Emails regarding any agenda item are welcomed. Please email contactcouncil@winnetka.org, and your email will be relayed to the Council. Emails for a Tuesday Council meeting must be received by Monday at 4 p.m. Any email may be subject to disclosure under the Freedom of Information Act.

Winnetka Village Council
STUDY SESSION
Village Hall
510 Green Bay Road
December 10, 2019
7:00 PM

AGENDA

NOTICE

All agenda materials are available at villageofwinnetka.org (Government > Council Information > Agenda Packets & Minutes); the Reference Desk at the Winnetka Library; or in the Manager's Office at Village Hall (2nd floor). Webcasts of the meeting may be viewed on the Internet via a link on the Village's web site: http://www.villageofwinnetka.org/government/village-videos/.

The Village of Winnetka, in compliance with the Americans with Disabilities Act, requests that all persons with disabilities who require certain accommodations to allow them to observe and/or participate in this meeting or have questions about the accessibility of the meeting or facilities, contact the Village ADA Coordinator at 510 Green Bay Road, Winnetka, Illinois 60093, 847-716-3546; T.D.D. 847-501-6041.

Agenda Item Executive Summary

Title: Public Safety Pension Update

Presenter: Tim Sloth, Finance Director

Agenda Date: 12/10/2019

Consent: ☐ YES ☑ NO

☐ Ordinance
☐ Resolution
☐ Bid Authorization/Award
☐ Policy Direction
☑ Informational Only

Item History:

On September 12, 2017 a Public Safety Pension Update was held at a Village Council Study Session. During this meeting staff committed to scheduling an annual check-in with the Village Council where the public members of the pension boards will provide an overview of the prior year. This annual review was last held on September 4, 2018.

Executive Summary:

At the December 10 Study Session, the Council will review the annual presentations from the pension boards, and staff will provide a brief overview on the current status of the pension funds. John O'Malley and John Sobel, the Presidents of the Police and Fire Pension Boards, have been invited to present on each fund's recent investment performance in more detail. Mr. Sobel is unable to attend the Study Session due to a scheduling change, so Mary Nye, the primary investment consultant for both pension funds, will review the Fire Pension performance. Staff will also provide an update on the public safety pension fund consolidation legislation.

Recommendation:

This item is informational only; there is no required or requested Council action at this time.

Attachments:

1) Agenda Report
2) Winnetka Police Pension Fund - Year-to-Date Investment Performance Review - September 30, 2019.
3) Winnetka Fire Pension Fund - Year-to-Date Investment Performance Review - September 30, 2019.
4) Winnetka Police Pension Fund - Municipal Compliance Report for the calendar year ended 12/31/2018
5) Winnetka Police Pension Fund - Investment Policy (January 2019)
6) Winnetka Fire Pension Fund - Municipal Compliance Report for the calendar year ended 12/31/2018
7) Winnetka Fire Pension Fund - Investment Policy (February 2019)

AGENDA REPORT

SUBJECT: Public Safety Pension Update

PREPARED BY: Tim Sloth, Finance Director

DATE: December 2, 2019

Executive Summary

On September 12, 2017 a Public Safety Pension Update was held at a Village Council Study Session.

As a result of that meeting staff committed to providing the following going forward:

- Quarterly summary investment reports.
- Schedule an annual check-in with the Village Council where the public members of the pension boards will provide an overview of the prior year.

Since that meeting, summary investment reports have been posted to the transparency section of the Village website on a quarterly basis. Also, an annual check-in with the Village Council was held on September 4, 2018.

For reference, the agenda materials from both the September 12, 2017 and September 4, 2018 Public Safety Pension Update can be found at the links below:

https://www.villageofwinnetka.org/assets/1/20/gv-council-pkt-20170912.pdf

https://www.villageofwinnetka.org/assets/1/20/gv-council-pkt-20180904.pdf

At the December 10, 2019 Village Council meeting, we plan to hold the annual presentations from the pension boards as part of an overall update on the public safety pension funds. I will be providing a brief overview on the current status of the pension funds and then invite John O'Malley and Mary Nye from the Police and Fire Pension Boards to present in more detail on the year-to-date performance of each fund. Thereafter, we will discuss the recently passed pension consolidation legislation.

Status of the Funds

The funding target for both pension funds is to be 100% funded by December 31, 2035. This target is more aggressive than the state law, which requires pension funds to be 90% funded by the year 2040. The Village utilizes a realistic assumed rate of return of 6.25% which is one of the most conservative of our similarly sized municipal neighbors who range from 6.75% - 7.25%.

With solid investment returns, fully funding the actuarially determined annual property tax levy, and adhering to current mortality tables, the funding ratio for both funds had shown significant increases over the previous three years before decreasing in 2018:

	Police	Fire
2015	60.82%	55.76%
2016	65.76%	60.52%
2017	69.90%	65.99%
2018	64.81%	62.71%

The chart below presents current metrics related to both the Police and Fire Pension funds:

	Police	Fire
Market Value of Assets @ 9/30/2019	$ 31,290,672	$ 30,143,455
Assumed Rate of Return	6.25%	6.25%
Rate of Return @ 9/30/2019		
Year-to-Date	11.36%	11.63%
One Year	2.07%	2.21%
Three Year	6.36%	6.68%
Five Year	5.63%	5.76%
Ten Year	7.43%	7.54%
Funding Ratio @ 12/31/2018	64.8%	62.7%
Funding Target	100%	100%

Since 1993, the Village Council has made all actuarially recommended tax levy contributions to the pension funds. As part of the 2019 budget process, staff recommended the Council maintain this policy and continue to fund to this level. The actuarially determined amounts that were presented during budget review are shown below:

Tax Levy Category	2018 Tax Levy	2019 Tax Levy	Dollar Change	Percent Change
Police Pension	$1,519,805	$1,720,195	$200,390	13.185%
Fire Pension	$1,819,236	$1,968,569	$149,333	8.209%

The levy increase in 2019 is higher than what the Village has seen in recent years due to continuing to utilize relevant up-to-date mortality estimates, unfavorable plan experience (i.e. poor Dec. 2018 investment return), payroll growth and inactive mortality.

