BEFORE THE DOWNERS GROVE POLICE PENSION BOARD

IN RE THE MATTER OF: )
)
Meeting minutes. )

July 26, 2016

9:00 A.M.

PROCEEDINGS had and testimony taken before the DOWNERS GROVE POLICE PENSION BOARD, taken at Downers Grove Village Hall Ante Room, 801 Burlington Avenue, Downers Grove, Illinois, before LYNN M. EVANS, C.S.R., License #084-003473, a Notary Public qualified and commissioned for the State of Illinois.

BOARD MEMBERS PRESENT:

MR. DENNIS BURKE, Secretary
MR. PAUL LICHAMER, Trustee
MR. WILLIAM NIEMBURG, Trustee
MR. NORM SIDLER, Trustee, via telephone

ALSO PRESENT:

MS. JUDY BUTTNY, Acting Finance Director

MS. JESSICA FAIN, Lauterbach & Amen, LLP

MR. DOUGLAS OEST, Marquette Associates

MR. LICHAMER: Good morning, Norm.
MR. SIDLER: Good morning.
MR. LICHAMER: All right. Go ahead and call to order the Downers Grove Police Pension board meeting for July 26, 2016. Roll call.
MR. BURKE: Burke aye -- here.
MR. LICHAMER: Lichamer here.
MR. NIEMBURG: Niemburg here.
MR. LICHAMER: We make a motion to permit electronic attendance.
MR. BURKE: I second.
MR. LICHAMER: Roll call.
MR. BURKE: Burke aye.
MR. LICHAMER: Lichamer aye.
MR. NIEMBURG: Niemburg aye.
MR. LICHAMER: Okay. Norm, you can say I'm here.
MR. SIDLER: Now I'm on electrically. Thank you.
MR. LICHAMER: Yes. Can we go ahead and have a motion to accept the minutes of April 18, 2016.
MR. BURKE: Mr. President, I make a motion that we accept the minutes of April 18, 2016.
MR. NIEMBURG: Second.
MR. LICHAMER: Roll call.
MR. BURKE: Burke aye.

MR. LICHAMER: Lichamer aye.

MR. NIEMBURG: Niemburg aye.

MR. SIDLER: Sidler aye.

MR. LICHAMER: We had an email a couple days ago Lauterbach would like to go first in our pension meeting because she has another meeting to get to, so go ahead and go and get you started.

MS. FAIN: So my name is Jessica. I work in the actuary department at Lauterbach & Amen. I'm going to be doing a couple of roles today. I'm going to be doing a couple of items for Eric, as well as Todd.

So the first item we're going to look at and the board would vote on would be your tax levy report. It's going to be the document that has the utilizing data as of beneath the title. I know Todd came out here before and went through the draft versions of these. I'd like to take about three minutes just to kind of refresh your memory as to what happened in your funds.

We're only going to take a look at two different pages today, unless there is some additional questions; and the first page that we're going to be looking at today is going to be page three of the tax levy report. Taking a look at the very top of this report, you'll see that last year's recommended contribution was around 2.66 million and this year we're coming in about 250,000 higher at around 2.9 million, and I want to go through real quickly where this $250,000 increase came from.

Now, part of this increase is expected. Each year we anticipate your contribution to go up about 4 to 5 percent; and if it's your first time ever hearing that, your question is probably why do you automatically assume that my contribution is going to increase; and the reason for that is actually very simple. Last year when the board requested that 2.66 million, you were actually requesting two different payment pieces. One of those was going towards your unfunded liability and the second payment piece is something called the normal cost. It's what you put in each year on behalf of your active population as they earn another year of service. So from one year to the next, we anticipate that piece of that payment that's going towards our unfunded liability to increase a few percentage as we're paying a little bit more down, but we also anticipate that second payment piece, the normal cost what we put in for our active population to increase a few percentages as their getting pay increases, so that's that anticipated 3 to 5 percent.

Now, for your fund that translates to about 125,000, which means if nothing changed from last year to this year, except 12 months went by, we would have anticipated about $125,000 increase, but we just discussed how this year we actually came in around $250,000 higher. So in other words, something must have changed from last year to this year that caused an additional increase and that's probably the most interesting thing we're going to look at on the year-to-year basis. That information is detailed a couple of pages ahead. It's going to be a back-side page and it's page eight of your tax levy report.

There is actually a lot of different moving parts that contributed to that additional increase of around 125,000, some of them cost increases, some of them cost decreases, but the net impact was that 125 increase. We're going to really quickly look at each of those items.

The first was pay increases. This year pay increases came in a little less than anticipated, which means we're now projecting your population to have just a little bit smaller pay at retirement, so a little bit smaller benefits that your fund is obligated to pay out at retirement. Because of that, you don't have to put in as much funds today to be able to handle those benefit payments. You'll see that this resulted in a decreasing or contribution of about $63,000.

The second item is your demographic changes and that's how your population changed from one year to the next. You had a couple of items that resulted in increases and a couple of changes that resulted in decreases. The net impact you'll see being about a $67,000 increase.

So what changed exactly? You did have some new hires that we added to our fund. New hires will result in an increase and this makes sense because we need to start contributing on behalf of these individuals and preparing for them to exist at retirement. You also had some members who retired who are now collecting a benefit. Now, these increases were offset a little bit by the fact that you did have four terminations. Now, even if we refund their contributions, even if they were able to get a vested benefit, we're still going to see a decrease because both of those payouts are much less than had they existed all the way to retirement and collected a full benefit. In addition, you did have a retiree who passed away with a surviving spouse. This also results in a decrease because the benefit that a surviving spouse receives is a little bit less than the retiree because they don't get the COLA increases each year. So these were the decreases that kind of helped to offset some of those increases that we saw, mainly from those new hires. Once again, as a reminder, the net impact of how your population behaved was that increase of around 67,000.

The third item was assumption changes. We did take a look at and update your tables regarding retirement rates, disability rates, termination rates, and mortality rates. We didn't see a whole lot of difference in disability or termination or retirement than previously, but we did see a little bit of an improvement in mortality rates. As individuals, that's really nice because we want to live a little longer, but it is just a little bit more costly on our fund. A couple of additional years that we're now anticipated to pay the retiree a benefit and a couple additional years that we're anticipated to pay the surviving spouse a benefit. You'll see this resulted in an increase of about 40,000, and you'll notice that this

40,000 is relatively small. It's less than a 2 percent increase in your contribution, so updating your assumptions really had a pretty small impact on your overall contribution.

The next item was asset return. We have an assumption that over the long term of the lifetime of the fund you're going to get a little bit over a 7 percent return on investment, 7.25 percent, so we know markets are going to be volatile from one year to the next. We anticipate about half the time we're going to beat that return assumption and have a little bit of a gain and about half the time we're going to fall short of it and have a little bit of a loss smoothing out to that 7.25 in the long term.

Anytime we have a tough year in the markets, we'll make up for that shortfall by requesting additional funds, and the same is true when we have a good year in the market. If we ever earn more than that 7.25, we're going to give our taxpayers and we're going to give our fund a break. We're not going to ask for quite as much money.

If you paid attention to the markets at all, I'm sure you'll take a look in the folders as well, it was definitely a tough year in the market this past year. I'm not too surprised that we didn't quite hit that actuary return assumption, so we'll ask for some additional funds to make up for that shortfall. This resulted in an increase of about 55,000.

MS. NIEMBURG: And what's the time frame that you're considering when you evaluate asset return?

MS. FAIN: We do it based on your fiscal year, so it's January 1st to 31st, so for a lot of funds, it really depends on when your year ends how you kind of look on those returns basis.

So the very last items was contributions, and that's simply comparing what your actuary recommended versus what was received. Recall that last year's recommended contribution was around 2.66 and what was received in the fund was around 2.27. Now, if you were just to look at this report on the surface, you might say looks like we had a little bit of a shortfall. However, that's mainly an issue with the time lag that exists with the tax levy process. For example, we're coming up with this number now. You're probably not actually going to see these funds hit until the following year, maybe even a little trickling in till the next year, so it's a lot more fair to compare when you're trying to determine am I receiving what I'm asking for to take into account about that one-year lag. If we were to take a look at our 2013 number, what was recommended was around 2.26, so when you take that into consideration, 2.26 recommended, what we received was 2.27, you actually received a little bit more than what you asked for. In fact, your five-year average is receiving about 101 percent of what each year your actuary recommends, so consistently, the fund receives a little bit more.

