: Right.

TRUSTEE NIENBURG: If my math is right, 18 over 17 is a 13.3 percent increase.

TRUSTEE SIDLER: 18 over 17 -- well, if the transition over a 2920 versus 3130 is 72 if you went to the full 33 then, yeah.

TRUSTEE NIENBURG: Right. And so that's far in excess of a 4 percent increase, right?

TRUSTEE SIDLER: Right.

TRUSTEE NIENBURG: So the rest of that is attributed to the actuarial assumption.

TRUSTEE SIDLER: Every quarter, which is why as we've looked back and I can recall as we go back from 9, every one of those reductions of our actuarial return is a massive amount of cash on an annual basis.

MS. FAIN: Honestly it's probably the biggest -- if you think of it like a factor whether it's a two-fold when you touch it it has the most impact on it.

So in response to what the 3.13 would be, it would be right under 7.2, so it looks like it's somewhere between 7.19 or 7.2, so right at that almost a 5 percentage point drop, so you're going from a 7.25 down to right at it looks like in between 7.19 percent rate of return and 7.2 rate of return.

TRUSTEE NIENBURG: I'd like to see what that is. We

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don't have to do it right now, but I'd like to see some follow-up documentation on what that is every year, what the effective actuarial assumption is.

MS. FAIN: Okay.

TRUSTEE NIENBURG: And then do we know -- we said 3 to 4 percent. What is it, 3 or 4?

MS. FAIN: Oh, I can tell you exactly.

TRUSTEE NIENBURG: And how do we get to that number?

MS. FAIN: Oh, of course. I believe it's 3 and a half, and I will tell you for sure what it is for your fund. It is exactly 3 and a half percent and the reason why is the tax levy has two pieces to it. One piece is called the normal cost that you put in for the active population every year. The amount you put in for the active population is calculated and designed to increase at the exact same rate that overall payroll should be increasing. Your overall payroll assumption is about 3 and a half percent. And the reason why it's designed to increase at the same rate as the overall payroll is because the amount your employees put in each year it should increase about 3 and a half percent as a whole collective, and so the amount that you put in is designed to increase as well. Every year for your active they are putting, as a total group, about 3 and a half percent more and then you, as an employer, puts in

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additional roughly 3 and a half percent more. That's for the normal cost portion, so that's just for the access.

For the liability payment piece, the payment plan and the funding plan that the Board uses is that 100 percent target level percent payment method, so instead of putting the exact same dollar amount each year, you put in a different dollar amount that increases the certain percentage points and that percentage point is again exactly to the overall payroll growth, so that's your population pay increases and they're putting in more than the amount you put in for them and also the way you're paying down unfunded liability is tied exactly to that 3 and a half percent. So that's the way it's designed is every year the levy should increase about 3 and a half percent.

You can recalculate it to where the amount you would contribute would be expected to not change, it would be a fixed dollar. The problem is most people don't use that because it would involve a much higher payment today in order to create a contribution that doesn't increase going forward. So the entry age normal percent of pay calculation that's the one we're tied exactly to that over payroll growth expectation of 3 and a half percent, so that's their normal growth rate that you could expect for your fund. It may have a little more volatility to where

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it's a little less than 3 and a half percent or a little more to probably close that larger window all related to timing of contributions and levies, so depending on when you actually get those taxpayer dollars, you can put them to work in your fund, you can get those investment returns. So we put a little bit of a window around that 3 and a half percentage just because that volatility that occurs. You can actually get the tax levy dollars from the public and put it into the fund and put it to work, so that's the window we close, but the exact amount of everything worked out perfectly and people -- exactly on time, you got the dollars exactly on time would be an expected 3 and a half percent.

TRUSTEE NIENBURG: Okay.

TRUSTEE SIDLER: Jess, quick question. Is there any unintended consequence for us putting a 7 percent actuarial return on the Department of Insurance annual filing when technically we're at a 7.19 percent? Is there any unintended consequence when they run that annual report that is going to show contribution numbers that when they come back public that people are going to say, well, it can be at 7, you guys only put in 3.130 when really technically we're at a 7.19 percent actuarial rate versus a 7.0.