Investment Performance / Presenters

Over the previous 12 months the market value of each fund increased by approximately 2%, which is less than the 6.25% assumed rate of return due to a brief market downturn in December 2018. Year to date the Police and Fire Pensions have earned returns of over 11%.

In addition to staff, we will have two other presenters at the meeting to discuss in more detail the recent investment performance of the Police and Fire pensions. They include:

John D. O'Malley Jr., Eastgate Capital Advisors, Managing Director

Mr. O'Malley Jr. founded Eastgate Capital Advisors LLC. He brings over 28 years of experience in institutional asset management, family office services, estate and tax planning. John is also an experienced educator, having taught Equity Investment, Portfolio Management and Business Law courses at Loyola University's Quinlan School of Business at both the graduate and undergraduate levels. John received his B.B.A. in Finance from Loyola University Chicago and J.D. from Vanderbilt University. He is licensed to practice law in Illinois and admitted to practice in the Federal District Court and U.S. Supreme Court. Mr. O'Malley will be discussing the Police Pension.

Mary Nye, AndCo., Investment Consultant

Mary has over 25 years of experience in the consulting industry with a primary focus on public and corporate retirement plans. Her firm, AndCo., is the investment advisor for both the Police and Fire pension funds with a focus solely on general consulting. Their firm currently consults on $72 billion of assets. Mrs. Nye will be discussing the Fire Pension.

Consolidation Legislation

On February 11, 2019 Governor Pritzker announced the creation of the Pension Consolidation Feasibility Task Force with a goal of improving pension funding levels, and relieve taxpayer burden. The task force was charged to explore and make recommendations for consolidation of pension funds in order to achieve the greatest value for employees, retirees and taxpayers. Members of the task force included municipalities, labor unions, former elected officials and financial experts. On October 10th, the task force released its report to the Governor.

On November 14th the Illinois General Assembly passed pension legislation that mandated the consolidation of investments of more than 650 individual suburban and downstate public safety pension funds into two funds, one for Police and one for Fire. This legislation was largely based on the recommendations included in Governor Prtizker's Pension Consolidation Feasibility Task Force Report.

The main highlights of the new legislation are listed below:

- The Governor has not yet signed the legislation but is expected to do so by the middle of December.
- The legislation takes effect on January 1, 2020.
- The investment consolidation is mandatory. The Village is required by law to participate and does not have an option to opt-out. The Village's status as a home rule unit of government does not grant the Village any special authority related to this legislation.
- The legislation provides for a 30 month transition period which will commence on the effective date of the legislation.
- No later than one month after the effective date of the legislation a transition board will be appointed. The board will consist of 9 members as follows:
    - 3 members – municipalities (i.e. Mayor, Village Manager, or Finance Director)
    - 1 member – Illinois Municipal League
    - 3 members – active employees
    - 2 members – retired beneficiaries

  The transition board will serve until the initial permanent board members are elected and qualified. The permanent board will have the same breakdown of membership as the transition board. Six members of the board shall constitute a quorum with any action taken requiring a vote of at least 5 trustees. A vote of at least 6 trustees will be required for the adoption of actuarial assumptions and investment related policies. The board will be required to meet at least quarterly.

- The legislation calls for all local pension fund assets to be transferred to the new consolidated fund as soon as practicable but not later than 30 months after the effective date of the legislation. More specifically the legislation states that as soon as practicable the Department of Insurance shall audit the investment assets of each transferor pension fund to determine a certified investment list for each participating fund. Upon determination of the certified investment asset list the board shall, within 10 business days or as soon thereafter as may be practicable as determined by the board, initiate the transfer of assets from that transferor pension fund. Per Larry Bury, the Deputy Director of the Northwest Municipal Conference the details of how exactly these transfers will occur are not completely known at this time but will be determined once the transition board is in place.
- Upon conclusion of the transition period, the new consolidated funds will have sole discretion regarding actuarial assumptions including assumed rates of return, amortization periods and funding targets.
- Specific language has been included in the legislation to prevent healthier pension funds from subsidizing other funds. Language was also included to prohibit State "fund sweeps" with consolidated pension fund assets maintained in accounts outside the State treasury.
- In addition, restructuring of Tier 2 pension benefits were included to support active employees and adhere to IRS defined benefit standards.

While details in regards to local implementation of this new legislation remain unclear, staff will continue to monitor and look for guidance on implementation through affiliated professional organizations such as the Illinois Municipal League (IML) and the Illinois Government Finance Officers Association (IGFOA).

Recommendation:
This item is informational only; there is no required or requested Council action at this time.

Attachments:
Included with this report are the following:
- Copies of the Investment Performance Review for each pension fund as of September 30, 2019, the most recent period reviewed by the pension funds.
- Municipal Compliance Reports each pension fund for the Calendar year ended 12/31/2018.
- The most recently approved Investment Policies for each pension fund.

Investment Performance Review
Period Ending September 30, 2019

Village of Winnetka
Police Pension Fund

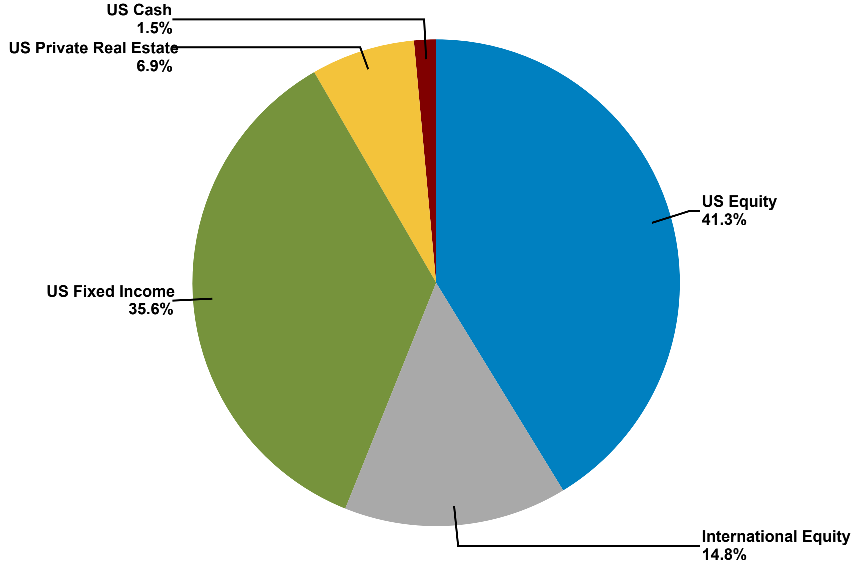
AndCo Consulting | (844) 44-ANDCO | AndCoConsulting.com

The Winnetka Police Pension Fund's market value as of September 30, 2019 was $31,290,672. The Fund's market value of investments increased by $141,875 in the past quarter. The Fund's market value of investments in the past 12 months increased by $614,781 or 2%.