Now, unfortunately, the tax levy report doesn't let us take into account the reality for the tax levy profits. We have to compare it year to year, so we have to compare last years 2.66 to what was received, but I always like to point out so that our report never misleads or misconstrues a situation that what this report says and what actually happens in the reality of the tax levy process can be different. So because we can't take into account the time lag that exists, it does appear on the surface we have a little bit of a shortfall. Just like with asset returns, we'll ask for some additional funds to make up for that in the amount of about 25,000, so you can see that 250,000 increase, it's actually a lot of different moving pieces. We have an anticipated increase of 125, another little increase from how our population behaves, another increase from updating our assumption, another increase from the tough year in the markets, another little increase from the time lag that exists with the tax levy process, and all those increases were offset a little by the fact that our pay came in a little less than anticipated, so that right there is your $250,000 increases. A lot of different moving parts.

I always like to go through each of those individually so that you understand when we come in with a higher or lower number, it's a lot of different calculations behind it. We're not simply asking for more because we want more.

MR. NIEMBURG: Can you go through the assumption changes again what specifically and where the assumptions have changed?

MS. FAIN: Of course.

MR. NIEMBURG: You might have said it, but I think I was ruminating on highers and priors and new priors.

MS. FAIN: So the towards the back of the report we detail exactly what we use this year, and the key --

MR. LICHAMER: What page is that on?

MS. FAIN: I apologize. It's going to be page 28 is where we disclose all of our assumptions; and what changed from your last report to the current report is we did update your retirement rates, your termination rates, your disability rates, and your mortality rates. We did update those through 2016. Your last set of tables was last updated through the year 2000, so we are capturing those new trends.

MR. NIEMBURG: One more time what was updated?

MS. FAIN: The tables regarding retirement, disability, termination, and mortality.

(Mr. Sidler called back in.)

MR. NIEMBURG: Do you want us to go back at all?

MR. SIDLER: Nope. I got your question on go back to the assumptions and that's where I left off.

MR. NIEMBURG: Actually, hit those again. Retirement, disability --

MS. FAIN: Sure. Termination and mortality, so it's all the different tables that we use to make assumptions on your population. Now, we didn't really see too much difference in retirement rates. We didn't see too much difference in disability or termination rates. In general, this is a profession that has pretty low turnover rates to begin with, but the big key change was mortality rates, people living just a little bit longer, just a couple additional years people are now projected to live, and that can really add up and accumulate when you have an entire population that also has a chance of having a surviving spouse. Every member having a couple additional years of pension benefits and their spouse a couple additional years, that right there was your key driving force is mortality rates, and those were the only assumptions that were changed from the previous year.

So that gets us back to square one, which is current recommended contribution at the top of page three is $2,915,699.

Any questions on how different changes can impact your contributions? I know it's a lot of different moving parts and a lot of different ways the scales can be tipped depending on how things behave from one year to the next.

MR. SIDLER: Just a quick question on verification what actuarial mortality table that you guys are using?

MS. FAIN: Of course. So this is actually a great question because it's probably the thing that we are most proud of. There is a very large organization called the SOA and they release studies on mortality about every 10 to 15 years. They released one in 1972, they released one in 2000, and they most recently released one in 2014.

Back in 2012 we decided that we really didn't like the fact that we were constrained and had to wait 10 to 15 years to review our assumptions because a lot can change in 10 to 15 years. So what we decided to do was to take the procedure that they use for their large nationwide study and mimic just for the state of Illinois. So we downloaded all the data for police and fire pension funds and conducted our own study on mortality back in 2012.

Now, in 2012 we were left with a question, do we use this large population study that's about 12 years old or do we use our updated local study? Both of them have positives and negatives. This large population study has a ton of data points. However, it's outdated. This local study is specific to firefighters and police officers in the state of Illinois, but it is a much smaller data set. Now, mathematically, the rule of thumb is when you have two different tables that have positives and negatives, the best option to do is to use a blend of the two, so back in 2012 when we first conducted our study, that's exactly what we did.

If you had been a -- one of our clients back in 2012 and you were to look at your report, you would see a table that's labeled the Lauterbach & Amen 2012 Mortality Study or Retirement Study, et cetera. Now, as soon as we came out with this study, of course, it went through a very long process of every auditor wanting to vet it. The department of insurance wanting to analyze and scrutinize it to make sure that we did everything properly because after all it's these tables that determine your entire tax levy amount and it has every years passed with flying colors. No auditor from the department of insurance has ever had an issue with it.

Now, we like to update this study about every three to five years, so when this next large population study was released in 2014, we asked ourselves, well, great. Now we have a large population study. Do we even need to repeat this process because the whole reason we even did it to begin with was the fact that this one was outdated. So we took a look at this large population study last year and analyzed what they did, and we noticed a couple of things they did different from 2000 that caused us some concerns.

So back in 2000 when they did their study, they did it for the whole entire United States and they included both private and public funds. When they repeated their study in 2014, they initially started out with private and public funds and then they realized that people who are in the public sector, people such as yourself who are exposed to different risks, it looks like that your mortality rates are different, looks like you're not quite living as long as someone who has an office job, which definitely makes sense when we think about it.

So what did they do? They threw out all your data. So when they released this new study last year, it actually did not include anyone who is in your profession or exposed to your risks, so we decided that while once again it's really nice that we have this updated study, lots of data points, there is still these inherent flaws. In particular, the fact that it doesn't include anyone in your profession even contributing to the results, so we decided last year --

MR. NIEMBURG: Just for clarification. Just police or also fire --

MS. FAIN: There are no public funds in this study, yes. So last year when we were reviewing this, we decided, you know what, we definitely need to repeat and update our study for the state of Illinois to include police and fire, so we did the exact same process we did in 2012. So what we noticed is our study did show improvements in mortality. It just didn't show quite as large improvements as this nationwide study did, which makes sense, because we're taking a look at people who are exposed to lots of different risks, both while active and different things that carry on into retirement that can impact how long you live; and so, once again, because there are positives with this large study and positive with our study, we repeat the exact same process that's been approved by the department of insurance and auditors to use a combination of both. That's why when you're looking in this report, you're going to see it says the Lauterbach & Amen 2016 study.

Now, the reason why I say we're really proud of this is because if you paid attention to the news at all, there has been a couple of articles out there about this large population study from 2014 because this is the first year actuaries are implementing it, and we are the only actuary group who does an additional private study at no charge to our clients simply because we want to make sure that we're using the best tables possible.

Now, because these other funds have no option but to use this large population study that shows these really large increases, what's happening is when they implement them they're seeing increases in their contribution about 20 to 30 percent, which is really tough to budget; and because they saw these large increases come through, they started analyzing and scrutinizing this study, something that we did last year, already handled, already dealt with, and now they're starting to come out in the public the shortcomings of this study.  They're in kind of a tough situation, do you use the old 2000 study that did have people who are in your profession, but it is outdated, or do you use the new one knowing that there is a good chance that maybe it's overstating how long people are going to live because it doesn't include anyone who's exposed to your risks?

So there's a lot of different articles out there, I think, closer to when people are finalizing their tax levy.  For a lot of conferences and conventions this year, I think it's going to be a hot topic because people are kind of stuck.  They don't know what to do. It does not apply to you. We already reviewed it, handled it last year, got our process vetted by the department of insurance by auditors. The way you can think of it as we took this large study and we adjusted it to reflect what's actually happening in the state of Illinois, and I say we're most proud of it because we currently are the only actuary to a year in advance have prepared for this risk; and so when you hear anything in the news, it does not apply to you. You don't have to worry about it. No concerns whatsoever and our process has been vetted and approved since 2012.

Despite knowing that no one has had an issue for four years with this, we still are writing a wonderful novel. It's about 70 pages at this point that details every single thing that went into our study. We'll be providing copies of that in the fall. Right now it's under the grammar check. It will make a wonderful Christmas gift. Comes out right before then. Just to make sure that everyone has full disclosure, 100 percent comfortable. It's there to protect us and both your funds should anyone, whether it's one of your members, a member of your community, anyone from the public might ask, you can give them this really thrilling document that details full disclosure behind that.