MS. FAIN: No, there's no consequences because what

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we are doing is we are putting you at a 7 percent, but we are creating a five-year short window funding plan transition I guess you would call it. So mathematically this transition we put in will be equivalent to using about a 7.19, 7.2 return assumption; however, the way this is calculated is if you were using -- it's similar, I guess, you could think it to how, you know, the statutory minimal restrictions are. They want you to be 100 percent funded or 90 percent funded by say 2040. You do your calculation today about what you need and then you create a, I guess you could call it, almost like a long-term transition plan between now and 2040 to get there. That's similar to what we're doing here. We're calculating what you would need at 7 percent, but we're creating a short window transition trying to get you there. So it's similar to that concept so you wouldn't run into any issues. What your report will actually state is that you're using 7 percent, that you're using a short term, five year almost budgeting or funding transition method to get there. So there's no -- I guess the best way to describe it is mathematically what you're doing would be similar to using a different rate of return assumption, but that's not what you're actually doing. It just works out mathematically to it, so this is our way of following the rules and procedures, but you can't do, as you stated, you know, use 7 percent but only fund based on 7.19 or 7.2 and then you would have to specifically state that it's a transition scenario, a transition plan. We put that wording in your tax levy and the only thing that you are liable for or the only way that you would be able -- would cause any issues or concerns would be if your transitioning method was less than the statutory minimum figure. The only rule or restriction that this Board is subject to is that whatever amount that you put in has to at least be the minimum amount. If you put in more than that then it's a nonissue. So, for example, the current year's minimum amount would be 2.554 million. It's in your full report on page 19 towards the back. So as long as this Board puts in more than 2.554 million, there is no issues. So your transition figure that's the only restriction is that that needs to be higher than the minimum. That's the only, I guess, rule that you're bound to is that it needs to be higher than the minimum and that whatever recommendation you make needs to be based on an actuary calculation, and we're doing the calculation and it will go in your report that states that the 3.13 is a transition plan actuary calculation that's over a five-year period, so there is no concerns as far as legalities.

We have multiple groups that we've

done this with that have already transitioned out, so they started in, they have done their five years, and they are already out and done and they have reported to the DOI and it's in their tax levy reports, and it's been a non-issue.

So, again, legally the only thing you have to worry about is making sure you put in at least the min -- excuse me, more than the min and then there is no concerns statutorily as far as our understanding of the rules and restrictions.

TRUSTEE SIDLER: Explained well. Thank you.

TRUSTEE BURKE: Yeah.

TRUSTEE NIENBURG: One more question. I would have expected us to go -- to run a savings over the five years and then get to a zero point and not see a cost when we got to the fifth year. What is driving that because eventually shouldn't we all come into equilibrium at 7 percent and be equal to the full funding recommendation? Why do we exceed the full funding recommendation?

MS. FAIN: In 2022?

TRUSTEE NIENBURG: Yep. And then is that continued beyond that?

MS. FAIN: Correct. So if you were looking at the graph on the second page, you will see that you always run a little bit higher. If you wanted to not have a long-term

cost, so what we could do is we could design it to where at the end of five years you are now putting in the full amount that you should and then going forward it increases about three and a half percent. The reason why in 2022 that you end a little bit higher with a full amount, the difference is, I guess you consider between that top line and that blue line long-term, that mathematically will add up to the differences between the green and blue line and that short-term period. If you're looking at the graph, you can see from 2017 to 2022 the green line went higher than the blue. That area -- that cost between those lines, that's the amount that long term between now and 2040 that will be the difference between those other two lines. So that short-term savings, long term will end up to a little extra cost just because you lost out on the investment returns. If you're wanting it to where you end long term without the additional cost, there will always be a little cost. If you -- any time you don't put in the full amount today, long term it will cost you a little more because you missed out on earning investment earnings off of that.

TRUSTEE NIENBURG: Got it.

MS. FAIN: So you got to contribute. There is missed investment earnings that you would have gotten if you were able to put in that full 3.3 million if that makes sense.

TRUSTEE NIENBURG: Got it. I don't know about the rest of the Board, but that was not my understanding what we were doing. I thought we were doing kind of a soft landing to get to the new actuarial assumption not a deferment and then recoup it later.

PRESIDENT LICHAMER: Well, the deferment is because we're using the income off the investment.

TRUSTEE NIENBURG: Right. Right.

