

Minutes of the Special Meeting of the Investment Committee
Of the South Barrington Police Pension Fund
Held on Thursday, April 19, 2018
4:00 p.m. in William R. Rose Hall

Call to Order – Chairman Alvarado called the meeting to order at 4:02 pm.

Roll Call - Roll call was taken. Present: Chairman Edgar Alvarado, Trustee Sam Lopez, and Trustee Adam Puralewski. A quorum was present. Also present was Pension Fund and Village Trustee Joe Abbate, Village President Paula McCombie, Village Trustee Dr. Anthony Stagno, MVT Advisor Bill Yocius and Treasurer Michelle Bodie.

Public Comment - None

New Business - The purpose of the meeting is to formulate a plan to transition the portfolio from the previous investment allocation of no more than 45% equities to the new investment allocation goal of 65% equities as permitted under state statute for funds with total investments over \$10 million. It was determined that approximately \$1.4 million in additional equity investment from the fixed income portfolio is needed to reach the 65% allocation goal.

President McCombie addressed Mr. Yocius with her concerns as a fiduciary for the Village regarding MVT's purchase of a 5 year corporate bond at a time when the fund was looking for more money for equity investment. Chairman Alvarado added that for MVT to be successful as the investment advisors to the Pension Fund, MVT must commit to the South Barrington Police Pension Fund's objectives and improve communication with the Pension Board.

In February, Chairman Alvarado emailed Mr. Yocius a list of questions regarding the Pension Fund's current fixed portfolio and a request to back test 5 potential investment scenarios. The original email and schedules prepared by Mr. Yocius in response were distributed to all Committee members for review. Overall, scenario #2 which allocated the portfolio as 35% government investments and 65% Russell 3000 was the most successful. It was noted that the 20 year return of 6.59% achieved by scenario #2 exceeds the current 6.25% assumed rate of return of the Pension Fund.

The Committee next addressed where the additional funds to invest in equities would come from. In response to a question of whether there were funds being held locally, Treasurer Bodie stated the cash on hand at our local bank will fund the pensions payable until the next property tax collection. The Village levied \$826,000 in property taxes to be collected in 2018 for the pension fund. Distributions are received biannually from Cook County's collections for due dates of March 1st and August 1st. The current cash position in the MVT holdings is approximately \$142,000. The investment Maturity Schedule as of 04/17/2018 provided to the Committee by MVT detailed the expected maturities in the next 90 days as approximately \$310,000 which is still nearly \$1 million short of the goal. Mr. Yocius explained that it would take approximately 1 ½ years of maturities to generate the amount needed.

After discussion, Trustee Puralewski made a motion to direct MVT to invest the \$140,000 cash position in the Vanguard Total Stock Admiral Fund. Trustee Lopez seconded the motion. The motion was approved by roll call.


Mr. Yocius discussed his strategy to identify fixed investments for liquidation. He recommended that the Board look at the investments that have been held the longest across all durations. Mr. Yocius stated the fixed income portfolio average duration is 2.96 years while the benchmark is 3.8 years. The Pension Fund's Investment Policy requires the portfolio average duration to be within .25 of the benchmark. Due to interest rate increases expected over the next year, there was discussion on whether the Pension Fund strategy should be to focus on removing low yielding long term investments, a move which may further reduce the average duration. Chairman Alvarado suggested the Committee may want to recommend to the Pension Board a temporary increase to the permissible margin from the benchmark to allow the average duration to further decrease during this transition period. Trustee Alvarado requested Mr. Yocius prepare a list of fixed investments to liquidate with the reasons for his selections. The members of the Committee agreed to meet on Thursday, May 3, 2018 at 2 pm to review Mr. Yocius' recommendations.

Old Business - None

Adjournment. Trustee Lopez motioned and Trustee Puralewski seconded, to adjourn the meeting. The motion carried by voice vote. The meeting adjourned at 5:55 pm.

The minutes of the April 19, 2018 South Barrington Police Pension Investment Committee special meeting are respectfully submitted.
Michelle Bodie, Treasurer

These minutes were approved on
This 3rd day of May, 2018


Signature