

Minutes of the Regular Meeting of the  
South Barrington Police Pension Fund  
Held on Wednesday, February 28, 2018  
3:00 p.m. in William R. Rose Hall

Call to Order - President Cordell called the meeting to order at 3:05 pm.

Roll Call - Roll call was taken. Present: Board President Ray Cordell, Trustee Joe Abbate, Trustee Edgar Alvarado, Trustee Sam Lopez, and Trustee Adam Puralewski. A quorum was present. Also present were Attorney Cary Collins, Village Trustee Dr. Anthony Stagno, Treasurer Michelle Bodie and MVT Investment Advisors John Mitchell and Bill Yocius. Village President Paula McCombie joined the meeting at 3:20.

Approval of Minutes – The minutes for the Regular meeting on 1/9/2018 and the Special Meetings on 1/17/2018 and 1/30/2018 were not available. The minutes will be presented for approval at the next regular meeting of the Board in April.

Public Comment - None

Investment Policy Discussion – The Board was provided with a copy of the current Investment Policy adopted in February 2008 with modifications proposed by Trustee Alvarado. Attorney Collins began the discussion by explaining the purpose of the investment policy, one of which is to comply with the Illinois State Statutes. A brief conversation as to whether MVT as the investment advisor is also considered a consultant as defined by state statutes. Bill Yocius confirmed that MVT has always held a fiduciary responsibility to the Pension Fund.

Trustee Alvarado stated the goal of his proposed changes is to simplify the process and make the objectives easier to follow. He explained the difference between the strategic goals of the investment policy which address the long term mix of investments and the tactical approach to investing to meet the strategic goals. Trustee Alvarado recommended a step by step approach to make the change in investment allocation due to concerns on the impact of entry. Taking losses on the income side compounded by a possible equity market downturn could have a very negative effect on the portfolio in the short-term.

There was much discussion about the policy language with input from all board members and investment advisors. Mr. Yocius stated that he is sensitive to MVT retaining the ability to make the strategic changes to asset allocation as they have in the past. He supports an international component in the benchmark as a fair evaluation of the investment portfolio performance. Mr. Yocius also remarked on the benefits of corporate bonds in the fixed income portion of the investment portfolio as a way to increase income in that sector of investments. Trustee Alvarado stated his position that as the fund assumes more risk on the 65% allocation to equities, the primary purpose of the fixed income portion should shift from income generating to stabilizing.

In addition to minor corrections for typing errors, the changes discussed are outlined as follows:

1. Delegation of Authority – Change in language from “the Board of Trustees will not reserve any control over daily investment decisions; those decisions will be the responsibility of the Investment managers selected” to “the Board of Trustees will delegate investment decisions as it deems appropriate”.
2. Responsibilities of Investment Manager(s) - Remove sentence at end of section that says “it is not the intent of the Policy to hamper Investment Managers and they should request modifications when they deem it appropriate”.
3. Investment Committee – Change in language from “the Pension Fund President may create an Investment Committee of at least two individuals” to “the Pension Fund President may create an Investment Committee of at least three Pension Fund Trustees”.
4. Fees – Change in language from “any fee shall be submitted in a proposal to the board and shall not become effective until board authorization is given” to “any fee changes shall be communicated to the board”.
5. Investment Objectives – Change the word “success” to “performance” as follows, to evaluate “performance”, the Trustees will compare the performance of the Pension Fund to the actuarial assumed rate of return and the performance of a custom benchmark.
6. Definition of Risk 10. - Correct the fixed income benchmark name to Barclay’s Capital U.S. Intermediate Government Bond Index.
7. Specific Investment Goal – Change the investment horizon for investment managers from five to ten years.
8. Asset Allocation Guidelines – Change the word “following” to “allowed” and remove the percentages in a portion of the sentence as follows, “may not exceed the “allowed” percentage of the market value of the Pension fund provided in the most recent annual report on file with the Department of Insurance: as provided by Statute”
9. Investment Allocation Guidelines – remove the clause “with the intent to evaluate the portfolio(s) over an Investment Horizon of at least a three year period.
10. Addendum A – Change the Asset Allocation Guidelines to Equities Minimum 40% and Maximum 65%, Fixed Income Minimum 35% Maximum 100%, Cash & Equivalents Minimum 0% and Maximum 5% and eliminate Corporate Bond allocation. Change last column title to “Current Target” and set the guideline at Equities 65%, Fixed Income 35% and Cash 0%.
11. Addendum A – Change Strategic Target Index for Fixed Income to Barclay’s Capital US Intermediate Government Bond Index. Add note that “any deviation of duration greater than .25 of the Fixed Income portion of the portfolio is not allowed.” Remove the International Equities target index and % in Blend column
12. Addendum A - Amend the language at the bottom of the schedule as follows:  
“The above indices shall be used in conjunction with the current allocations to track the long term performance of the Pension Trust. The Board of Trustees may employ managers whose investment disciplines require investment outside the established asset allocation guidelines (tactical investment). However, taken as a component of the aggregate plan, such tactical investments must fit within the overall asset allocation guidelines established in the Statement. Such investment managers will receive written direction from the

Board of Trustees regarding specific objections and guidelines. The performance of the overall portfolio (including such tactical investments) shall be subject to the above Strategic Benchmark. The Board of Trustees reserves the right to amend this Addendum A from time to time as it deems necessary to achieve the objections of the Pension Fund.”

Trustee Alvarado made a motion to make the modifications in asset classes, benchmark and language as discussed and present the modified policy to the Board at the April meeting for approval. Trustee Puralewski seconded. Motion passed by roll call.

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| President Cordell  | yes |
| Trustee Lopez      | yes |
| Trustee Puralewski | yes |
| Trustee Abbate     | yes |
| Trustee Alvarado   | yes |

Investment Management Agreement – The discussion on the investment management agreement was held over until the next meeting.

Executive Session – None

Old Business – None

New Business. – The next regular meeting of the Pension Board will be Tuesday, April 10 at 4:30 pm.

Adjournment. Trustee Alvarado motioned and Trustee Lopez seconded, to adjourn the meeting. The motion carried by voice vote. The meeting adjourned at 5:40 pm.

The minutes of the February 28, 2018 South Barrington Police Department Police Pension Board regular meeting are respectfully submitted.

Michelle Bodie, Treasurer

These minutes were approved on  
This 10 day of April, 2018

  
Signature