

HOFFMAN ESTATE FIREFIGHTERS PENSION BOARD

Station 24
5775 Beacon Point
Hoffman Estates, Illinois 60192
847-695-8502

MEETING MINUTES

June 17, 2019 at 1:30 PM

- I. **Call to Order.** Meeting called to order at 1:50 pm.
- II. **Roll Call/Acknowledgement of Guests.** Present: Matthew Fijalkowski, Bob Orr, Matt Collins. Absent: Rachel Musiala. Vacant Seat.

Also Present: Laura Goodloe, Puchalski Goodloe Marzullo; Stan Helgerson, Village Treasurer; Thomas McShane, Patrick Donnelly and Mary Tomanek, Graystone Consulting/Morgan Stanley.
- III. **Investment Advisor Transition Discussion**
 - Transition Meeting packet reviewed and discussed. Major asset classes include cash, fixed income, equities and alternatives. Bob Orr would like to further discuss real asset investment regarding real estate with Graystone. Emerging markets, internationally wise, how much investment do they like to see going into China or tread lightly, they utilize managers or mutual funds that can navigate that question, to know when to get in or out or not be in at all, not an area they would be passive and would use an active manager.
 - Investment Policy draft reviewed. Graystone to work with Stan Helgerson to review and discuss revisions needed and will be reviewed at next meeting.
 - Reference point for current allocations discussed, running 36% fixed income, 64% equities. Cash and how pension payouts are managed, operating account discussed. Tax levy money held for making payments and once a year the village says how much they need for the payments, Rachel Musiala will be able to answer better.
 - Asset vs. Liability Analysis discussed. Total payout: duration is the when the payout will be made, total payout is the year by year projected payouts. Difference column on page 2 of 4 excludes the cash flow coming in. Actuarial assumptions were done at 6.75%, market rate and 7.5% and presented.
 - Allocation reviewed, looking at current allocation based on cash, bonds and stocks and talk about return and volatility and getting more or less risky and the outcomes. 35.7% investments grade bonds in cash, US equity is 47.5% heavily large cap, international is 13.5, emerging market is 1.4%. underweight in emerging market but it has been beneficial to the portfolio. Expected return is about 7% based on allocations right now in stocks, bonds and cash. Volatility is 9.6. Reducing stock allocation to 55% and going to 45% cash and bonds would give a 6.6% return and lower volatility to about 8.8. a 65/35, return goes up but volatility does as well. Going forward Bob would like to see the percentages broken down into a dollar value as well instead of just percentages.
 - Fixed income, bringing assets over the most efficiently, looked at all asset managers vs others.

- Manager Comparison for Fixed Income Intermediate Gov/Credit handout reviewed. Managers reviewed against William Blair were CS McKee, Segall Bryant & Hamill, Weaver Intermediate and Great Lakes Advisors. When looking at managers they look at different metrics, are they adding value, page 12 of booklet reviewed. 3-year rolling alpha, all add value, annual alpha no trouble spots from any managers. Discussion regarding moving allocations to Weaver for the transition to direct and stabilize the account while the Board reviews all managers and find the best one(s) for the portfolio and then using those going forward. They would get the intermediate benchmark and review all positions in the portfolio, they would take to Graystone before doing any changes. They are low cost and have flexibility to hold the portfolio while still being able to address issues while a decision is being made. Would William Blair change their fee structure, they believe there is a chance. Recommendation to move fixed income assets into an account managed by Weaver Barksdale as a transition manager.

Motion to allow for movement of fixed income assets to Weaver Barksdale for transition management and terminate William Blair subject to formal approval of contract with Weaver made by Bob Orr, second Matt Fijalkowski. Roll Call vote: Bob Orr, aye, Matthew Fijalkowski, aye, Matt Collins, aye, Rachel Musiala, absent, vacant position.

- Large Cap Value Manage Comparison for Hoffman Estate Fire handout discussed. Discussed taking all mutual funds and bring into one account. Large cap value in a core manager, Aristotle, Becker Cap, Rothschild, Great Lakes, and Boston Partners reviewed. Risk and Return reviewed, best performing manager is Aristotle, Rothschild is at the benchmark with slightly less risk. It does not make sense to replace Rothschild at this time. REITs would go to Rothschild to be managed as well. Terminate Adalante and those assets would go into the Rothschild account. Asset allocation study will be more detailed and will include changes at the next meeting, process will be started regarding who will be new asset manager or if it will remain the same.

Motion to have Laura Goodloe review and make recommended changes to contract for Rothschild made by Bob Orr, second by Matt Collins. Roll Call Vote: Bob Orr, aye, Matt Fijalkowski, aye, Matt Collins, aye, Rachel Musiala, absent. Vacant position.

Motion to terminate Adalante and place those assets with Rothschild made by Bob Orr, second by Matt Collins. Roll Call vote: Bob Orr, aye, Matt Fijalkowski, aye, Matt Collins, aye, Rachel Musiala, absent. Vacant position.

Motion to terminate custodial agreement with Schaub and have money moved to Morgan Stanley made by Bob Orr, second by Matt Fijalkowski. Roll Call Vote: Bob Orr, aye, Matt Fijalkowski, aye, Matt Collins, aye, Rachel Musiala, absent. Vacant position.

- Paperwork and signatures needed discussed to move funds. Paperwork to be given to Bob Orr and Rachel Musiala to sign. Signed contact given to Thomas to have signed and will be sent digitally to Board members.
- Visual access discussed; Mary will get them setup with MSOnline for online access. Rachel would like a summary page listed in quarterly report listing all of the manager fees. That information will be included in the quarterly report and numbers are updated every year.

IV. **Adjournment.** Meeting adjourned at 3:10 pm by Bob Orr, second by Matthew Fijalkowski. All in favor, aye. Rachel Musiala absent. Vacant position.

Next Meeting Scheduled for **July 8, 2019 at 9:30 am.**