

Park Ridge Police Pension Fund

200 South Vine Avenue Park Ridge, Illinois 60068 (847) 318-5252

Quarterly Meeting
April 28, 2015
10am

Second Floor Conference Room

Approval of Past Minutes
Financial Reports-Graystone Consulting
Sikich Accounting
Tax Levy/Actuary report
GASB 67
Expenditures/Warrant Disbursements
Attorney Atwell
Officer Hahn
Officer Rehana
New Officers
Trustee Elections

Trustee Training

Citizens to be heard 3 minutes each

New Business
Old Business
Adjournment

**PARK RIDGE POLICE PENSION FUND
BOARD OF TRUSTEES
January 27, 2015 REGULAR QUARTERLY MEETING
MINUTES**

Pursuant to public notice, a regular quarterly meeting of the Board of Trustees of the Park Ridge Police Pension Fund was held on Tuesday, January 27, 2015, at 10:00 at City Hall, 505 Butler Place, Park Ridge, Illinois.

Call to order: President Laura Kappler called the meeting to order at 10:12 a.m. Trustee Kappler took a roll call vote of the trustees. Present were trustees Laura Kappler, Tom Ahlbeck, Robert Kristie and Carl Brauweiler. Duane Mellema was not in attendance. Also in attendance was Brian LeFevre from Sikich LLP, Charles Atwell the board attorney, Mary Tomanek from Morgan Stanley Smith Barney, and the new city finance director Joseph Gilmore with the City of Park Ridge.

Approval of Minutes: The Trustees reviewed the minutes from the October 27, 2014 meeting. Upon a motion made by Carl Brauweiler, seconded by Robert Kristie the minutes of the October 27, 2014 meeting were unanimously approved.

Investment Report: Mary Tomanek from Graystone Consulting a business of Morgan Stanley presented the quarterly investment report on the new iPads. Ms. Tomanek reviewed the performance of the portfolio and the current equity strategy.

The advisor noted that our portfolio generated a return of did not perform as well for the quarter. The year to date performance of the equity portfolio 7.16% for the year. The bond portion of the portfolio on a total return basis was 5.31%

The advisory team is projecting that the Portfolio will do well in the coming year due to the quantitative easing in Europe, which should experience an increase in GDP. Declining oil prices will also be a positive for the economy and in effect the equity market.

In regard to the fixed income portfolio, the advisory team is not expecting an increase in rates due to the problems in the employment market. The overall rate of unemployment is declining, but they are concerned that the jobs are not the quality full time jobs that are needed to improve the consumer sector.

The advisor also presented a "Strategic Asset Allocation – Summary" to illustrate the effect of an increase in the small capitation stocks and an increase in the weighting of the portfolio higher to equities. This would be a target to 60% in equity and of that an increase to 10% for small capitalization.

The board attorney has requested that the board review the investment policy at the April meeting.

Brian LeFevre also reviewed the requirements imposed by new Government Accounting Standards Board to be incarnated in our audit related to the investments. The three issues that have to be covered include data on study of long-term expectancy of return, the fiscal weighted return, and changes in the investment policy.

A motion was made by Carl Brauweiler and seconded by Thomas Ahlbeck to approve the increase of the equity portion increased to 60% and then the fixed income portion will be 40%. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler and Kappler. "Nays"-none.

A motion was made by Carl Brauweiler and seconded by Robert Kristie to approve the equity allocation to Large Capitation of 65%, a Mid Capital in the amount of 15%, Small Capitalization of 10% and an international portion of 10%. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler and Kappler. "Nays"-none.

A motion was made by Carl Brauweiler and seconded by Robert Kristie to approve the transfer of the investment from Cambiar Large Value Madison to the Vanguard Small Cap Value Index Investment in the amount of \$1,000,000.00. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler and Kappler. "Nays"-none.

A motion was made by Carl Brauweiler and seconded by Robert Kristie to approve the transfer of the investment from Atalanta Large Capitalization Core to the Vanguard Total Stock Market Index Fund in the amount of \$1,000,000.00. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler and Kappler. "Nays"-none.

At the April meeting the trustees will review and approve the moving of funds from the fixed income portion to the equity portion of the funds.

The advisor discussed the value added service of training for the board or the membership on the investment issues affecting both the fund and the participants.

A motion was made by Carl Brauweiler and seconded by Robert Kristie to approve the investment financial report as submitted dated December 31, 2014. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler, and Kappler. "Nays"-none.