The Fund's asset allocation is in compliance with Illinois state statues and within stated Fund Investment Policy guidelines.

The 7 year performance record is close to the median of similar plans.

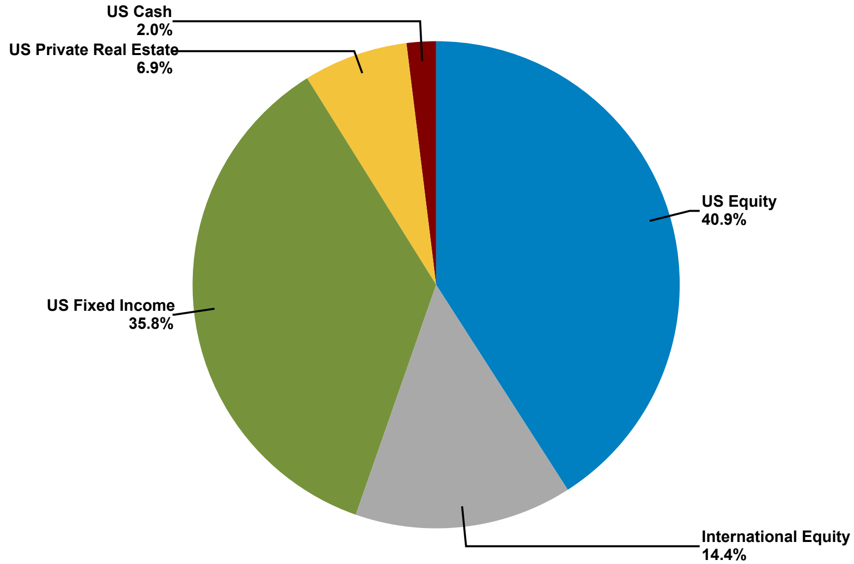
June 30, 2019 : $30,997,661



Allocation

	Market Value	Allocation
US Equity	12,794,363	41.3
International Equity	4,589,929	14.8
US Fixed Income	11,024,986	35.6
US Private Real Estate	2,136,702	6.9
US Cash	451,681	1.5

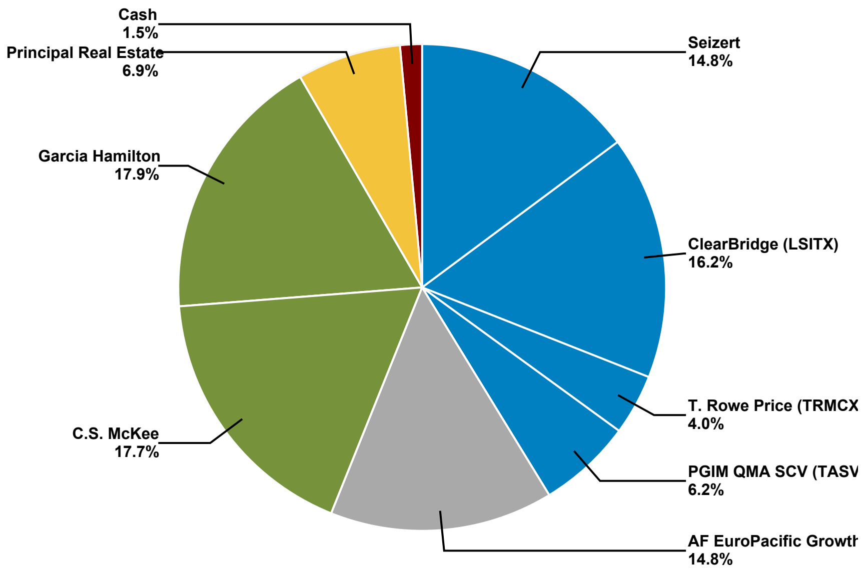
September 30, 2019 : $31,290,672



Allocation

	Market Value	Allocation
US Equity	12,803,574	40.9
International Equity	4,516,935	14.4
US Fixed Income	11,189,290	35.8
US Private Real Estate	2,170,650	6.9
US Cash	610,222	2.0

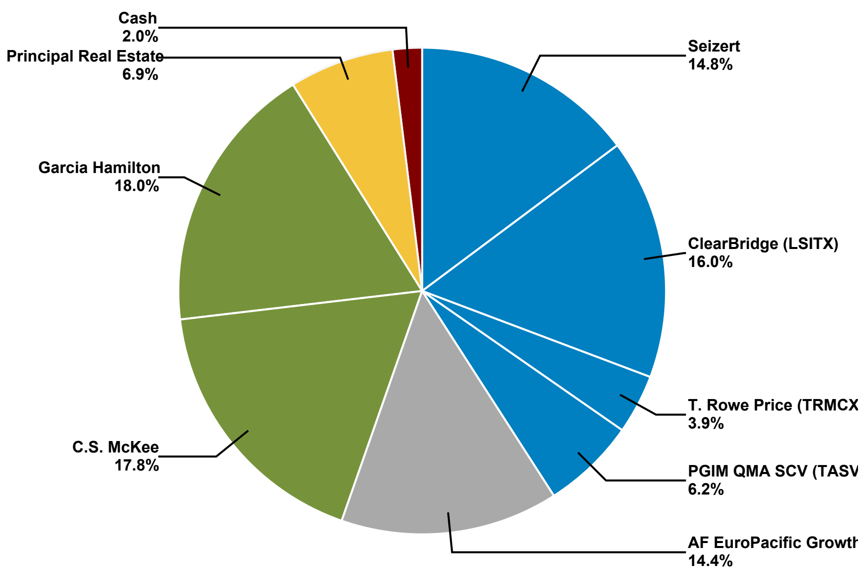
June 30, 2019 : $30,997,661



Allocation

	Market Value	Allocation
Seizert	4,586,777	14.8
ClearBridge (LSITX)	5,022,387	16.2
T. Rowe Price (TRMCX)	1,249,780	4.0
PGIM QMA SCV (TASVX)	1,935,419	6.2
AF EuroPacific Growth (RERGX)	4,589,929	14.8
C.S. McKee	5,480,339	17.7
Garcia Hamilton	5,544,648	17.9
Principal Real Estate	2,136,702	6.9
Cash	451,681	1.5