PRESIDENT LICHAMER: This eases the burden on the Village and the taxpayer --

TRUSTEE NIENBURG: Short term.

PRESIDENT LICHAMER: -- to reduce that actuarial.

TRUSTEE NIENBURG: RIGHT.

PRESIDENT LICHAMER: This will be a little bit easier on the Village and then we end up losing out what we recoup at the end.

TRUSTEE BURKE: And in 2023 it will just be one amount.

TRUSTEE NIENBURG: No.

MS. FAIN: So in 2023 --

TRUSTEE NIENBURG: It would still be higher. That was my confusion. I thought we essentially book these savings and it's water under the bridge and then we get to five years everything is equilibrium and we're at the 7 percent, we're taking the full funding recommendation not that we claw it back over time.

MS. FAIN: So in 2022 you would be requesting the full amount calculated under 7 percent. It's just if you had been able to put in that full amount early on, then that amount that you would be requesting would be the 4.1 not the 4.19 if that makes any sense.

TRUSTEE BLAYLOCK: So couldn't we in 2022 just say we're going to put 4.1 in and we're going to forget about the 90,000 because that will be well over the 90 percent that we're mandated for, so we, as a Board, can just say, yeah, we don't really want to pay back that 90,000, that little spot there, we're just going to go with 4.1 and we would be fine, right?

MS. FAIN: Technically the only amount you have to worry about is the minimum amount which would be roughly projected -- we actually have your minimum projected out, we'll project them out as part of our scenario, so your minimum amount in 2022 would probably be around 3.4 million. So as long as you were putting in more than 3.4 million, legally speaking the Village has met it's obligation since that is the requirement to put in at least a minimum amount. When it comes to doing the tax levy calculation from our side, our report that we would come up with, that figure

would probably be that 4.19 million because we're going to take into consideration all the different moving parts, but as far as what they actually contribute to the fund, you know, it can be any figure between what our report would say, which would be roughly around 4.19, and then what the minimum is, which would be roughly around 3.4, so any figure in between that will meet statutory obligations.

TRUSTEE NIENBURG: Yep. Is that what you thought? Did you think we were going to do the increase post the five year transition and collect more than that full recommendation?

TRUSTEE SIDLER: I did, yeah.

TRUSTEE NIENBURG: I thought we were doing --

TRUSTEE SIDLER: -- work out but I didn't -- until you see the math, I didn't think the number would actually be that big.

TRUSTEE NIENBURG: I thought by taking the assumption down to 7 percent we're doing the right thing for the pension fund. To soften the blow on the taxpayer, we were transitioning it out over time and then I thought that was the handshake deal and we move forward with taking the full contribution recommendation.

TRUSTEE SIDLER: Well, I think as we look at anything above that number, we can always adjust. I mean I think as

I was asking what is our annual revenue for the Village in 2018, just to get a percentage in our head, 46 -- roughly 46 million dollars is the expected budget for '16, so at 3.130 you're looking at about 6.8 percent of the budget and then if you assume fire is roughly the same, we're at about 13.6 percent of the overall budget, so I think from a fiduciary standpoint I absolutely feel comfortable that lowering the actuarial rate and putting more into these is the right thing to do. Doing it within the Village comfort level gradually I think gives the flexibility and then if we get to a point where either markets are better than what we thought or we don't have to put in as much, we can come back and assess that. The reality -- if you look at the projection of a 4.19 million contribution in 2022 and you go back, that drove the question of earlier. When we get more retired than we have working, that's when we just have to figure how are we helping increase the revenue of the Village, how do we help control our costs and, you know, what types of things --

TRUSTEE NIENBURG: What's our current funded rate? What's our current funded percentage?

TRUSTEE SIDLER: We were at 50 something.

MS. FAIN: I'll pull it up right now.

TRUSTEE SIDLER: Just remember, too, mathematically

if we say we're lowering our actuarial assumption or assumed rate, underfunded is going to go up. So what I always say, if you want to be 100 percent funded, let's go to a 10 percent assumed rate. To me the bigger number is how many years of reserves do we have if we have no payments coming in tomorrow and that's a substantial number for Downers Grove. If I remember it was like 16, 17 --

TRUSTEE BLAYLOCK: 17, 18 --

TRUSTEE SIDLER: Yeah, which is -- that's the comfort zone where we're at versus to me more so than percentage funded because we're lowering our actuarial rate which is increasing our underfunded status, but I think we're high 40's or lower -- maybe low --

PRESIDENT LICHAMER: Low 50's. 53. 52, 53.