MR. LICHAMER: Great.

MR. SIDLER: That's a very detailed explanation, and I had no idea there was that much behind what Lauterbach & Amen did, so thank you for explaining that. It's very helpful.

MS. FAIN: No problem. We do a lot behind the scenes, and we usually never mention it because most people are super interested in what their actuaries are doing. It's not as thrilling, but this is a year that we can really pat ourselves on the back and be proud.

MR. NIEMBURG: I'm impressed.

MR. LICHAMER: I was impressed too. Where were we at last year?

MR. BURKE: $2,664,000- --

MR. NIEMBURG: It was about a quarter million again last year.

MR. BURKE: About a quarter million, Judy, from last year?

MS. BUTTNY: Yes. 2.27.

MR. LICHAMER: Were we consistently about 250,000 every --

MS. BUTTNY: Last year was about 300, right.

MR. BURKE: Yeah, so this is a little less. I think last year the actuary table used was 130 years old, which really skewed it. This is more in line with --

MR. NIEMBURG: Last year was a correction. This is more state to state.

MR. BURKE: I think it's better work on the part of Lauterbach. So is it our time to accept?

MS. FAIN: Yes. So you would want to accept tax levy report as --

MR. NIEMBURG: By accepting the report are we approving the levy?

MR. BURKE: Yes, we are.

MR. LICHAMER: Norm, this is where you usually have something to say.

MR. SIDLER: Well, Mr. President, I will take a very quick second and make my disclaimer statement and let you guys note that I do -- my meeting was called earlier, so after -- I wanted to stay on for this vote to give support of it, and then I will have to knock off of the call, but if there is anything that you guys need me that obviously comes up, I'll split the vote, but with the number I don't anticipate giving me a call, but just to say we have a fiscal responsibility for what we ask the taxpayers. I can't tell you how proud I am of all of our police, what you guys are going through in the current day, and we want to make sure you get everything that you deserve. Understanding, as I look at the mathematics, our compound when the older retirees live longer it is by far our biggest cost, which is going to get us upside down within the next 10 to 12 years; and we're going to have a problem that we have to look at from a state standpoint. We as a board can make suggestions, but just wanted to say I support the levy. I appreciate what all you guys are doing and understand that we have a math issue that we're going to have to get our arms around as a group on both sides, and in the next 10 to 15 years, try to make resolution on the compounding factor, and I'll leave it at that, Mr. Chairman. Thank you for allowing me to speak.

MR. BURKE: Okay. Norm, I'm going to go ahead and make a motion. Do you have enough time to vote?

MR. SIDLER: I do.

MR. BURKE: I make a motion that we accept the levy report from Lauterbach and accept the recommendation of $2,915,699 as the tax levy for 2017.

MR. NIEMBURG: Second.

MR. LICHAMER: Roll call.

MR. BURKE: Burke aye.

MR. LICHAMER: Lichamer aye.

MR. NIEMBURG: Niemburg aye.

MR. SIDLER: Sidler aye.

MR. LICHAMER: Okay. Motion passes to accept the tax levy report and the current valuation.

MS. FAIN: Perfect. I have one or two more items, and I will go through them quickly. So the second report that you have is the one has the GASB 67/68 and a quick reminder what this report is. It is newer. It was implemented first last year. It goes into your audit, and GASB stands for the Government Accounting Standards Board. Basically what they did is they took a look at funds and what actuaries were doing and they said, you know, it's wonderful that you come up with this tax levy number each year. However, realistically, what do we think is going to occur in funds? Do we think you're actually going to receive this or do we think you might not quit hit that amount each year? If you do have a shortfall, what are kind of the long-term repercussions from not receiving what our funds need?

Now, I have a really positive report for you guys because if you were to turn to page 23 of this report and take a look at your five-year history and GASB does let you take into account the time lag that exists with the tax levy process because this GASB report is totally separate from your tax levy. They are not impacted by one or the other. It has us take a look at the five-year history and see on average what you've been receiving, which you can see here that your average is about 101 percent, so a little bit more than what you have been requesting consistently, and it says project that going forward, should we have any cash flow issues going forward if we continue this behavior? Now, no one is going to be surprised whatsoever that, of course not, the tax levy number, that 100 percent amount, is designed to get you perfectly to the finish line, so getting a little bit more each year is, of course, not going to cause any cash flow issues.

The rest of this report is the details behind projecting that behavior going forward and most interesting is page 32, which gives you a nice graph of your assets versus your benefit payments projecting that behavior going forward. One item I do want to note on this, if you take a look at any of these projections and you see pay go to zero and benefits eventually over the long term go to zero, it's because

GASB says to take a look at your current population, don't take into consideration any new hires because their theory is if you can handle your current population and cash flow is fine with the current group, then we think that you're going to be able to handle new hires as well. So this is a new report. Really positive outlook. I really --

MR. LICHAMER: So this is saying we can support --

MS. FAIN: Correct.

MR. LICHAMER: -- current day officer population --

MS. FAIN: Right.

MR. LICHAMER: -- for how long?

MS. FAIN: For their lifetime. For the lifetime of the current population.

MR. LICHAMER: Okay.

MS. FAIN: So for your current group, you should have no cash flow issues.

MR. LICHAMER: And that takes into account the 3 percent COLAs, takes into account everything current standing?

MS. FAIN: Correct. It's projecting forward pay increases, step increases, all those items.

MR. LICHAMER: Raises?

MS. FAIN: Correct.
MR. LICHAMER: Wow.
MS. FAIN: And it's because you've been consistently receiving just a little bit more each year.
MR. LICHAMER: Just because --
MR. NIEMBURG: Help me square that with the 49 percent funded rate. I mean, when you describe it that way, it sounds like it's a hundred percent funded, but it's 49 percent. Can you help me square those?
MS. FAIN: Of course. The percent funded is where you're at today. It's a snapshot present day, and people get really fixated on it and they use it as a measure of determining fund health. If I'm 49 percent, my neighbor is 52 percent, they're clearly healthier than I am. That's not the case. The GASB report actually has nothing to do with the funded percentage. We will disclose in there where you're at today, but it's projecting forward can you get to the hundred percent funded eventually.
MR. NIEMBURG: With future contributions?
MS. FAIN: Correct. This is the second piece of the puzzle, and I think it's really important for any fund that maybe is stuck around that 50 percent and their concerns, you know, how do we rank against other

people?

MR. LICHAMER: So that 50 percent, though, is if we shut down today?

MS. FAIN: Right. It's only where you're at today. This is where you're heading and this is way more important. We can't control how we got here to the 50 percent funding. What we can control is what we're trying to do moving forward, and your history indicates that both the board and the relationship with the village or city is heading in that 100 percent direction.

This is a great tool for you guys, a great report to have because we have a lot of clients that, let's say, are 80 percent funded today, but they've been consistently shorted over the past five years. Maybe they started out at 87, now they're 85, 83. They're heading downward. So according to GASB, they're in a really negative pattern and they're projected to have some cash flow issues because their behavior isn't what the fund needs, but everyone focuses on that funded percentage; and if you were to just glance on paper, you would say no, no, no. They're good. They're 80 percent funded, but this is kind of the second piece of the puzzle to analyze your fund health.

MR. LICHAMER: Well, there is two things. One, I wish Norm was sitting next to me. You still there, Buddy?

MR. SIDLER: I'm still listening.

MR. LICHAMER: Second, it's a fantastic report. We've never seen anything like that from our old actuary.

MR. NIEMBURG: That reconciliation between the GASB solvency test and the percent funded sounded like -- it was a dumb question on my part, but I think it's important to have that entered into the public record because people do look at this and they do make comparisons and they do make evaluations and conclusions that are not necessarily valid.

MR. LICHAMER: And, lastly, I know a lot of people outside this agency and the Village have nothing but positive things to say about -- if you can pass that along too, Judy, to the board and to the field men about they've always taken care of us, paid a hundred percent, never shorted it, never even questioned it, so they've always taken care of us employees as far as that's concerned.

MS. FAIN: When this report first came out, no one really understood, you know, what it was, why do we need it, what's the point of it, why do we have to pay our actuaries even more money, you know, that sort of thing, but it really is that second piece of the puzzle for you to monitor your fund health.