September 30, 2019 : $31,290,672



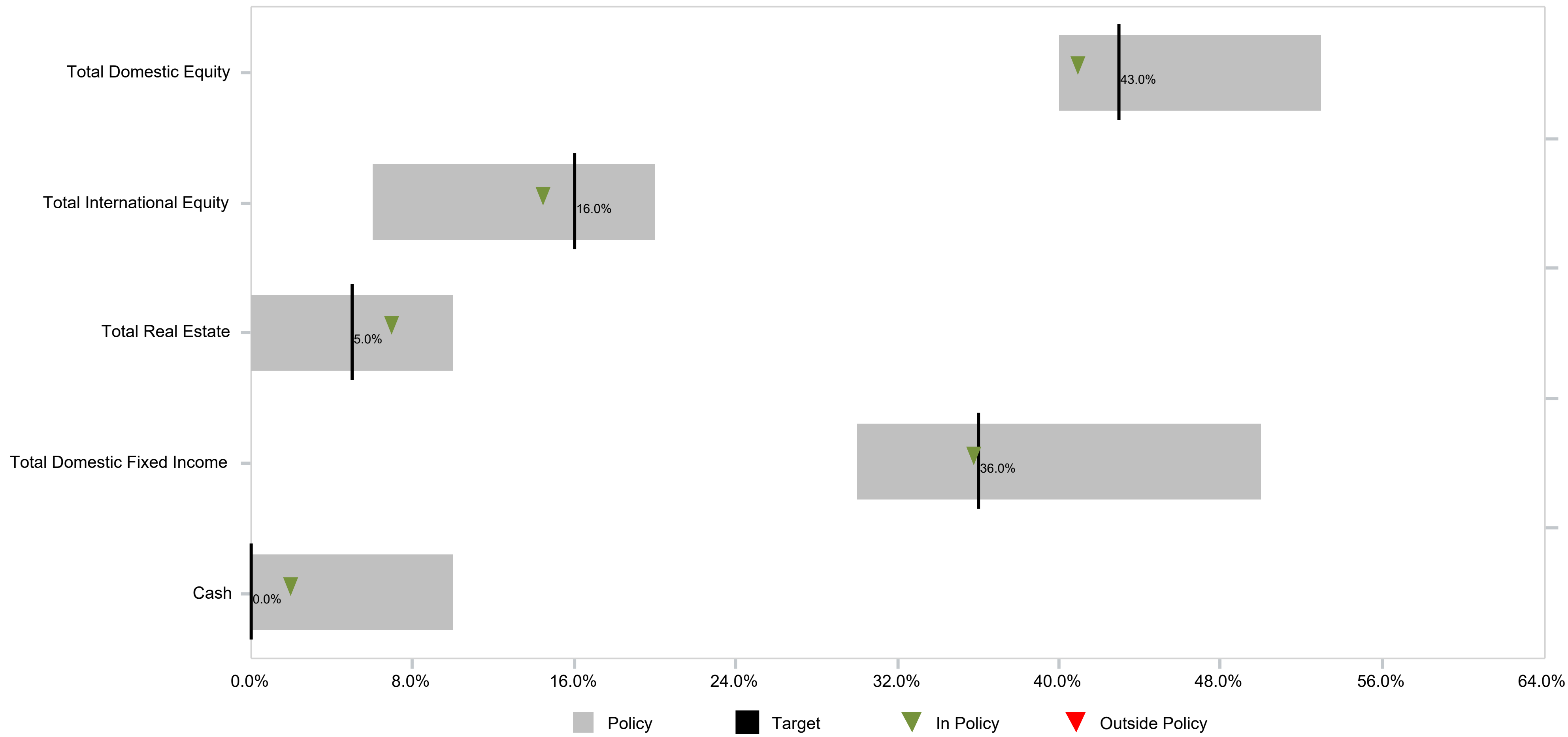
Allocation

	Market Value	Allocation
Seizert	4,622,199	14.8
ClearBridge (LSITX)	4,997,214	16.0
T. Rowe Price (TRMCX)	1,235,625	3.9
PGIM QMA SCV (TASVX)	1,948,536	6.2
AF EuroPacific Growth (RERGX)	4,516,935	14.4
C.S. McKee	5,564,054	17.8
Garcia Hamilton	5,625,237	18.0
Principal Real Estate	2,170,650	6.9
Cash	610,222	2.0

Asset Allocation Compliance

	Asset Allocation $	Current Allocation (%)	Minimum Allocation (%)	Target Allocation (%)	Maximum Allocation (%)	Target Rebal. ($)	Differences (%)
Police Total Fund	31,290,672	100.0		100.0		-	0.0
Total Domestic Equity	12,803,574	40.9	40.0	43.0	53.0	651,415	-2.1
Total International Equity	4,516,935	14.4	6.0	16.0	20.0	489,572	-1.6
Total Real Estate	2,170,650	6.9	0.0	5.0	10.0	-606,116	1.9
Total Domestic Fixed Income	11,189,290	35.8	30.0	36.0	50.0	75,352	-0.2
Cash	610,222	2.0	0.0	0.0	10.0	-610,222	2.0