MS. FAIN: Downers Grove Police at the prior rate of return, which is 7.25, your market value and your actuarial value were somewhere between that 55 to 58 percent. If you were to lower to the 7 percent rate of return, you will see about a two percentage point drop in the amount you report so you won't still be in that 55 to 58, you will be more at 53 to 56 percent, so your report is funded percentage lower that rate of return assumption.

PRESIDENT LICHAMER: That's such a baloney number.

TRUSTEE SIDLER: So if anybody brings to you guys,

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hey, we're 56 percent --
PRESIDENT LICHAMER: The Chief always says what's our -- it's just such a --
TRUSTEE BURKE: That doesn't --
TRUSTEE SIDLER: That's up to you guys to educate and say we have lowered from a 9 to a 7. If you want to be 100 percent funded, we go to a 9 and we're going to be, you know, 90 percent funded, but we're still not paying the bills.
PRESIDENT LICHAMER: So are we -- do we need a motion? Are you satisfied?
TRUSTEE NIENBURG: All we're doing today is deciding 2018.
TRUSTEE BLAYLOCK: Correct.
TRUSTEE BURKE: 2018. We got to set the tax levy.
TRUSTEE NIENBURG: I'm fine. I think when we get to 2022 I'd like to see that number just go to the full funding level and not try to claw back because that to me, like I said, was the handshake deal. We dropped the actuarial right thing to do for the fund, we softened the blow, we glide path this in so it's a soft landing for the taxpayer. Period. End of story.
TRUSTEE BLAYLOCK: Do we vote on doing this already?
TRUSTEE BURKE: No, we got to vote today.

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TRUSTEE SIDLER: We got to vote on doing it and then go back. I think, Bill, your point, duly noted, that I think -- I thought it would be above, but I didn't think the numbers would be that above. But we can go on a year-by-year basis if returns are good and anything above the minimal rate is a positive for the pensions.
TRUSTEE BLAYLOCK: Which one do we need to vote on first?
PRESIDENT LICHAMER: I would say two; one motion to drop it to 7.
TRUSTEE BURKE: Right.
PRESIDENT LICHAMER: And then one motion to --
TRUSTEE BURKE: To do it incrementally.
TRUSTEE BLAYLOCK: Let's do the drop it to 7 incrementally and then the second motion would be the tax levy itself.
TRUSTEE NIENBURG: Didn't we already do the drop to 7 last week?
TRUSTEE SIDLER: We talked about the numbers. We didn't vote.
TRUSTEE BLAYLOCK: We need to vote on that one.
TRUSTEE BURKE: I'll make a motion that we drop the assumption rate to 7 percent which would be incrementally transitioned over a five-year period.

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TRUSTEE NIENBURG: Second.
PRESIDENT LICHAMER: Roll call.
TRUSTEE BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
TRUSTEE SIDLER: Sidler, aye.
TRUSTEE BLAYLOCK: Now we have to vote on the tax levy.
TRUSTEE BURKE: I would make a motion that the tax levy for 2018 be $3,130,000.
TRUSTEE SIDLER: Second.
PRESIDENT LICHAMER: Roll call.
TRUSTEE BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
TRUSTEE NIENBURG: Nienburg, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
TRUSTEE SIDLER: Sidler, aye.
MS. FAIN: What we can do on our end next year as well is that we can recalculate what the recommendation would be. So we will have one year under our belt, we will have four years left, markets are better or if you were to have, you know, big shifts in your population and you want to know does

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this impact the amount we're recommending, you know, were you to have a great year in your return, anything, you know what I think this is going to lower the amount that we need to put in going forward, we earned a lot from investment earnings, can you recalculate kind of what the four upcoming payments would look like if we wanted to revamp it. We can do that as well at no charge. So next year when we get together and something has happened in the market and you want us to recalculate what the next four payments would be taking that into consideration, we can as well. We kind of leave that as the last bullet point on that second page under disclosures and limitations that on a three-year basis we can recalculate that if for some reason the market looks different. It's been a great year, you wanted to take that into consideration so that you're not kind of flying blind with how you're going to address that transition contribution, we can do that each year.
TRUSTEE SIDLER: And Paul and Andy working till 85. Can we take that into consideration?
MR. FAIN: You're never allowed to retire. We can indeed. We will have a special assumption for Paul and Andy --

TRUSTEE NIENBURG: What happens from here with respect to how this is communicated to the Village Council and --

MS. BUTTNY: We will be including all this in our budget, and we also -- Dave will also -- he sits with each counsel member to go over the budget with them one-on-one to explain to them everything that is going on.