MR. LICHAMER:  Yeah, it's important.

MR. NIEMBURG:  And where are we in the percent funded now?  Is it still --

MS. FAIN:  So your percent funded on an actuarial basis is around 57 percent, so that's moving your assets over five years; and then on a market percent, it's around 54 percent, so your market percent funded is going to jump up and down as the market jumps up and down.  We always say from an actuarial, which is 57, and you'll actually see last year your actuarial was around 55, so about a 2 percent funded increase in your funded percentage, so we're heading in a positive direction.

MR. BURKE:  This is the best actuarial report I have seen.  Norm, wait till you see this.  This is the best actuarial report I have seen.

MS. FAIN:  I will pass that on.  We really appreciate it.

MR. SIDLER:  Yeah, I just want to say that the responses that we're getting on stuff is a lot more detailed than we ever did.

One quick point in that question. Jessica, again, thank you for explaining all of that. I do want to point out, and as we said let the record show, the Village of Downers Grove has taken an actuarial rate from over a decade ago that was approaching in the 9s and bringing it down, which obviously has impacted our funding percentage. We can always play the game and say let's assume a higher rate of return and we're close to funding. We have not done that. We've gone to a hundred percent funding and because it is costing the Village as we take the conservative approach, which I think is the right thing to do.

Can you also verify that obviously our assumption as you make a state for full funding too is also based on when we get to a $3 million levy or a $4 million levy or $5 million levy that we still are continuing to pay into that, that is assumed in your assumptions on the calculations obviously that there is ability of the Village to continue to pay that as the increases come and we get a bigger block of people that retire in the next five to six years?

MS. FAIN: Yes, we do take all of that into account. We actually provide -- I believe it's in the front of your report. We'll actually even include in there just some additional disclosures on some of the risks for future --

MR. BURKE: Which report are you on?

MS. FAIN: Back on the tax levy report, page four at the back side page. You were talking about how when retirees start to -- when actives start to switch over to retirement and there is additional benefits we're going to have to pay out and increases in cash flow coming out and increases in contribution. We do include that and we disclose just a couple of projections for your fund on page four. It's that second paragraph in the defined plan risk section. You'll actually see that in the next five years, taking a look at your active population, those are becoming eligible and could start to retire very quickly, that you can see in the next five years the benefit payments that are part of this calculation that we can see going out is about an additional 1.6 million as more of our actives are starting to retire and then in the next ten years an additional increase of about 3.2 million, so we take all of that into account. Anyone who is getting close to retirement, kind of what that means impacting-wise when it comes to your cash flow, all of that plays into this report and so we kind of disclose that.

Now, for a lot of funds, this can be a great sound bite if they're not receiving what they need because to tell them, hey, you're not even putting in a million dollars and the next five years you're going to be paying out 1.6 million additional, we really need to make sure that we get in funds today to handle those cash flows. It doesn't apply for your fund. It's more just an interesting, you know, projection, but we do include a couple of different disclosures and items in here just to kind of show you all the different risks and items that we take into consideration when we're doing this calculation to make sure that let's start planning for these increases today to handle it.

MR. BURKE: Okay. Great.

MR. SIDLER: Well, thank you. Guys, I greatly apologize. I have to take off to get into a meeting. I do just want to let the record show I know we're going to talk about Jim Black. Mr. President, you have my support and my vote will be to approve that. I did want to let the record show that he retired started on Monday. I don't think he's doing the right thing by doing that, but he's earned it and you have my vote to support for that and just wanted to again say thanks for what you guys are doing given everything that's going on. We greatly appreciate it.

MR. LICHAMER: All right. Thanks, Norm.

MR. BURKE: Thanks, Norm.

MR. SIDLER: Bye. Thank you.

MS. FAIN: So I have one other item that you would just sign, so when you're making your formal tax levy request, what you do is you send in a copy of your approved tax levy report that we already went through and you include this document. It's called your municipal compliance report. All it does is take the key numbers from the tax levy report and put them in the appropriate format, so when you make that formal request you would include this. So I brought a couple of additional copies and just so you have multiple ones in case you want one for your records, as well as the one that you would turn in when you make that formal request, so this is just for the board to have.

Now, flipping over to what Eric asked me to go through, he said that he did email out the benefit calculation for Mr. Black.

MR. BURKE: Yes. We went through it. I signed it. I gave it to our treasurer. I believe she checked it and signed it.

MS. FAIN: Perfect, and so if you all are just able to -- I can take that with me. That's all I needed for Eric. The only other item was I did bring his monthly financial report. He said he emailed those out as well.

MR. LICHAMER: Yeah, we read that.

MR. BURKE: I got that. I think that when Jim Black retired we voted on his retirement as when he turned 50, so that approval should be in the minutes back when he left.

MS. BUTTNY: So Jim Black has 25 years of service. His retirement date was January 5, 2013, but his effective date of his pension is August 17, 2016, so he gets 62.5 percent of his salary, which was 115,601, and the amount of his original monthly pension will be $6,020.89. Motion to approve.

MR. BURKE: I make a motion we approve Jim Black's pension calculation sheet.

MR. NIEMBURG: Second.

MR. LICHAMER: Roll call.

MR. BURKE: Burke aye.

MR. LICHAMER: Lichamer aye.

MR. NIEMBURG: Niemburg aye.

MS. FAIN: Perfect. Thanks for letting me steal a couple of minutes from you guys today.

MR. BURKE: I like that report.

(Ms. Fain leaving meeting.)

MR. LICHAMER: Very good. Takes a lot of stress off you.

MR. BURKE: We have answers to questions. That's the big thing.

MR. LICHAMER: And to have her sit here with us instead of --

MR. NIEMBURG: That percent number gets thrown around and used for ill purposes a lot. It gets politicized.

MR. LICHAMER: That's the problem. Only 54 percent funded, and people don't realize that's if we shut down operations today; and, you know, it doesn't take into account tier twos, and it doesn't take in a lot of numbers. The new tier two officers. It doesn't take in death. You know, we lose people. It's just --

MR. BURKE: The magic that Doug is going to do.

MS. BUTTNY: We're paying a hundred percent every year.

MR. LICHAMER: It should be the law like IMRF, but it's not. You know, the villages are allowed to -- not just a little bit this time, a little bit this time, unlike, you know, some of the other funds.

All right. Doug, you have fast investment reports?

MR. OEST: Sure. I'll skip over some stuff for you. Everybody should have a copy of the book. Just to point out, Investment Symposium, September 30th, everyone is invited. If you've heard Steven Levitt talk before, the guy that does Freakonomics, pretty entertaining, so he'll be there to entertain everybody at lunchtime.

The market environment there is a couple of charts in front here. I'm just going to hit like three of these. You know, with regard to the markets, a lot of concern is on the fed; and you're going to hear a lot of talk about when is the fed going to raise rates and you'll hear a lot of, well, there is a 30 percent chance they're going to raise rates or something along those lines this year.

Page three just looks at that percent over time what they were saying for the June meeting, so at the beginning of the year there was close to an 80 percent chance the market was thinking the fed was going to raise rates in June. You can see it dropped down and, actually, at one point in mid February was negative, so the market actually thought the fed was going to cut rates in June and then it bounced back up and everyone thought it was going to -- they were going to hike again in June and then it came back down and ended up not increasing in June.

The bottom line here is that when you hear the market talking about what they think the fed is going to do, they have absolutely no idea. It's really difficult to predict interest rate movements; and when you hear about that stuff, kind of take it with a grain of salt. Nobody really knows what the fed is going to do. The likelihood of them increasing right now is pretty low. We don't think they're going to increase at this current meeting this month, but you never know, so I just wanted to point that out.

The other thing, from an economic standpoint U.S., we're -- if you look at the broad expectations, slow growth, low inflation, and the yield curve is probably going to flatten, which is what people are expecting. So from a U.S. standpoint, slow growth, slowly rising inflation, and the yield curve starting to flatten out, which in a broad context is not horrible.