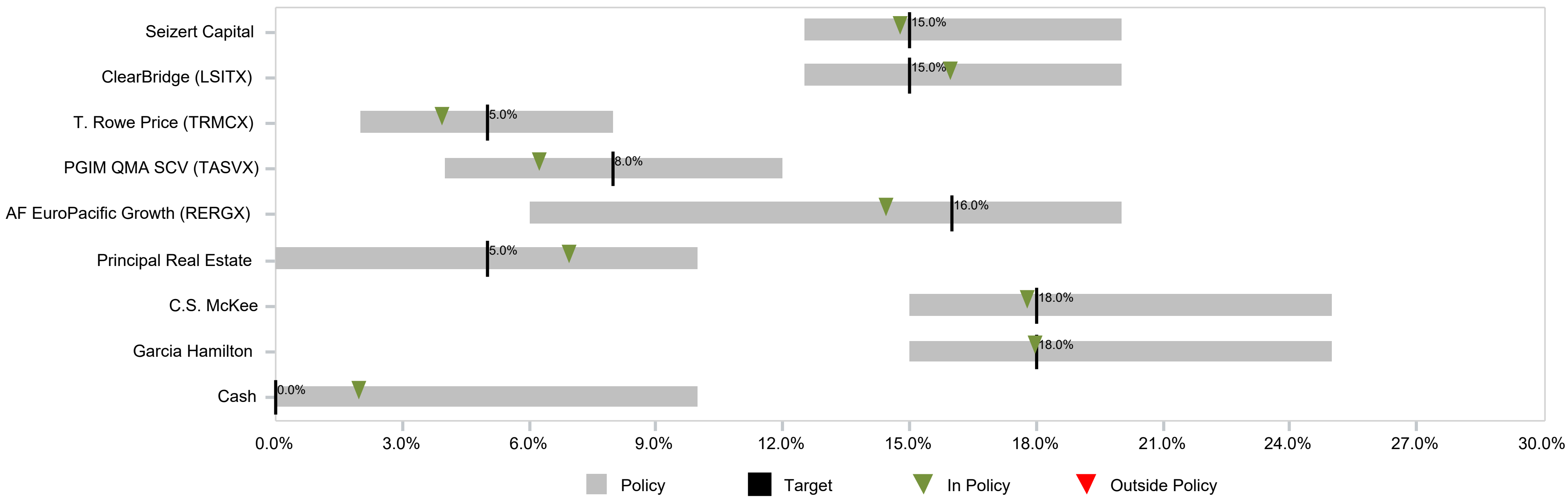
Allocation Summary



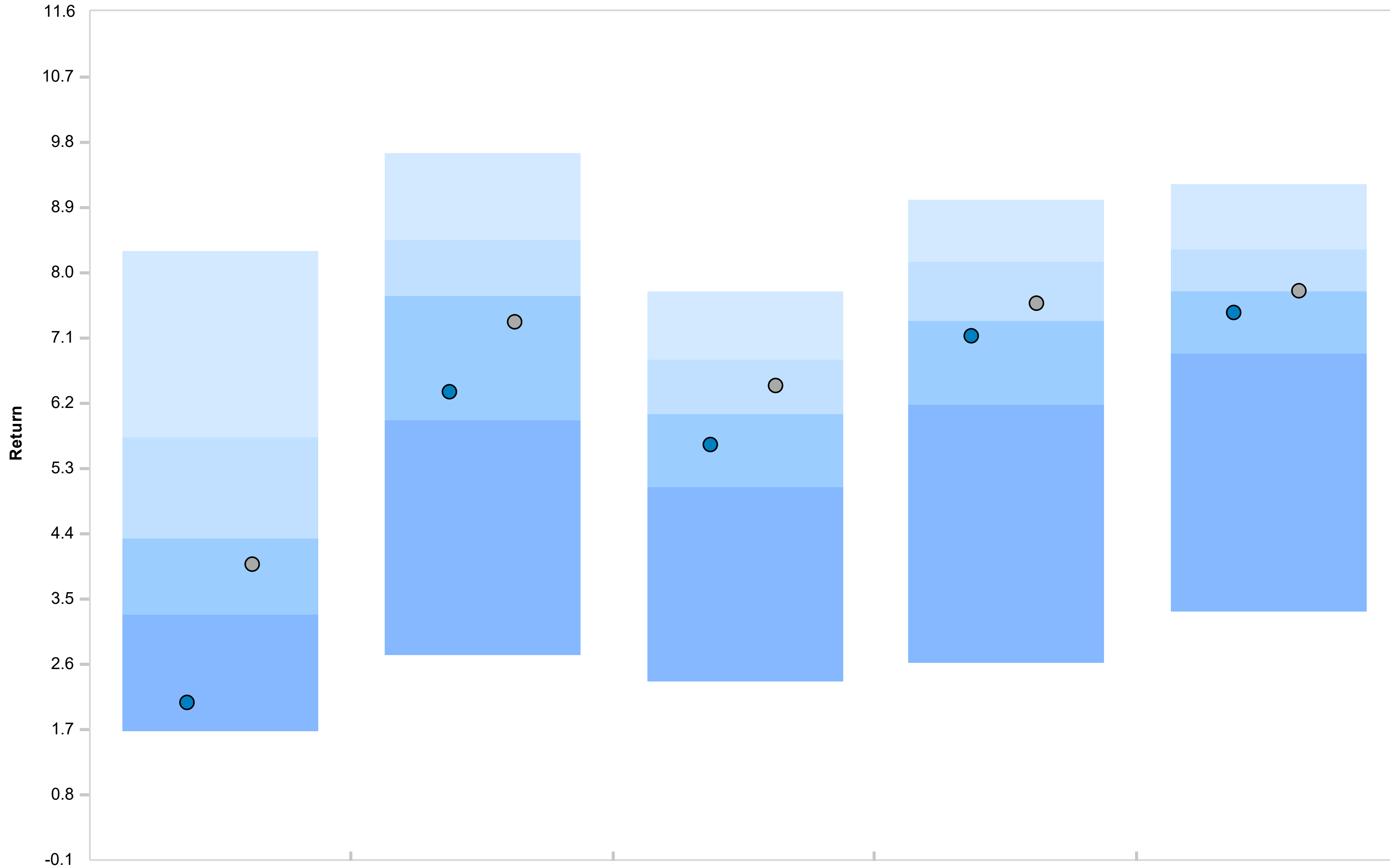
Asset Allocation Compliance

	Asset Allocation $	Current Allocation (%)	Minimum Allocation (%)	Target Allocation (%)	Maximum Allocation (%)	Target Rebal. ($)	Differences (%)
Police Total Fund	31,290,672	100.0		100.0		-	0.0
Total Equity	17,320,510	55.4		59.0		1,140,987	-3.6
Total Domestic Equity	12,803,574	40.9		43.0		651,415	-2.1
Seizert Capital	4,622,199	14.8	12.5	15.0	20.0	71,402	-0.2
ClearBridge (LSITX)	4,997,214	16.0	12.5	15.0	20.0	-303,613	1.0
T. Rowe Price (TRMCX)	1,235,625	3.9	2.0	5.0	8.0	328,909	-1.1
PGIM QMA SCV (TASVX)	1,948,536	6.2	4.0	8.0	12.0	554,718	-1.8
Total International Equity	4,516,935	14.4		16.0		489,572	-1.6
AF EuroPacific Growth (RERGX)	4,516,935	14.4	6.0	16.0	20.0	489,572	-1.6
Total Real Estate	2,170,650	6.9		5.0		-606,116	1.9
Principal Real Estate	2,170,650	6.9	0.0	5.0	10.0	-606,116	1.9
Total Fixed Income	11,189,290	35.8		36.0		75,352	-0.2
Total Domestic Fixed Income	11,189,290	35.8		36.0		75,352	-0.2
C.S. McKee	5,564,054	17.8	15.0	18.0	25.0	68,267	-0.2
Garcia Hamilton	5,625,237	18.0	15.0	18.0	25.0	7,084	0.0
Cash	610,222	2.0	0.0	0.0	10.0	-610,222	2.0

Allocation Summary



Plan Sponsor Peer Group Analysis vs. All Master Trust - Total Fund



	1 YR	3 YR	5 YR	7 YR	10 YR
Police Total Fund	2.07 (93)	6.36 (71)	5.63 (62)	7.13 (59)	7.43 (62)
Police - Total Fund Policy	3.96 (62)	7.30 (59)	6.43 (36)	7.58 (42)	7.75 (50)
Median	4.34	7.68	6.05	7.34	7.74

Parentheses contain percentile rankings.

AndCo compiled this report for the sole use of the client for which it was prepared. AndCo is responsible for evaluating the performance results of the Total Fund along with the investment advisors by comparing their performance with indices and other related peer universe data that is deemed appropriate. AndCo uses the results from this evaluation to make observations and recommendations to the client.