TRUSTEE NIENBURG: Is there ever any direct interaction between the Council and the pension board and we have an opportunity to message this and to have the right talking points? Because I think, you know, I was also thinking back to your question, you know, your colleagues ask what's our percent funding, what do we do with the actuarial rate, those kind of talking points, and I think similarly for the taxpayer, if somebody stopped me on the street, I would like to have a cool or articulated message around. What did we do and why we did it and where does that put us. Is there ever that kind of report out to the Council from a Board?

MS. BUTTNY: No, there hasn't been.

TRUSTEE NIENBURG: Okay.

TRUSTEE SIDLER: Andy showing up to that meeting for

the Board -- the Village meeting --

TRUSTEE BURKE: The budget meeting.

TRUSTEE SIDLER: Yeah, to be present to make a statement. Maybe that's something we look at as to show up.

TRUSTEE BURKE: (Inaudible)

TRUSTEE NIENBURG: Actually I want to let them know both. I want to know that the taxpayer representatives on the Board are taking care of the pension fund and the force and that the officers on the Board are taking care of the taxpayers. I think that's a -- you know, we've talked about the level of cooperation and collaboration that this Board has and it's not something that is enjoyed by every municipality, and I think we should be proud of that and advertise it.

TRUSTEE BURKE: I agree.

PRESIDENT LICHAMER: I hope Dave has conveyed that message when he was on the Board, too. I mean I've asked him to specifically.

TRUSTEE NIENBURG: He probably does.

MS. BUTTNY: Our Board has good relationships between the members of the Board and the Village, no doubt.

PRESIDENT LICHAMER: Because I mean I know I've asked Dave directly to say will you please let the Council know when we've done this in the past.

TRUSTEE SIDLER: Right.

PRESIDENT LICHAMER: Or when we have not lowered the rate.

TRUSTEE SIDLER: Even after having a tough year, right.

PRESIDENT LICHAMER: Yes. We have not lowered the rate and the status quo, you know, so whether that's happened, I would hope.

TRUSTEE NIENBURG: Seems like once a year wouldn't be a bad -- I don't know exactly what I'm asking for here, but once a year wouldn't be a bad idea to have a report out from the Board that says here's our summary of our performance, here's what we did from a tax levy standpoint in four or five concise bullets that you guys can take back to the force and that we can take to the taxpayer and talk to the Council about. I don't think it would be a bad idea, your point, to show up at that budget approval meeting and --

TRUSTEE SIDLER: Help explain it.

TRUSTEE NIENBURG: -- help explain it. It should be -- I mean it should be part of the public record. We should have the opportunity to tell the story. It's a good story.

TRUSTEE SIDLER: The misnomer, I think, that's the most common that you hear is what percentage funding are you when you say that's really not a relevant statistic. The

relevant statistic is what is your actuarial return, how much are you putting in above and beyond your minimum and what have you done with your actuary return over the many years as you go forward and how are your -- if you stop paying today, how many years could you go forward.

TRUSTEE NIENBURG: And I mean those kinds of score card metrics should be something that we should have at our fingertips once a year at least, you know.

Is that something you guys have done for your clients in the past?

MR. ENDRIUKAITIS: Not that I'm aware of, but it's easy. We can -- I mean our actuary does spreadsheets all day. He can probably spit one out in two seconds but --

TRUSTEE SIDLER: Thank you.

MS. FAIN: What we've done for other clients most recently on Thursday we were at Hanover Park. They're another group where they have a really great relationship between what they -- and what they've been funded, so every year what they will have us do is we have created like a one pager, which is something we can definitely do for you, and what we usually do is whenever their public village meeting is and do about a 15-minute power point, and we do actually show up for, unfortunately unlike today, and we will do a presentation just showing how they've been funding over the past few years, thank them for their commitment to running the pensions, show how the contribution has shifted. And they've had us do it for the past couple years.