Page five just to point out how different this year has been. The black bars are the return since February 11th. The red bars are the beginning of the year returns, so you can see at the beginning of the year broad market was down significant. You know, small caps were down 13 to 20 percent; and then since February 11th, they're up over 20 percent. That's even with the Brexit volatility, which pretty much the market shrugged off in about nine days, so it's been a really good year. Year to date broad market is up 7.6 percent, so it's actually turned out to be a pretty good year so far this year, and fixed income has done very well. We've seen the yield curve fall through the year, so fixed income has actually done remarkably well this year. All things considered, nobody thought it would be up this much. You know, year to date you're looking at about 5 1/2 percent or so on fixed income. Now, that's because the yield has fallen so much. Going forward, probably not going to expect that much.

Page six is just showing the yield curve. How the blue line was at the beginning of the year. The red line is where we're at now, as of June 30th. You can see it's falling. What that's done on page seven that black bar is the impact of the falling yield curve, so you can see the return for the year to date, 3.9 percent of that return is because yields have fallen. You know, we're at a ten-year treasury 1.5 or so percent. We're probably not going to see that much further falling of the yield curve. We might, but you can look -- we've seen 80 basis points of yield decrease this year. We see another 80 basis points of yield decrease, we're well under one percent for the ten-year treasury, so it's not entirely probable.

The one thing I'll say about that, though, is on page eight when people say what's the likelihood of that happening? About 37 percent of global government bonds are negative right now, so -- this includes the United States, so global bonds, the U.S. obviously is in the positive portion of that, but almost 40 percent of bonds are negative. So when people are asking why are people investing fixed income right now, well, a lot of the world is negative, so when they see a 1 1/2 percent ten-year treasury note, that looks somewhat attractive, just to point that out.

Non-U.S. equity returns have been pretty challenging this year. Again, the whole Brexit issue was somewhat of a significant decline in values at the end of the month in June. The one thing to point out is emerging markets have done really well. They're up about 6.4 percent, and really the reason -- couple different reasons, but emerging markets have very little exposure to the U.K., so they've actually seen somewhat of a pretty good year so far, and year-to-date emerging markets are up over 11 percent, and then real estate is still hitting about 7 to 8 percent. We're looking at around -- most returns are in the 4, 4 1/2 percent range for the year to date so far, so, again, we kind of coming into the year, we were thinking 7 to 8 percent and it's looking like 7 to 8 percent.

MR. NIEMBURG: What's your risk level on real estate? It feels like we're approaching maybe a skirting bubble territory.

MR. OEST: Yeah, you know, one thing to point out again, we're in private real estate, not in REITs, so REITs is totally different. The volatility surrounding REITs is much, much higher, but we are -- I mean, if you recall, we pulled out money from real estate at the last meeting, so we are recommending to our clients to be disciplined in terms of rebalancing and make sure that you're not too far above your allocation, not that we're calling any sort of massive decline in real estate, but you are -- 13 percent returns, 14 percent returns are kind in the past. We're seeing the appreciation slow down. It wouldn't be surprising if you see income be the main driver of returns next year, so, you know, we're looking at 8 percent this year, maybe 7 or 6 percent next year. So in the grand scheme of things, it's a good return considering where we're at other asset classes.

Any other questions on the market?

So behind the next tab just a couple of things to point out --

MR. NIEMBURG: I'm sorry. I was writing. I do have a question. What's your feeling about commodities?

MR. OEST: So that's where volatility is going to be pretty significant. If you recall, one of the places where we took money from real estate and we put it into the commodity fund and it worked out really well. We're not going to try to call the direction of the commodity markets right now because it's -- I don't think you can, so the recommendation in terms of commodity exposure is to be close to the target weight. I don't think -- you know, it's been a very good year so far for commodities, but out of all the asset classes that you have, that's probably the most volatile. It's even more volatile than SouthernSun, believe it or not, so it's really difficult to get a call on the direction there.

So I mentioned the rebalancing. So we pulled 750,00 from principal, that happened at the end of April. 250 went to the commodities fund, 250 to non-U.S., and 250 went to cash, so that happened.

Boyd Watterson we changed from the short term, kind of shorter duration to an intermediate duration. We had a lot of discussion around the timing of that. It actually worked out really well because interest rates fell so much they were increasing their interest rate exposure, so their return was much higher because they lengthened their duration, so that actually worked out really well. You managed to catch a lot of the falling interest rates, which helped them out tremendously.

From an asset allocation standpoint, on page three, you know, you got the tax levy money coming in. Every year around this time we always talk about how much cash do you need; and, you know, if you look at fixed income and your cash together, you're right at your target, so we're, you know, around 2.8 percent in the checking account and you're about 2 1/2 percent short in fixed income, so they kind of even out if you look at the two together.

MR. NIEMBURG: Where are you at? I'm sorry.

MR. OEST: So Boyd Watterson is at 40 percent and the checking is at 2.8; and if you kind of put those two together, you're right at that 42 1/2. You know, if we were to rebalance, we would recommend putting it back into Boyd Watterson. I realize that putting money into fixed income is not extremely attractive at their current rates. We will be, seems like, maybe 200,000 or so a month in terms of pulling money out, so we'll be needing some of the cash. You probably don't need all of it, but between the two, you're at your target for Boyd. We don't have a strong recommendation to pull money out, right now. We can discuss it more, I think, at the next meeting when you get the additional tax levy. At that point you're probably going to want to rebalance. If you're still getting money trickling in in September, you're going to get the next big chunk.

MR. NIEMBURG: Do you still expect the asset value of fixed to increase?

MR. OEST: Well, that's the reason why we're okay being a little under right now. I'm not go to try to time interest rates, but, you know, we're comfortable where you are at now being a little under.

With returns on page seven, so 1.6 percent for the quarter. You know, the actuarial rate if you look at where you want to be quarter to quarter would be 1.8 percent, so pretty close to where you want to be.

Underperforming policy benchmark is SouthernSun. If you look at down that three-month period, you'll see fixed income outperformed, non-U.S. equity outperformed, real estate outperformed, and alternatives outperformed, so all your composites, except for U.S. equity outperformed.

MR. NIEMBURG: Where are you looking?

MR. OEST: Just the first column, that three-month column. So U.S. equity was really the one thing, and that was SouthernSun underperformed for the quarter and that dragged down your non-U.S. equity. They're really the one thing that if you look over the seven-year period, the ten-year period, while you're outperforming because of SouthernSun's strong performance, but you're also underperforming recently because of their recent struggles, so that --

MR. BURKE: Is that market driven?

MR. OEST: It is.

MR. LICHAMER: He's told us that they're going to be super huge or they're going to hurt us, so --

MR. OEST: I'll jump to their performance, so on page nine is the manager performance. They were down .6 for the quarter. The benchmark was up 4.3. It was stock selection. Some of their stocks were down and this is a concentrated volatile portfolio; and if you recall, last quarter they were up --

MR. LICHAMER: Significantly.

MR. OEST: -- significantly. This quarter they're done. Well, if you look at their year to date, despite underperforming by well over 4 percent, they're -- for the year to date they're only underperforming by less than 2 percent, so they probably outperformed by close to the same amount last quarter.

You know, they're going through a challenging point. There is no -- I mean, we've done memos on them. You've brought them in. There hasn't been any change to the team. The same philosophy. They just think that right now there is something a little screwy going on with the market, and they think that the stocks -- I mean, Polaris is one that they pointed out to us, snowmobile manufacturer, that said the warm weather hurt them, and they're adding to the position they think that there is all these unique things about all these companies and they feel very confident that stocks are cheap right now in their sectors and they think it's going to rebound. This is one where you've got ten years of experience with the manager. You've seen a lot of the ups. You're experiencing the downs.

MR. NIEMBURG: I'm glad you teed this up. After the last meeting, I did some follow-up getting ready for this meeting looking at some of the holdings that they highlighted both as contributors and detractors. I looked at the stuff that they highlighted over that Q1 of '14 to -- I'm sorry -- Q1 of '15 to Q1 of '16, and I pulled some charts. I brought big fancy color charts, and I wanted to share these with you guys because I appreciated them coming in last time, but I didn't necessarily feel like the explanation was that strong.

As I followed up and looked at their position -- I've got four or five to share with you -- I'm having trouble discerning an investment strategy that I can get my head wrapped around. I didn't see a portfolio that's stacked. It feels scattered to me. I don't see a portfolio that's backstopped with dividend performance. I think most of the holdings I looked at had no dividend.