AndCo uses time-weighted calculations which are founded on standards recommended by the CFA Institute. The calculations and values shown are based on information that is received from custodians. AndCo analyzes transactions as indicated on the custodian statements and reviews the custodial market values of the portfolio. As a result, this provides AndCo with a reasonable basis that the investment information presented is free from material misstatement. This methodology of evaluating and measuring performance provides AndCo with a practical foundation for our observations and recommendations. Nothing came to our attention that would cause AndCo to believe that the information presented is significantly misstated.

This performance report is based on data obtained by the client's custodian(s), investment fund administrator, or other sources believed to be reliable. While these sources are believed to be reliable, the data providers are responsible for the accuracy and completeness of their statements. Clients are encouraged to compare the records of their custodian(s) to ensure this report fairly and accurately reflects their various asset positions.

The strategies listed may not be suitable for all investors. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. Past performance is not an indication of future performance. Any information contained in this report is for informational purposes only and should not be construed to be an offer to buy or sell any securities, investment consulting, or investment management services.

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Investment Performance Review
Period Ending September 30, 2019

Village of Winnetka Firefighters' Pension Fund

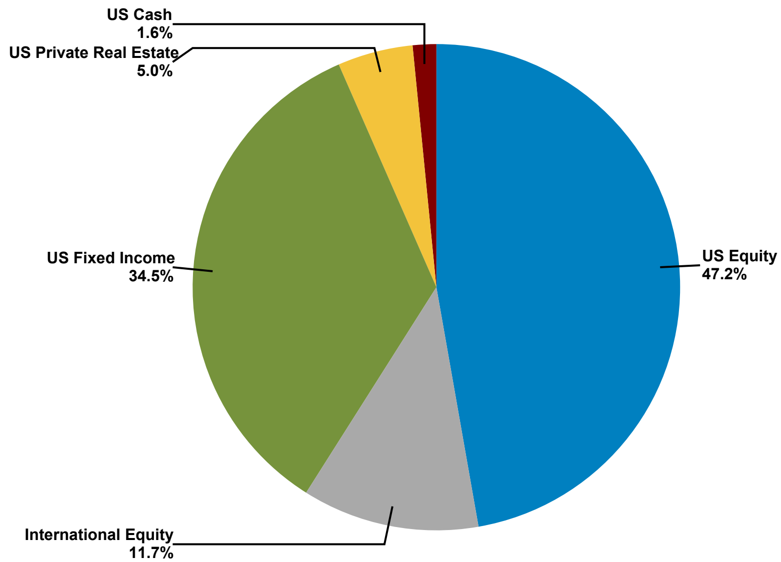
AndCo Consulting | (844) 44-ANDCO | AndCoConsulting.com

The Winnetka Firefighters Pension Fund’s market value as of September 30, 2019 was $30,143,455. The Fund’s market value of investments increased by $96,148 in the past quarter. The Fund’s market value of investments in the past 12 months increased by $642,262 or 2%.

The Fund’s asset allocation is in compliance with Illinois state statues and within stated Fund Investment Policy guidelines.

The 7 year performance record is in the top half of similar plans.

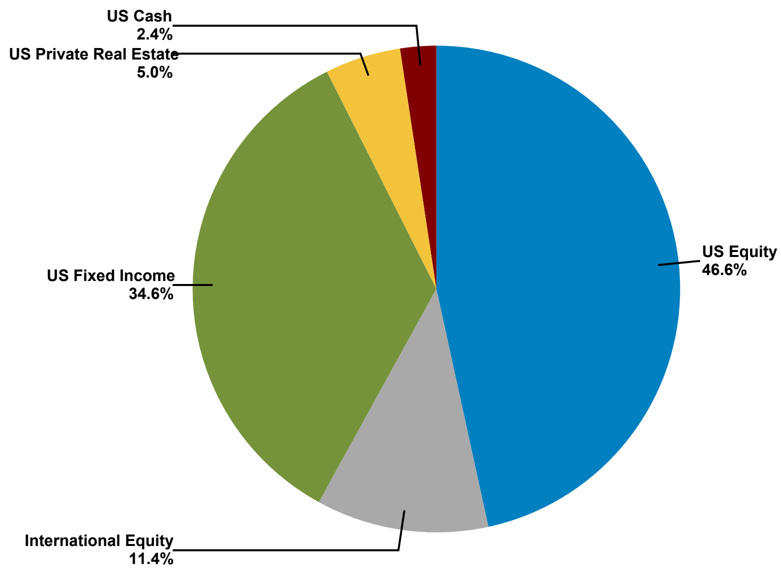
June 30, 2019 : $29,798,924



Allocation

	Market Value	Allocation
US Equity	14,074,847	47.2
International Equity	3,500,603	11.7
US Fixed Income	10,267,248	34.5
US Private Real Estate	1,489,261	5.0
US Cash	466,965	1.6