We also do it for Niles as well. We recently took over them, I believe, two years ago, maybe three years. Every year they will have us come out. There is nothing terminal going on with their fund. They just kind of like to control the story that goes to the public because it is positive of how they have been funding and the commitment to funding. It's just unfortunately people hear news or pick up a report and misinterpret it because, you know, this is not – pension funding and actuarial reports and calculations are not something people are extremely, you know, well educated on, so what they want to do is they want to control the message to the public and educate the Board, so what we usually do is actually go to a village meeting and present. But if you're interested in maybe just like a one pager to send to the Board members themselves, that is something we can help you come up with as well. We'll probably just take some more directions from you all, something we haven't done before, is we'll kind of pick your brain a little on what you're hoping to have on there and what you kind of want it to look like and it's something we can definitely help with.

TRUSTEE NIENBURG: Yeah, maybe you could send us the power point you do even if you have to strip out the data if any of it's confidential. I don't know if any of it is.

MS. BUTTNY: Public.

TRUSTEE NIENBURG: Send it to us and let us take a look at it.

MS. FAIN: I'll reach out to Hanover Park and see if they are comfortable with me just sending you the power point. I mean we were there on Thursday presenting and we went over both their pension reports, their -- reports and we also talked a little on -- I don't know if anyone is familiar with the OPED. I'm sure Judy gets to --

MS. BUTTNY: Yes.

MS. FAIN: I'm sure Judy deals with the OPED report but we went through those as well with them. I'll shoot an e-mail over and make sure they're comfortable with it. We showed it to the public, so I don't think they would mind, but I can show you kind of an example of what that looks like.

TRUSTEE NIENBURG: Right. Maybe we can make an official request for a one pager and you can let us know if there's a cost and go from there.

MS. FAIN: We would do it at no charge.

TRUSTEE SIDLER: We can help dictate what

should be on it.

MS. FAIN: We would just need to kind of reach out and pick your brain on what you want on it since it's a document we haven't created before.

TRUSTEE SIDLER: You know, several bullet points of where we were at 17 years ago from an actuarial rate, where we're at today, the percentage of funding that the Village has put in has been 100 percent of collected to put in, so people are going to read what's in the Tribune but I think we can come up with six or seven bullet points they'll say the Village of Downers Grove is very different and this is why.

And thank you to Lauterbach & Amen, too, and Eric as you put together we've asked you to put together special requests for when buckets of people are going to retire, how does that change the report, what happens if we stop payments today. That's very useful information and you guys are giving us more flexibility for analyzing what we're managing more than we ever had and it's appreciated.

(Whereupon, Trustee Nienburg exited the meeting at 10:42 a.m.)

MS. FAIN: We're very glad to help. So sounds like

going forward I'm going to have three follow-ups for the Board; one is you want just kind of a good guesstimate of each year in that five-year window and use those as representative, for example, the first year of about a 7.19 percentage rate of return, 7.2. You wanted that just for talking point. I'll reach out to Hanover Park and see if they are comfortable with me e-mailing over a copy of their power point and then we'll also get started on coming up with a couple of bullet points for a one pager and we'll probably reach back out to the Board to kind of get your feedback on what you're looking at.

Was there any additional items you would want us to take a look at so we can help you follow up this week on it?

PRESIDENT LICHAMER: I'm good.

TRUSTEE SIDLER: That's it. And I can help relate to Eric what -- Jess, what we can get to you on the bullet points that I think would be helpful to give to Judy.

MS. FAIN: Perfect. It sounds like you have a really nice long-term history coming all the way back, you said, to the year 2000, I believe?

TRUSTEE SIDLER: Yeah, this group has been together for a long time.

MS. FAIN: Yes, that would be very helpful to have kind of that long-term perspective. You know, 17 years ago seems, you know, that continued commitment of the Village to put in that full amount it will be really nice to see from a historical perspective.

PRESIDENT LICHAMER: Thank you.

TRUSTEE BURKE: Thank you.

MR. ENDRIUKAITIS: Thanks, Jess.

MS. FAIN: I just want to thank the Board for letting me attend via telephone, and we'll get started on the first two items which was the estimated rate of return and then the reaching out to Hanover Park and once we get back -- Eric gets back to the office, we'll try a little bit more on the one pager.