MR. OEST: Yeah, that's not going to be. This is not that manager.

MR. NIEMBURG: I get it. I don't have the ten years of experience with them and the holdover of the good feelings from the good days. When we passed the second increase levy that's above the 3 to 4 percent target and you look at that, I think it was 54-, 55,000 that was based on the asset performance, it feels like we should at least look at alternatives for SouthernSun, so let me go through a couple of these.

This is the Iconix Brand Group that they apparently had management issues and it took a dive. I put the X where they said they exited the position. I think it was December of '15, so this is a three-year picture and the one below is the one-year picture. I guess it's good that they exited when they did. However, you can see where the X is that most of the depreciation already happened, so I don't necessarily feel like -- with something like this stock that is clearly a speculative stock.

MR. OEST: Yeah, I mean these are all --

MR. NIEMBURG: It feels to me like the only thing we can do is treat this money as if it were our own and for me this feels like a really speculative --

MR. OEST: These are all small cap gains, so you're not going to recognize a lot of these names. I mean, if we looked at what's in your large net, those are all the names that you -- you know, the dividend payers and the things you're comfortable with.

MR. NIEMBURG: Sure. I'm just looking at the data; and if you look at the three-year performance, it was flat for the good run and then fell off a cliff, so.

MR. OEST: Yeah. If you look at their performance, this is -- they have to have this in order to have the performance they had over the last year.

MR. LICHAMER: I, unfortunately, missed the last meeting, so these were all in their portfolio.

MR. NIEMBURG: They came in and they did a rundown of what they attributed their 2015 performance decrease to and then gave us some insights into some of the positions they exited and added, so I followed up on those getting ready for this meeting.

This one is interesting because this shows a position that they entered and exited and the timing; and I mean, this is -- again, I know it's difficult to time the market, but this couldn't have been worst timing. I mean, if you look at the drop off there. I don't want to beat them up. It's not my intent, so I'll skip a couple of these.

This one is actually a head scratcher for me personally. This is Columbia Sportswear and this is a position that they exited and this continued to be -- they didn't say the month, so where I didn't have the month, I didn't put the X, but they exited during -- the region that I highlighted is the region that they discussed where they -- somewhere in that time frame they exited between Q4 of '14 and Q1 of '16, so somewhere in that period they exited. This stock has held its own. I mean, this doesn't feel like, from a judgment standpoint -- apparel has been relatively strong, especially this leisure trend, and I question the wisdom of exiting this position as much as I question the wisdom of entering some of the other ones. Again, my intent is not to beat them up. This is the position that they added. I guess I am beating them up.

MR. OEST: They deserve to be beat up.

MR. NIEMBURG: This is one that they added somewhere in that time frame. Now, maybe we can give them the benefit of the doubt. They didn't have the information on when they added it. Maybe they added it at the bottom. It hasn't done much since then. We'll give them the benefit of the doubt and say that this one was -- you know, they didn't gain anything, but maybe they didn't lose anything or maybe they lost a bunch. I don't know.

MR. OEST: I mean, if we went through their holdings, there is going to be a ton of these.

MR. NIEMBURG: I'll skip to the end. I give you guys the rest of these. You can take them home and read them and weep. This is the net net. I think this is the -- I looked on their site and looked at their funds. I think this is the one we're in, the small cap?

MR. OEST: We're in a separate account.

MR. NIEMBURG: I'm assuming it mirrors. Maybe that's a bad assumption. You tell me. Their year-to-date performance is barely over the Russell, and it just feels like we're continuing to experience this -- we would be better off putting the money under the mattress over the last three years, that's been the year to date.

MR. OEST: Let me go back in terms of history. Turn to page ten and just look at -- this is calendar year. You know, the thing that -- when the fund hired SouthernSun, the thing that we described then was, look, volatile manager; and if you're going to go with an active manager, you have to be willing to ride the ups and downs because every manager does it. There's not one manager that's going to be consistently always up and always down. If you look at -- the fund hired him prior to this, so you've got a full ten-year history here, but 2007, you know, they were up 10.6. The benchmark down 10. They were down pretty big in 2008. Then 2009, '10, '11, '12, '13, they consistently outperformed by significant amounts. The last two years have been horrendous. No hiding that. The problem is that it's -- I get your point is that if you don't believe in the way that they're constructing the portfolio, that's when you have issues. If you don't agree with the philosophy and the team and how they pick their stocks, then there's an issue.

MR. NIEMBURG: My challenge is I can't even get my mind wrapped around what the philosophy is. I have another example here. I'll just pass it out. They told us in the meeting that they are -- this caught my attention because it runs counter to most of the -- I guess it's dangerous to say there is conventional wisdom out there because there's really not now, but they made a comment about we're avoiding financials, healthcare, and the technology, they try to avoid those, which seems like a bad -- bad things to avoid. It seems like you may want to actually look at some of those these days, but this is one of their positions added and this is medical, and so I don't -- I'm having trouble getting consistency out of them.

MR. OEST: Sure. I think -- I mean, again, what would be best -- because you're going to question --

MR. NIEMBURG: This was a good one, by the way. To paint a balanced picture, this was a well performing --

MR. OEST: But it's about the style and how they're putting together the portfolio.

MR. NIEMBURG: I don't want to act rash. I know our mandate is to be conservative and steady and balanced. I wanted to bring this information and make a motion to ask Marquette to bring us some other options to evaluate so in the future we can look at are there other choices that we can make with this portion of the portfolio because when I look at their past performance, they had a heck of a run, but objectively I could come to the conclusion that they've kind of lost their edge.

MR. OEST: So I guess a couple of things. One, we totally -- I can definitely put together a search so you can see what other managers are looking at. The one thing I would say is I wouldn't do it just because the last two years they underperformed because that kind of falls into the timing issue of you're going to -- if they're doing what they said they were going to do and they kind of -- there's reasons for what they've done and that's the thing we have to come to terms with. If you don't --

MR. NIEMBURG: You said it yourself, I mean, small caps have killed it since February and they're underperformed in this past quarter.

MR. OEST: They are, but --

MR. NIEMBURG: It just doesn't hold water for me.

MR. OEST: Some of the reasons -- REITs have done really well, which a lot of small cap managers -- I mean, if you look at how they've done relative to their peers, they're basically meeting it this year, so despite underperforming, they're right around what every other small cap manager is doing.

MR. LICHAMER: To add to Bill's position, we saw -- we've scene five years of tremendous returns and two years of significant bad returns.

MR. OEST: Yep.

MR. LICHAMER: I don't -- I actually really appreciate you sending up the signal flare going, you know, look at what we're looking at; and I have some concerns about this too, but I think it's important that he does send up that flare and that we start looking at other people before this is five years up and then five years down and then we lose all these returns.

MR. NIEMBURG: The other flip side of our responsibility to the force is our responsibility to the taxpayer who look at this and say why did you let this persist? You had two -- fool me once, fine. Fool me twice, it's our bad. A third time? If we go through a third year of under performance.

MR. LICHAMER: I unfortunately missed that meeting. You picked through Ameritrade pretty well.

MR. OEST: What I think would be good is I can definitely profile other managers. The thing is that when we selected them it's concentrated and it's volatile. There are other managers that are much less volatile that you're not going to see that type of swings, but that was a conscious choice that was made to have that there.

MR. NIEMBURG: This is not to criticize the trust that --

MR. OEST: No. No. You should openly criticize us when you feel it's necessary. I'm not immune to criticism. I do want to point out, I mean, the last ten years they're up 7.9 percent, the benchmark is up 5.2 percent, and that's annualized. So year over year, they've added over 250 basis points in outperformance, so it's not as if they've underperformed over the long term, but you've hit it on -- they have underperformed significantly over the last two years.

The thing that I just want to make sure is that if you do want to move from them it's because you don't agree with their philosophy and the style of their management, not because they happen to underperform the last two years because if you still after hearing them speak and you go, you know what, that makes sense, I think there is a reason why we picked them in the first place. There is a reason why they outperformed over those seven years. That's not the reason you should -- you don't want to get into the habit --

MR. LICHAMER: At what point do we start concerning ourselves with giving it all back?