Next Meeting Date: Robert Kristie made a motion seconded by Thomas Ahlbeck made a motion that the next quarterly meeting will be held as follows in the Mayor's Conference Room at City Hall at 10:00. The dates will be held on April 28, July 28, and October 20. The motion was unanimously approved.

Accounting Firm: Brian LeFevre from Sikich LLP presented the financial statement for the eight month period ending December 31, 2014. The accountant reviewed the report and the various schedules. He reviewed the financials, the mix of investments, and the sources of various taxes. The graphs which provided an excellent visual representation of the various issues including the amount of administrative expenses in relation to the pensions paid.

The accountant also reviewed the new Governmental Accounting Standards Board standards (GASB) that will affect the plan. These standards are related to what is required to be included in the actuary report.

A motion was made by Robert Kristie and seconded by Carl Brauweiler to approve the accounting financial report dated December 31, 2014. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler, and Kappler. "Nays"-none.

The January increases as required by law were approved by the board. It reflects the age adjustment and also the cost of living adjustment. On a motion by Robert Kristie and seconded by Thomas Ahlbeck to approve the schedule as prepared by the accounting firm of Sikich. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler and Kappler. "Nays"-none.

Approval of Expenditures: A motion was made by Robert Kristie and seconded by Carl Brauweiler to approve the expenditures for the fourth quarter of 2014, which includes October, November, December as detailed in the attached report amounting to \$783,914.67. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler and Kappler. "Nays"-none.

Employment and retiree status update:

The board also reviewed a refund request by Anthony Hernandez. The board has acknowledged that all of the paperwork has been received and would be able to receive a fund of his contribution in the amount of \$15,429.10 on January 30, 2015. On a motion by Thomas Ahlbeck and seconded by Robert Kristie to authorize the processing of this refund. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler and Kappler. "Nays"-none.

Ruth Hahn has requested to contribute her military credit to the plan. The amount she is required to contribute to the plan has been computed by the accounting firm of Sikich.

Andre Moravet has been hired as of January 5, 2015 and will be accepted into the pension plan under the tier 2. A motion was made by Robert Kristie and Seconded by Carl Brauweiler to approve the officer into the fund.

The board will request the pensioners Duggan and Szpiganowicz that are under fifty years of age and currently receiving a disability pension will have to submit evidence that they continue to be disabled.

The officers will be appointed at the July meeting.

A letter has been send by President Kappler to the mayor to have Thomas Ahlbeck appointed by the Mayor as required by law.

The board will also solicit the active police officers for interest in being on the pension board.

Adjournment: On a motion made by Robert Kristie and seconded Thomas Ahlbeck the meeting was adjourned at 12:10 p.m. Approved unanimously carried in a roll call vote.

Respectfully submitted,

Laura Kappler, President

Robert Kristie, Secretary

Approved by the Board of Trustees on April 28, 2015.
These minutes were prepared by Tom Ahlbeck and Laura Kappler.

Park Ridge Police Pension Fee Analysis

Summary Of Fees & Expenses

Asset Values as of: March 31, 2015

% of Market Value	Type	Ticker	Fund Name	Total	Non-Negotiated Management Fee (from ADV)	Graystone Negotiated Management Fees	Fee Concession	Estimated Trading Costs Saved	Estimated Custodial Fee Savings	Graystone Consulting Fee - Includes Consulting, Custody and Trading Expenses	Total Net Fees %
2.5%			American Funds EuroPacific	\$ 1,020,772	0.42%	0.42	0.00	n/a	0.00%	0.23	0.65%
2.0%			Invesco European Growth	\$ 807,372	0.88%	0.88	0.00	n/a	0.00%	0.23	1.11%
2.1%			Mainstay Icap Intl	\$ 835,529	0.80%	0.80	0.00	n/a	0.00%	0.23	1.03%
2.6%			Vanguard Small Cap Value Idx	\$ 1,037,062	0.21%	0.21	0.00	n/a	0.00%	0.23	0.44%
17.5%			Vanguard Total Stk Mtk Idx	\$ 7,107,173	0.15%	0.15	0.00	n/a	0.00%	0.23	0.38%
26.6%	SMA		MF SUB-TOTAL	\$ 10,817,923	0.29%	0.29%	0.00	n/a	0.00%	0.23%	0.01%
5.5%	SMA		Atalanta Large Core	\$ 2,222,884	1.00%	0.45	-0.55	\$445	0.02%	0.43	0.88%
3.6%	SMA		Cambiar Large Value	\$ 1,479,147	n/a	0.45	0.00	\$296	0.02%	0.43	0.88%
4.1%			Fayez Sarofim Large Core	\$ 1,685,226	0.75%	0.45	-0.30	\$337	0.02%	0.43	0.88%
9.6%	HF		Madison Mid Cap Core	\$ 3,901,617	0.80%	0.45	-0.35	\$780	0.02%	0.43	0.88%
4.0%	HF		RBC Global Small Growth	\$ 1,631,591	1.00%	0.45	-0.55	\$326	0.02%	0.43	0.88%
7.3%	HF		Ziegler/Red Granite Large Growth	\$ 2,978,532	1.00%	0.45	-0.55	\$596	0.02%	0.43	0.88%
34.2%			SMA SUB-TOTAL	\$ 13,898,997	0.43%	0.45%	-0.41%	\$2,780	0.02%	0.43%	0.88%
39.21%			Internal Fixed Income	\$ 15,941,312	0.00%	0.00	0.00	n/a	0.02%	0%	0%
100%			TOTAL	\$ 40,658,232	0.22%	0.23%	-0.14%	-0.01%	-0.02%	0.21%	0.44%

