

approved upon receipt of her application. Brian Carlson made a motion, seconded by Tracy Renfro, to approve termination of Andrew Nanni's service pension. A roll call vote was taken:

Ayes: Alan Granite Brian Carlson
Michael White Tracy Renfro
Nays: None
Absent: Chris Black

IV. DISBURSEMENTS

- Michael White made a motion to approve the November payroll of \$1,346, 251.06. Brian Carlson seconded the motion. A roll call vote was taken:

Ayes: Alan Granite Brian Carlson
Michael White Tracy Renfro
Nays: None
Absent: Chris Black

- Invoices totaling \$52,152.37 as shown in the warrant packet were presented. A motion was made by Alan Granite, and seconded by Michael White, to pay the invoices as presented in the warrant packet. A roll call vote was then taken:

Ayes: Alan Granite Brian Carlson
Michael White Tracy Renfro
Nays: None
Absent: Chris Black

IV. CASH & INVESTMENTS

- Michael Stanley of Fiduciary Management, Inc., the small cap value manager for the Fund, presented Fiduciary's performance review as of October 31, 2015.
 - Stanley began by saying that nothing had really changed since their last presentation except that they had added one analyst and Carrie Nichols to the team but other than that, same team, same process, and same philosophy.
 - Fiduciary's strategy continues to be the same with a capacity constraint on the assets keeping the portfolio closed to new investors.
 - The number of stocks in the portfolio ranges from about 40 to 50. They look for good companies at cheap prices which cannot be found unless there are some issues. It is the issues that allow them to buy a company that is undervalued. They evaluate whether the issues are of a more temporary nature where the managers are making the tough decisions that will maximize shareholder value.
 - They look at companies over a full market cycle, typically three to five years, but this cycle has been long – seven years.
 - Looking at the performance of the portfolio, the initial value of the Fund's investment was \$4.7 million (pg. 6) and despite significant withdrawals, the portfolio is now at almost \$11.3 million, an increase of \$13.5 million since December 2008.
 - On page 7, Stanley went over what "helped and what hurt," citing specifically the situation with three different companies and why they were sold or held. They were light in energy relative to the benchmark so Fiduciary outperformed the benchmark.

- Stanley continued by reviewing the relative performance and purchases and sales as shown on pages 8-10. Fiduciary continues to “be very cautious” trying not to pay too much but it’s challenging to not over pay.
- Asked by Gaylord about their cash balance, Stanley indicated 0 to 10% to them is fully invested; however, they “are not where they want to be but they are trying to chip away at it.”
- Gaylord commented that value has trailed growth, and asked whether Fiduciary saw any catalyst for change. Stanley responded by citing the low rates maintained by the Fed and companies who are buying back their own stocks. He said it “looks like growth but it is fundamentally not.” There needs to be shock to the system and then valuations will matter. There is bound to be a correction eventually and then Fiduciary will sell what has done well.
- Eric Gaylord presented Marquette Associates’ Flash Report as of October 31, 2015:
 - In the economy and market overall, unemployment was down 5% in October which is a positive but seasonal reaction. The CPI decreased in September due largely to decreasing energy prices but neither inflation nor deflation are of concern. They believe there is a 70% chance that the Fed will hike rates in December.
 - On the fixed income side with the recovery of the stock market, investors exited government bonds. The stock market, which had suffered heavy losses in August, gained almost everything back in October, and the S&P was up 8.4% with growth outperforming value. This was the best month for the S&P 500 in four years. Non U.S. equities were down in the third quarter but the EAFE was up 7% in October.
 - The Fund is currently at \$151.8 million and pretty much in line with its targets – just a little underweight in non-U.S. equities and overweight in real estate which has been helpful to the portfolio.
 - The Fund is up 3.7% for the month but fixed income “didn’t help.” U.S. equities were up 7.1% for the month and non-U.S. equities up 7.4% for the month.
 - In the international market: Manning was up 9.1% for the month, outperforming the index by 1.7%, but Mike Piotrowski will still be bringing in the results of a search to replace them. Brandes was up 4.6% for the month versus the benchmark which was up 6.0%. DFA was up 6.2% but the index was up 7.1%. Those two funds have a little bit more of a value orientation.
 - For real estate: The Vanguard REIT Index Fund was up 5.8%. The Principal Property Fund is doing well and prospects are strong as they hold properties that are stable and generating good rentals.
 - PIMCO has struggled somewhat but was up 3.4% for the month.
- Cash needs are \$1.1 million, and the recommendation is to take the amount from multiple sources: \$400,000 from Hillswick; \$400,000 from the Vanguard Institutional Index Fund and \$300,000 from Vanguard REIT Index Fund. Alan Granite made a motion, seconded by Brian Carlson, to remove \$400,000 from Hillswick; \$400,000 from the Vanguard Institutional Index Fund and \$300,000 from Vanguard REIT Index Fund for this month’s cash needs. A roll call vote was taken:

Ayes: Alan Granite Brian Carlson
 Michael White Tracy Renfro

Nays: None

Absent: Chris Black

- Records of purchases and sales were distributed including those from September which were not available last month.

Tracy Renfro made a motion, seconded by Alan Granite, to approve the purchases and sales for the month. A roll call vote was taken:

Ayes: Alan Granite Brian Carlson
Michael White Tracy Renfro
Nays: None
Absent: Chris Black

V. OLD BUSINESS

- Attorney Clifford suggested that Board could move to adopt the updated Rules now and let Linda Wlaznik present the completed forms at a later date. Brian Carlson moved to accept and approve the updated Rules as provided; Michael White seconded the motion. Upon a voice vote, the motion passed.
- The Municipal Compliance is ready to be provided to City Council. Brian Carlson moved to accept the Municipal Compliance Report as provided; Tracy Renfro seconded the motion. A roll call vote was taken:

Ayes: Alan Granite Brian Carlson
Michael White Tracy Renfro
Nays: None
Absent: Chris Black

- Attorney Clifford informed the Board that she is waiting on four sets of records (Worker's Comp, Fire Department (most likely included with the City submission), Dr. Papke and Swedish American) in Carla Heitter's disability case before making the submissions to the IME physicians. The requests for records went out in August, and the concern is that Carla runs out of time in a month. The IMEs for two of the individuals on duty disability, John Albaugh and Marc Gasparini, are completed. Larry Peterson's is done but she hasn't received the report yet and he does turn 50 this year. The reports received show that both John Albaugh and Marc Gasparini continue to be disabled.
- Linda Wlaznik informed Board that that the DOI Annual Statement is officially done.
- The tax levy request letter has been sent it to Chris Black but it has not yet been submitted to City Council. It will be submitted with the municipal compliance report.

VI. NEW BUSINESS None

VII. TRAINING

- Alan Granite will submit his paperwork to Linda Wlaznik for the recent training that he completed.
- Attorney Clifford discussed with the Board an inquiry asking whether once an individual is retired if they can still seek disability status. Attorney Clifford said that the DOI says "no" but a Cook Circuit Court judge recently said you can. She cited a case where a firefighter was retired for many years and later got cancer; his attorney sought compensation under the occupational disease or line of duty clause but the DOI opined through its advisory opinion to the pension board that the board could not entertain the application. The attorney appealed the decision, and the circuit court

judge ruled that the individual could seek a line of duty disability pension (but not occupational disease) because the word "active" was not in that statute. Under the Fund's requirements for being a qualified plan, she thinks "the judge got it wrong." Discussed actuary options as Tim Sharpe is retiring.

- Attorney Clifford will not be present at next month's Board meeting, but her associate, Vlad Shuliga will be present at the meeting.
- Linda Wlaznik passed out the Pension Board meeting schedule for 2016.

VIII. CLOSED MEETING – None required.

IX. ADJOURNMENT

A motion was made to adjourn the meeting. Motion carried and meeting was adjourned at 4:45 p.m.

Next regular meeting is December 17, 2015, at 3:00 p.m.

Signed:



Brian Carlson, Secretary

12/17/15

Date

Prepared by:

Judith Yehling, Recording Secretary

Date

Approved by the Board of Trustees at its December 17, 2015, meeting.