MR. NIEMBURG: Right.

MR. OEST: The thing is that you want to go into this would you hire them again today?

MR. LICHAMER: That's why I'm asking you.

MR. OEST: Don't look at the past performance, don't look at any of that because that's already gone. We already had that performance. It's already there. What we're concerned about is what you said, going forward. Over the next year, are they going to outperform or not? Over next five years, are they going to outperform?

MR. NIEMBURG: But it's a totally valid point. If we continue this, we're going to erase the benefits of the ten years, right?

MR. OEST: It's very well possible it could be. It's very well possible it could go the exact opposite way.

MR. LICHAMER: I know Marquette supports them and -- which is fine. They've done very well for us, but what -- you guys always put out those warning flares. You know, you put out those reports they're not in compliance in the back here. At what point do you guys recommend --

MR. OEST: Well, my concern right now is that --

and this is --

MR. LICHAMER: No, this is generalized for any of these, at what point do you guys go, okay, it's time to go?

MR. OEST: If the -- the performance question is the hardest one because nothing else has changed. They've actually grown the team. The same people that made all the smart decisions over the last seven years are there. It hasn't worked over the last two years. What I think the more pressing problem is that, you know, you experienced a lot of the ups, but you didn't experience much of the downs and now you're seeing some of the downs. My concern is that when we had the initial discussion over this is a volatile manager and people were comfortable with it, I'm not sure everybody is comfortable with it now.

MR. LICHAMER: I don't want to give it back.

MR. NIEMBURG: The reality is the world and the markets have changed and it's entirely possible that this team has lost their feel for the market, and it happens, right?

MR. OEST: Well, what I would say is let's put together -- I can show you other managers. I would say let's take this, bring them in again, and have them just not explain anything, but pitch us.

MR. NIEMBURG: I want to acknowledge the guidance you're giving us. I didn't -- intentionally I didn't just go back and pull 2015 and play Monday morning quarterback and beat them up. I looked at the positions they said that they added and those positions in Q1 did okay and they tanked in Q2.

MR. OEST: Yes.

MR. NIEMBURG: So that's where I'm having a crisis of confidence in that sliver of our portfolio.

MR. OEST: Absolutely. Again, the way that they kind of operate, some of these names they've had for five years; and so if you look back at their -- you know, go back ten years, you can pull stocks where you go why did you buy this for?

MR. NIEMBURG: Sure. You can do that with my portfolio, by the way.

MR. LICHAMER: I think it's the same thing with mine, too, with my little Vegas slush fund, but, you know, in dealing with this fund, I have to go -- Bill, will say, hey, you know what, yeah, they had a great run, they're volatile, but we got to watch it, because I don't want to give it back.

MR. OEST: Trust me, we're watching it. It's not as if --

MR. LICHAMER: I trust you. That's what we pay you to do.

MR. NIEMBURG: When I hear volatile and you're making those risky bets, like that Iconix thing, Icon is the stock ticker, to me if you're going to place a bet with a company like that, you keep your finger on the pulse. If there is management problems, you should know about it before anybody else does and get the heck out and they didn't do that.

MR. OEST: What I --

MR. NIEMBURG: I don't give them a pass on that at all.

MR. OEST: No, I'm not giving them a pass on anything. I don't want to come across as, you know, trying to absolve them of the sins of the last two years. It's not done well and, trust me, that's something we talk about with them frequently. What I will say is I think the best thing to do would be to bring them in and basically have them pitch.

MR. NIEMBURG: And we'll have another quarters worth of data, and at the same time I'll make the motion officially, I'd like to make a motion to ask Marquette to look at other options for that -- what's it called?

MR. OEST: You don't need to make a motion.

MR. BURKE: Ask for that. It will be in the minutes. I agree too that if we're sitting here a year from now and SouthernSun is still here and it's a third year in the row, then it's going to be what are you doing board to allow this to continue to happen and that's a valid question.

MR. OEST: Yeah, trust me, that's the top of our concerns with everything that we do.

MR. BURKE: Are we saying then we want to bring them back at our next meeting to have them pitch us?

MR. OEST: What I think we should do is I think we should put together a search that shows some other funds and you can guys can look at what other options are out there and then I think at the following meeting, you bring them in and you basically have them present as if they weren't on the fund and they're trying to get hired.

MR. NIEMBURG: I like that. Let's draw a parallel with what companies do with their advertising portfolio, occasionally they put it out to bid because it gets stale and they look for other agencies and fresh perspective. That feels like what we should do with this.

MR. OEST: The way that you should look at this -- I understand the last two years. Our job is to make sure we're not making timing mistakes and that you're not just exiting because you're not happy with the performance over the last two years. We're not happy with the performance over the last two years either, but we're looking over the next two, the next five years, the next ten years, and it matters. They've done well in the past, but that's in the past. They've done poorly recently. That's also in the past, so we need to look forward.

MR. NIEMBURG: The third piece of that puzzle is, and this is subjective, you look at what they pointed to as their plan for the future and do you feel good about it, and I'm right now probably even generous to say I'm on the fence. I don't feel good about it.

MR. OEST: That's the most important thing. If they come in and present to you, would you hire them as your small cap manager. If the answer is no, then they shouldn't be the small cap manager, so we'll put together a search.

MR. LICHAMER: That and how are they comparing to other small cap -- I'm sure they're all down. I understand that, but how -- are they as down and, like I said, I mean, these are mistakes I make. This is what I do and --

MR. NIEMBURG: In fact, Chicago Bridge and Iron is one of their holdings and I have that and I feel stupid, but I'm supposed to make those mistakes.

MR. LICHAMER: Yeah, that's like your Vegas money. You know, it's your little slush fund. This is the stuff I do.

MR. OEST: Well, again, they're not gambling here. This is an institutional manager.

MR. LICHAMER: These are the mistakes I make by watching them go all the way down. Don't they have guys that push the buttons. When I'm working, they have guys watching this, right?

MR. OEST: Yeah, they do. We'll do a search. I think the idea would be for the search is to focus on some less concentrated managers, that way you can see what that looks like, but I do want to profile some other -- or maybe we'll do some separate things so you can how there are more concentrated volatile --

MR. BURKE: And have for us at the next meeting?

MR. OEST: The next meeting.

MR. LICHAMER: Cool.

MR. OEST: Yeah, I mean, the other -- there is really not a ton of other things to point out. Most for the quarter, you know, the index exposure, the index funds were some of the top performers, so non-U.S. and U.S. and then you saw rebounding commodities and, again, real estate up 4.1 percent for the year so far, trending at about 8 percent for the year, so we're at 3.2 for the year. Again, actuarial rate would be around 3.6, so we're kind of holding around the actuarial rate, and then July so far been a pretty good month.

PIMCO, the things that hurt them in the past -- I mean, commodities obviously done not great, but they also use tips in that portfolio, so they get the double benefit of having the tips exposure and then the commodities on top of that.

So basically SouthernSun is your one issue.

MR. LICHAMER: You brought up some very valid points that we need to look at.

MR. OEST: There is no doubt about it. So any other questions on the managers or performance?

MR. LICHAMER: No, I'm good.

MR. OEST: All right.

MR. LICHAMER: Judy, you have to pay some bills?

MS. BUTTNY: I have a couple items. So first of all, in the last page of your Lauterbach & Amen monthly financial report, there is a listing of the vendor checks. If you would like to turn to that page. Looks like this on the front.

MR. BURKE: Which page, Judy?

MS. BUTTNY: It's the very last page, page 11-1. It's a listing of the checks cut by Lauterbach & Amen. As you know, most of these were contractual obligations for. There is two of them I wanted to point out to INSPE. If you recall, in a previous meeting, this board approved using INSPE for the independent medical exam for Michael Eddy. There is two bills on there, $5100 is one and the other one is $2700, and there is another one that didn't make it in to this report that's coming for $9400, so we knew it was going to be more expensive going to INSPE, but we knew it took a lot of -- it was brought to a team of doctors to select who was the appropriate physician to make the examination.

MR. LICHAMER: That was at the advice of our attorney.

MS. BUTTNY: That's correct, so I'm asking for approval of the 77,357.28.