This spreadsheet is an unaudited "snapshot" or intra-quarter glimpse of asset values. The snapshot is to be used for discussion purposes only and is not to be used for performance measurement or official calculation of asset values. It may or may not include all assets. It may or may not include assets in transfer to or from a manager or custodian. While data is from sources believed reliable, the compilation process is subject to human error. Fund expense ratio data from mutual fund prospectus and investment manager Form ADV.

Park Ridge Police Pension Fund
Statement of
Investment Policy
Objectives and Guidelines

Scope of This Investment Policy

This statement of investment policy reflects the investment policy, objectives, and constraints of the Pension Fund.

Purpose of This Investment Policy Statement

This statement of investment policy is set forth by the Trustees of the Park Ridge Police Pension Fund in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives for Fund assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results
5. Ensure that the Fund is managed in accordance with the Illinois Pension Code and regulations pertaining thereto.
6. Establish the relevant investment horizon for which Fund assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY

The Trustees of the Park Ridge Police Pension Fund are responsible for directing and monitoring the investment management of investment assets. The Trustees are authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The Consultant may assist the Trustees in: Establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. Custodian. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the fund, collect securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund's accounts.

3. Investment Manager(s). The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.
4. Additional specialists such as attorneys, auditors, and others may be employed by the Trustees to assist in meeting its responsibilities and obligations to administer the assets prudently.

DEFINITIONS

1. "The Fund" shall mean the Park Ridge Police Pension Fund.
2. "Trustees" shall refer to the Board of Trustees of the Park Ridge Police Pension Fund.
3. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.
4. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon is five to ten years.
5. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund assets.
6. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Fund assets.
7. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the beneficiaries of the Fund.
2. The assets shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. The allocation of assets shall be invested in proportion to the fair market value of the Fund's assets.
4. Investments shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

5. The Fund may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
6. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

RESPONSIBILITY OF THE INVESTMENT MANAGER(S)

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement.

Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Fund's investment management.
4. Informing the Trustees regarding any qualitative changes to investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies on behalf of the Fund and communicating such voting records to the Trustees on a timely basis.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Fund is to emphasize total return; that is, the aggregated return from capital appreciation and dividend and interest income.

The Fund seeks long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this statement for the equity portion of the Fund, it is the goal to meet or exceed a blend of 60% of the Standard & Poors 500 Market Index and 40% BC Gov't Index:

The investment goals above are the objectives of the equity portion of the total Fund, and are not meant to be imposed on each investment account. The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Trustees that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

INVESTMENT GUIDELINES

Investment Instruments

The BOARD may invest the Fund only in investments authorized by 40 ILCS 5/1-113.2 to 1-113.10, of the Illinois Pension Code, as it may be amended from time to time, and as authorized by other applicable law. As of the date of adoption of this Policy, permitted investments are:

1. Interest-bearing bonds, notes or debentures of the United States of America or of agencies of the United States of America to include issues of the Federal Home Loan Bank, Federal Home Loan Mortgage Corp., Federal National Mortgage Assn., Federal Land Banks, Federal Intermediate Credit Banks, interest bearing bonds of any county, township, or municipal corporation in the State of Illinois;
2. Interest bearing bonds of the State of Illinois or tax anticipation warrants issued by any county, township, or municipal corporation of the State of Illinois;
3. Bonds, notes debentures or similar obligation which are guaranteed as to principal and interest by the United States of America;
4. Insured withdrawable capital accounts of state chartered savings and loan associations;
5. Insured withdrawable capital accounts of federal chartered federal savings and loan associations if the withdrawable capital accounts are insured by the Federal Deposit Insurance Corporation (FDIC);
6. Insured investments in credit unions if the investments are insured by the National Credit Union Administrations (NCUA);
7. FDIC insured savings accounts or certificates of deposit (CDs) of a national or state bank;