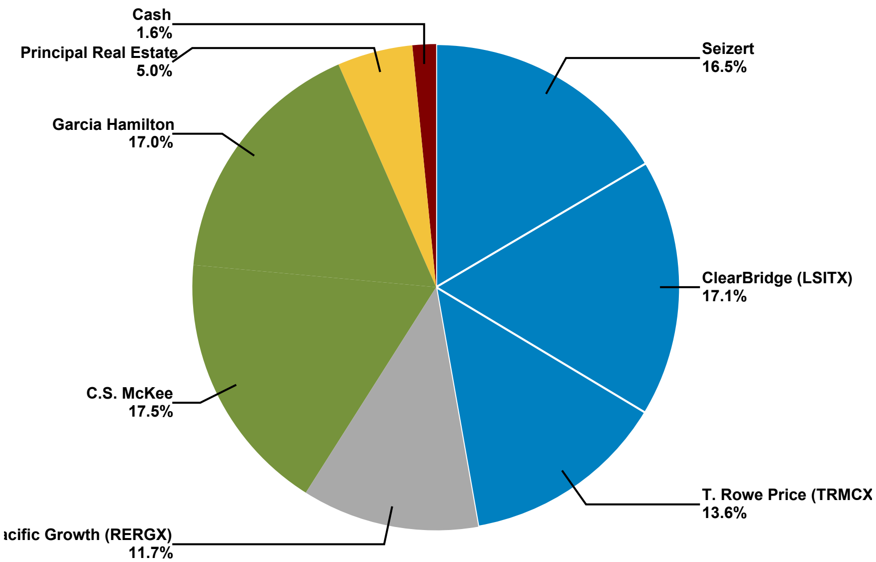
September 30, 2019 : $30,143,455



Allocation

	Market Value	Allocation
US Equity	14,041,291	46.6
International Equity	3,444,933	11.4
US Fixed Income	10,421,626	34.6
US Private Real Estate	1,512,923	5.0
US Cash	722,682	2.4

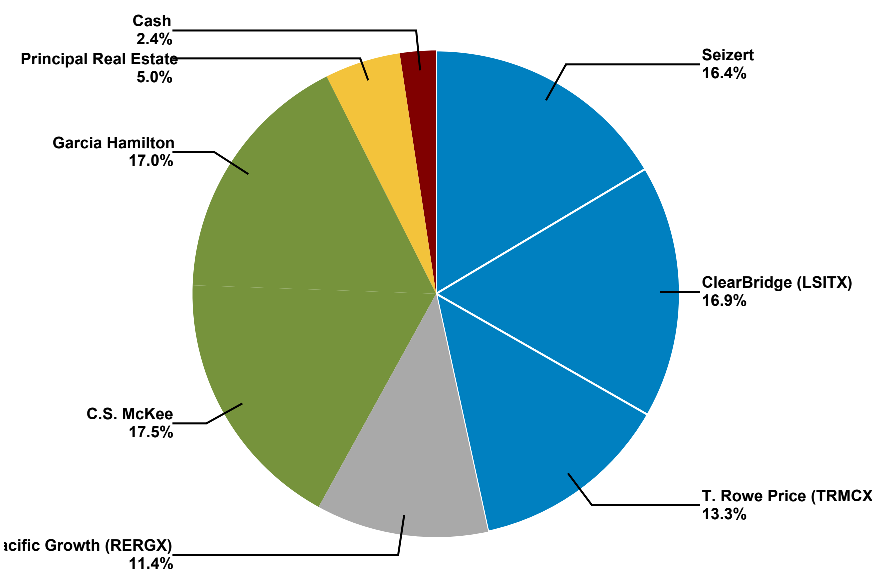
June 30, 2019 : $29,798,924



Allocation

	Market Value	Allocation
Seizert	4,913,536	16.5
ClearBridge (LSITX)	5,106,194	17.1
T. Rowe Price (TRMCX)	4,055,117	13.6
AF EuroPacific Growth (RERGX)	3,500,603	11.7
C.S. McKee	5,208,950	17.5
Garcia Hamilton	5,058,297	17.0
Principal Real Estate	1,489,261	5.0
Cash	466,965	1.6