For a deadline, what time frame would you kind of like to have that one pager and everything done? Is there an upcoming Village meeting or budget meeting that we're trying to get it done time wise?

TRUSTEE SIDLER: Shooting for October, so I think we've got a good month and a half, so maybe in the next four weeks we'll get those points pulled.

MS. FAIN: Okay, perfect. What I'm going to do is put a two-week deadline on it that way that will give us about two more weeks to send it back and forth, if you have comments, questions, adjustments, that sort of thing, so I'm

actually going to put it -- I'm going to put a date of -- well, we've got the holiday coming up. How about September 6th is when I'll try to get it sent over to the Board, so right after the holiday. Does that sound like it will work for everyone?

TRUSTEE BURKE: Yep.

MS. FAIN: Perfect. All right. Great. We got a game plan going for us and, again, I apologize for this morning. I guess I'm just scatterbrained this past week or so. But we'll get started on this and make sure that it doesn't happen again in the future. If there is any additional requests, comments, concerns feel free to reach out to me any time.

PRESIDENT LICHAMER: Thank you.

TRUSTEE BURKE: Thank you.

MS. BUTTNY: Thank you.

MS. FAIN: My pleasure. Thanks, everyone. Have a great day.

TRUSTEE BURKE: You too.

MS. FAIN: Bye.

TRUSTEE BURKE: Bye.

PRESIDENT LICHAMER: Eric, are you all set, too, with your stuff?

MR. ENDRIUKAITIS: I'm all set. I will send out the

MCR and final actuary reports when I get back to the office.

PRESIDENT LICHAMER: Cool.

MR. ENDRIUKAITIS: Give you time to finalize everything and you should be able to go vote on the official tax levy on October 30th.

TRUSTEE BURKE: We already voted --

MS. BUTTNY: No, this was the vote.

MR. ENDRIUKAITIS: Oh, so we just need a signature and I can send it out to Judy.

MS. BUTTNY: Yes, this is it.

TRUSTEE BURKE: This is the one we have to have.

MS. BUTTNY: Too late.

TRUSTEE BURKE: Judy has it and the votes are in.

PRESIDENT LICHAMER: All right. We have to pay some bills, Judy?

MS. BUTTNY: Yes. I have a report that is just a little bit different from Eric's in that there is another month on there. The last meeting only voted for Village through March 31. So this is April 1, 2017 to July 31, 2017. Grand total amount $265,573.71. These items are all either contractually -- previously contractually approved by this Board or many items that flow through payroll. You can see to Village of Downers Grove insurance through the checks from all the people receiving pensions.

TRUSTEE SIDLER: Let the record show the largest numbers are to the IRS.

PRESIDENT LICHAMER: Judy, how are we tracking with our budget with Reimer?

MS. BUTTNY: We're within. I could get you a separate --

PRESIDENT LICHAMER: No. We're still under, right?

MS. BUTTNY: We are. We bumped that up to the last one, yeah.

PRESIDENT LICHAMER: All right.

TRUSTEE BURKE: So do you need a motion, Judy, to pay those?

MS. BUTTNY: I do.

TRUSTEE BURKE: I make a motion that we approve 265,573.71 that was presented to the Board -- outstanding bills presented to the Board by the Board's treasurer.

TRUSTEE BLAYLOCK: Second.

PRESIDENT LICHAMER: Roll call.

TRUSTEE BURKE: Burke, aye.

PRESIDENT LICHAMER: Lichamer, aye.

TRUSTEE BLAYLOCK: Blaylock, aye.

TRUSTEE SIDLER: Sidler, aye.

TRUSTEE BLAYLOCK: Just a note that Trustee Nienburg left the meeting, had to leave.