8. Contracts and agreements supplemental thereto providing for investments in the general account of a life insurance company authorized and licensed to do business in the State of Illinois;
9. Mutual funds where the mutual fund is managed by an investment company as defined and registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953:
 - a) The mutual fund has been in operation for at least 5 years;
 - b) The mutual fund has total net assets of \$250 million or more; and
 - c) The mutual fund is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments;
10. Through an appointed investment advisor, common and preferred stocks authorized for investments of trust funds under the laws of the State of Illinois. The stocks must meet all of the requirements of Section 1-113.4 of the Illinois Pension Code; Through an investment adviser, the pension fund may invest a portion of its assets in common and preferred stocks authorized for investments of trust funds under the laws of the State of Illinois. The stocks must meet all of the following requirements:
 - a) The common stocks are listed on a national securities exchange or board of trade (as defined in the federal Securities Exchange Act of 1934 and set forth in Section 3.G of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System (NASDAQ NMS).
 - b) The securities are of a corporation created or existing under the laws of the United States or any state, district, or territory thereof and the corporation has been in existence for at least 5 years.
 - c) The corporation has not been in arrears on payment of dividends on its preferred stock during the preceding 5 years.
 - d) The market value of stock in any one corporation does not exceed 5% of the cash and invested assets of the pension fund, and the investments in the stock of any one corporation do not exceed 5% of the total outstanding stock of that corporation.
 - e) The straight preferred stocks or convertible preferred stocks are issued or guaranteed by a corporation whose common stock qualifies for investment by the board.
 - f) The issuer of the stocks has been subject to the requirements of section 12 of the federal Securities Exchange Act of 1934 and has been current with the filing requirements of Sections 13 and 14 of that Act during the preceding 3 years.
11. The Illinois Funds.

12. Corporate bonds managed through an investment advisor must meet all of the following requirements:
- 1) The bonds must be rated as investment grade by one of the two largest rating services at the time of purchase.
 - 2) If subsequently downgraded below investment grade, the bonds must be liquidated by the manager from the portfolio within 90 days after being downgraded.
13. In addition to the items in Sections 9 & 10 above through an investment adviser, the fund may invest an additional portion of its assets in common and preferred stocks and mutual funds.
- b) The stocks must meet all of the following requirements:
- 1) The common stocks must be listed on a national securities exchange or board of trade (as defined in the Federal Securities Exchange Act of 1934 and set forth in paragraph G of Section 3 of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System.
 - 2) The securities must be of a corporation in existence for at least 5 years.
 - 3) The market value of stock in any one corporation may not exceed 5% of the cash and invested assets of the pension fund, and the investments in the stock of any one corporation may not exceed 5% of the total outstanding stock of that corporation.
 - 4) The straight preferred stocks or convertible preferred stocks must be issued or guaranteed by a corporation whose common stock qualifies for investment by the board.
- c) The mutual funds must meet the following requirements:
- 1) The mutual fund must be managed by an investment company registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.

COLLATERALIZATION

Funds deposited in excess of FDIC limits must be secured by some form of collateral. The Fund will accept any of the following assets as collateral:

- U.S. Government Securities;
- Obligations of Federal Agencies;
- Obligations of Federal Instrumentalities; and,
- Obligations of the State of Illinois.

The Fund reserves the right to accept/reject any form of the above named securities.

The amount of collateral provided will not be less than 110% of the fair market value of the net amount of public funds secured. The ratio of fair market value of collateral to the amount of funds secured will be reviewed quarterly, and additional collateral will be required when the ratio declines below the level required and collateral will be released if the fair market value exceeds the required level. Pledged collateral will be held in

safekeeping, by an independent third party depository, or the Federal Reserve Bank of Chicago, designated by the Fund and evidenced by a safekeeping agreement. Collateral agreements will preclude the release of the pledged assets without an authorized signature from the Fund.

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Trustees intend to evaluate the portfolio(s) over at least a five to ten year period, but reserve the right to terminate a manager for any reason including but not limited to the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Trustees plan to review investment policy at least annually.

This statement of investment policy is adopted on January 24, 2001 by the Trustees of the Park Ridge Police Pension Fund whose signatures appear below.

STATE
STATUTE
TO RFP
Every 5
years

Amended January 26/2009

Amended August 3 /2011

Amended _____/2015