MR. NIEMBURG: Motion to approve.
MR. BURKE: Second.
MR. LICHAMER: Roll call.
MR. BURKE: Burke aye.
MR. LICHAMER: Lichamer aye.
MR. NIEMBURG: Niemburg aye.
MS. BUTTNY: And while we're here, I just received an invoice from Reimer Dobrovolny & Karslon in the amount of $314.10, and that is in regard to the disability application of Michael Eddy, and I'll ask for approval of that invoice as well.
MR. NIEMBURG: What was the dollar amount?
MS. BUTTNY: $314.10.
MR. NIEMBURG: Motion to approve an additional $314.10 for Reimer Dobrovolny & Karlson LLC.
MR. BURKE: I'll second.
MR. LICHAMER: Roll call.
MR. BURKE: Burke aye.
MR. LICHAMER: Lichamer aye.
MR. NIEMBURG: Niemburg aye.
MS. BUTTNY: The second item I wanted to go over with is the budget for the pension fund. I emailed that out and I will also pass them out, so there is no real big surprises here. We stayed pretty consistent

with the previous year. You'll look I have detailed out professional services in the investment management dollars. The big question is always how much to put in for the pensions. We know there is a lot of people that are eligible. We just never are really sure who is going to retire since they don't have to tell us ahead of time, so we have just made the assumption that there would be five retirees and potentially two disabilities, even though this is not based on anything other than an estimate, but understanding that if they don't happen, it's not like we locked up the money. The money stays in the fund, so it's just if the retirements happen that there is the authority to spend the money in the fiscal year budget.

So I don't know if you would like to review this and approve it at a different meeting. We will be putting forward whatever number we come up with now in the budget that is sent to council, and I don't know that we'll meet before then and we will be getting this council package out by the end of September, so if there is anything on here you're uncomfortable with, let me know now.

MR. NIEMBURG: The pension amounts are the payouts?

MS. BUTTNY: Yes, they are. They are the payouts to the current retirees, regular, disability, and spousal.

MR. LICHAMER: Have you always added in these buffers?

MS. BUTTNY: We do.

MR. LICHAMER: The five retirees and the two --

MS. BUTTNY: Yes, we do.

MR. LICHAMER: I don't remember us talking about that, but that's fine. I don't remember it.

MS. BUTTNY: If you're uncomfortable with it, we're happy to make a change.

MR. LICHAMER: No. It's just the budget. If we go under, we look good.

MS. BUTTNY: We are fine, if we go under.

MR. LICHAMER: I don't remember that conversation.

MS. BUTTNY: If we do go over, we will have to then request a budget amendment.

MR. BURKE: I'm comfortable with this. I make a motion we accept this budget as presented.

MR. LICHAMER: Second.

Roll call.

MR. NIEMBURG: Niemburg aye.

MR. BURKE: Burke aye.

MR. LICHAMER: Lichamer aye.

MS. BUTTNY: Thank you.

MR. NIEMBURG: Just one note, not to pile on, I notice SouthernSun's adviser fees are the highest. When we get the competitive analysis of other options, can we also understand the fees?

MR. OEST: They're all in there.

MR. LICHAMER: All right. Trustee training, we're all set.

MR. BURKE: Mr. President, I do believe that I would like to have us discuss and make a motion because we are going to be making an expenditure for trustee training in October, the 4th through the 7th, through the Illinois Public Pension Fund Association. I make a motion that the board approves the expenditures for this training.

MR. LICHAMER: I believe they've been budgeted, so --

MR. BURKE: I just want to have it.

MR. NIEMBURG: Second.

MR. LICHAMER: Roll call.

MR. BURKE: Burke aye.

MR. LICHAMER: Lichamer aye.

MR. NIEMBURG: Niemburg aye.

MR. BURKE: Because we have to sign those little travel vouchers.

MR. LICHAMER: New business?

MR. BURKE: Do you have any new business, Judy?

MR. LICHAMER: Do you have a quick one?

MS. BUTTNY: Well, typically he just wants some idea of how the Village is doing, so first quarter revenues we're in line with where we expected to be. We're about $60,000 over and the revenues that are tracking over budget are the sales tax revenues at about 150,000, and income tax and personal property replacement tax are under and that's 80,000 total.

We're favorable to budget second quarter by $500,000 and that's primarily due to turnover. We've had a lot of turnover in this last year that's saving us money.

MR. LICHAMER: Employee turnover?

MS. BUTTNY: Yes, whether it be retirement, whatever.

MR. BURKE: People going to other jobs.

MR. NIEMBURG: Turnover that we're not backfilling?

MS. BUTTNY: No, we are, but there's always a little bit of a lag.

MR. NIEMBURG: Probably lower salary.

MS. BUTTNY: Many times, yes. Exactly.

So the other item is the asset forfeiture account. We have about 1,368,000 in cash right now and there's 525,000 sitting out there pending. That money is earmarked currently for the work on the renovation of the police department.

MR. NIEMBURG: So none of that is at risk of losing --

MS. BUTTNY: No. We will certainly be spending that very soon. I was going to also tell you that we expect to have approved at the next council meeting, which is next Tuesday, authorizing a contract with Williams Architect for architectural and engineering services and that is estimated to be somewhere in the range of 843,000 to 977,000, so that will take a chunk out of this money and that is for, as I said, the architectural and engineering and then we will be looking for the contractor, so that is it for my report.

MR. LICHAMER: So everything is good; status quo, right, Judy?

MS. BUTTNY: Uh-huh.

MR. LICHAMER: Old business.

MR. BURKE: (Shaking head.)

MR. LICHAMER: Nothing.

MR. NIEMBURG: (Shaking head.)

MR. LICHAMER: Nothing. Good. We will have a motion to adjourn.

MR. BURKE: You know, there is some business that we didn't do.

MR. LICHAMER: What's that?

MR. BURKE: We had an election, and after the first meeting after the election is the nomination of the election of officers.

MR. LICHAMER: Do we want to table that till everyone is here?

MR. BURKE: We'll table it -- we'll do it next time. They might get mad at us, but --

MR. LICHAMER: Who?

MR. BURKE: Department of insurance. They're not going to come in here and look.

MR. LICHAMER: Without having all of us here, I don't --

MR. NIEMBURG: Do we have to make a motion to table it and to continue the current officers?

MR. BURKE: The only thing I would like to recognize that we know that we should have done it, but if we want to have a full board to do it, then --

MR. NIEMBURG: How about this, I'll make a motion that we continue the current slate of officers to the next meeting and table elections until the next meeting.

MR. BURKE: I second that.

MR. LICHAMER: Roll call.

MR. BURKE: Burke with.

MR. LICHAMER: Lichamer aye.

MR. NIEMBURG: Niemburg aye.

MR. BURKE: The other thing is can we try and set a meeting because, gosh darn, I had a hard time setting this one.

(Off the record discussion.)

MR. BURKE: October 24th, 9:00 a.m. Is that a Monday?

MR. LICHAMER: Yes.

MR. BURKE: And I will send this out to the board saying please advise if October 24th works for the next pension board meeting. When I say respond only to me, it's so we don't violate the Open Meetings Act, so we'll tentatively set October 24th, 2016, 9:00 a.m.

Mr. Currently Still President, I make a motion that we adjourn.

MR. LICHAMER: Second.

MR. NIEMBURG: Just to echo what Norm said, it's a crazy world and you see all these things happening and you think Downers Grove is pretty safe, but I wanted to just acknowledge the fact that none of those places probably ever thought it would happen there until it happened there, so thank you for what you guys risk.

MR. LICHAMER: Thank you. I appreciate that.

MR. NIEMBURG: It's worth mentioning when we're making decisions about approving pensions and approving new facilities. It's worth it.

MR. LICHAMER: Thank you. All right. We're adjourned.

MR. BURKE: Adjourned.

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

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

I, LYNN M. EVANS, CSR, No. 084-003473, a Notary Public in and for the County of DuPage, State of Illinois, do hereby certify that LYNN M. EVANS, C.S.R., reported in shorthand the proceedings had and the testimony taken at the public hearing of the above-entitled cause, and that foregoing transcript is a true, correct, and complete report of the entire testimony so taken at the time and place hereinabove set forth.

LYNN M. EVANS

My Commission Expires:
May 20, 2017

Lynn M. Evans

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