TRUSTEE BURKE: She got that.
TRUSTEE BLAYLOCK: Just to reflect that's why he didn't vote.
PRESIDENT LICHAMER: We good, Judy?
MS. BUTTNY: Yes.
PRESIDENT LICHAMER: Okay. New business.
TRUSTEE BURKE: Mr. President, we have some new business in regards to a few things. First, when the Fraternal Order of Police for our police officers completed their negotiations, during that time we had a retiree leave who was eligible for an adjustment to his pension. Lauterbach & Amen, through Eric, Richard Marco there is a change to his pension amount with some retro, so I would -- have you seen this? Has everyone seen this? It was sent to everybody. I would make a motion that we approve the adjustment to Richard Marco's pension as presented by Lauterbach & Amen.
TRUSTEE BLAYLOCK: Second.
PRESIDENT LICHAMER: Roll call.
TRUSTEE BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
TRUSTEE SIDLER: Sidler, aye.
PRESIDENT LICHAMER: Does he get a flat check for --

Eric, does he get a check back for everything there and then payments adjust going forward?
MR. ENDRIUKAITIS: Correct. Payments adjust going forward. And what we do is we issue a retro check which is just like separate from --
PRESIDENT LICHAMER: All right. Okay. Sounds good.
MS. BUTTNY: Could I just read in for the record a couple key points on this?
TRUSTEE SIDLER: Yeah, I think that's a good idea.
MS. BUTTNY: So member entry date 12/30/92. Member retirement date January 1, 1916 -- excuse me, January 8, 1916. The applicable salary is $94,630 which would give a pension percentage of 57.5 percent and the amount of the original monthly pension will be 4,534.35.
TRUSTEE BLAYLOCK: 2016?
TRUSTEE SIDLER: 2016?
TRUSTEE BLAYLOCK: You said 1916.
MS. BUTTNY: Oh my gosh. January 9, 2016. Sorry, guys.
TRUSTEE BLAYLOCK: That's all right.
PRESIDENT LICHAMER: Where did that come from?
MS. BUTTNY: I have no idea.
PRESIDENT LICHAMER: All right.
TRUSTEE BURKE: Mr. President, then I have three new

officers that made application to become members of this fund. The three new officers is Cody Stults, John Tague and Aaron Porter.
I'd like to make a motion that this Board accept Cody Stults, John Tague, and Aaron Porter into the Downers Grove Police Pension Fund.
TRUSTEE BLAYLOCK: Second.
PRESIDENT LICHAMER: Roll call.
TRUSTEE BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
TRUSTEE BLAYLOCK: Blaylock, aye.
TRUSTEE SIDLER: Sidler, aye.
TRUSTEE BURKE: Mr. President, we had a resignation of an officer, Danielle Scaccia. I just want the Board to note that Danielle Scaccia has resigned. I do not believe she has made application for refund yet, but I'd like to say that she would be eligible for refund if she made application.
TRUSTEE SIDLER: How many years of service?
PRESIDENT LICHAMER: A couple months -- a couple years.
TRUSTEE BURKE: No, she was here about 13 months.
TRUSTEE SIDLER: Thirteen months.
PRESIDENT LICHAMER: We have a motion. Do we have a

second?
TRUSTEE BURKE: Yeah, the motion will be accepted if she --
TRUSTEE SIDLER: She resigned.
TRUSTEE BURKE: -- she resigned.
TRUSTEE BLAYLOCK: Why would we have a motion for that? We would make a motion that if she asks for the money back or --
TRUSTEE BURKE: She hasn't asked for any.
TRUSTEE BLAYLOCK: Right.
TRUSTEE BURKE: This is for information.
TRUSTEE BLAYLOCK: I think we would make the motion if she asks for the money back at that point we would have to have a motion.
PRESIDENT LICHAMER: I agree.
MS. BUTTNY: Agreed. Did you make a motion for the new ones?
TRUSTEE BURKE: Yes.
MS. BUTTNY: Okay. Then we're good.
TRUSTEE BURKE: You got to sign these with me.
PRESIDENT LICHAMER: Okay. Any old business?
TRUSTEE BURKE: I don't.
TRUSTEE BLAYLOCK: Nope, not me.
TRUSTEE SIDLER: Nope.

PRESIDENT LICHAMER: We got to set our next meeting date is done.

TRUSTEE BLAYLOCK: We did that. I will make a motion to adjourn the meeting.

TRUSTEE SIDLER: Second.

PRESIDENT LICHAMER: Roll call.

TRUSTEE BURKE: Burke, aye.

PRESIDENT LICHAMER: Lichamer, aye.

TRUSTEE BLAYLOCK: Blaylock, aye.

TRUSTEE SIDLER: Sidler, aye.

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

I, MEGAN L. ROMAK, CSR, 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.

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