September 30, 2019 : $30,143,455



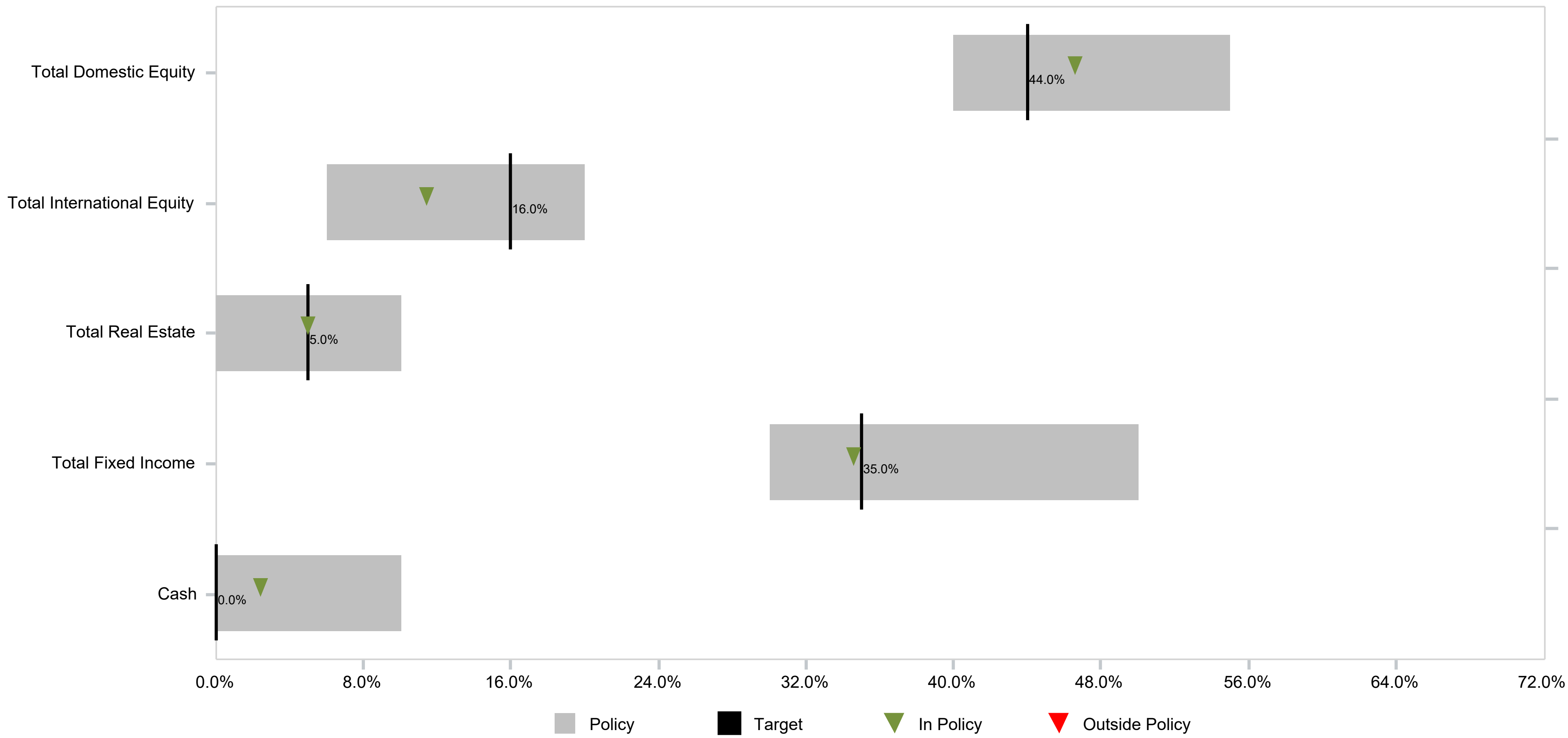
Allocation

	Market Value	Allocation
Seizert	4,951,486	16.4
ClearBridge (LSITX)	5,080,617	16.9
T. Rowe Price (TRMCX)	4,009,188	13.3
AF EuroPacific Growth (RERGX)	3,444,933	11.4
C.S. McKee	5,289,799	17.5
Garcia Hamilton	5,131,827	17.0
Principal Real Estate	1,512,923	5.0
Cash	722,682	2.4

Asset Allocation Compliance

	Asset Allocation $	Current Allocation (%)	Minimum Allocation (%)	Target Allocation (%)	Maximum Allocation (%)	Target Rebal. ($)	Differences (%)
Fire Total Fund	30,143,455	100.0		100.0		-	0.0
Total Domestic Equity	14,041,291	46.6	40.0	44.0	55.0	-778,170	2.6
Total International Equity	3,444,933	11.4	6.0	16.0	20.0	1,378,020	-4.6
Total Real Estate	1,512,923	5.0	0.0	5.0	10.0	-5,750	0.0
Total Fixed Income	10,421,626	34.6	30.0	35.0	50.0	128,583	-0.4
Cash	722,682	2.4	0.0	0.0	10.0	-722,682	2.4

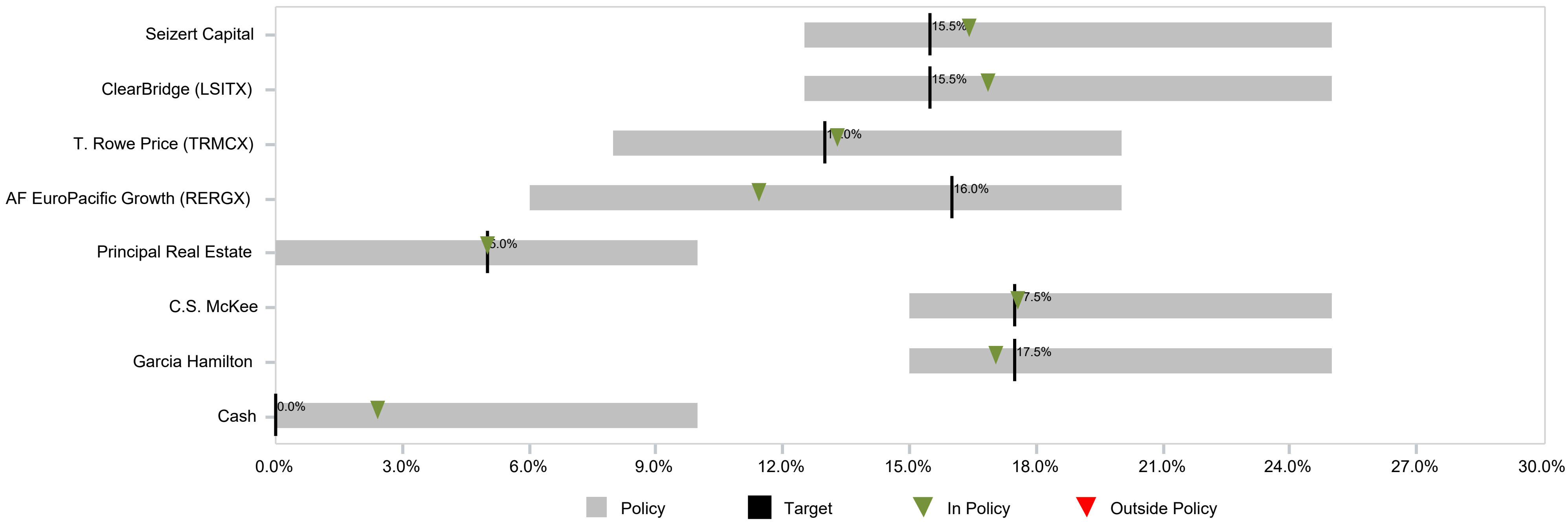
Allocation Summary



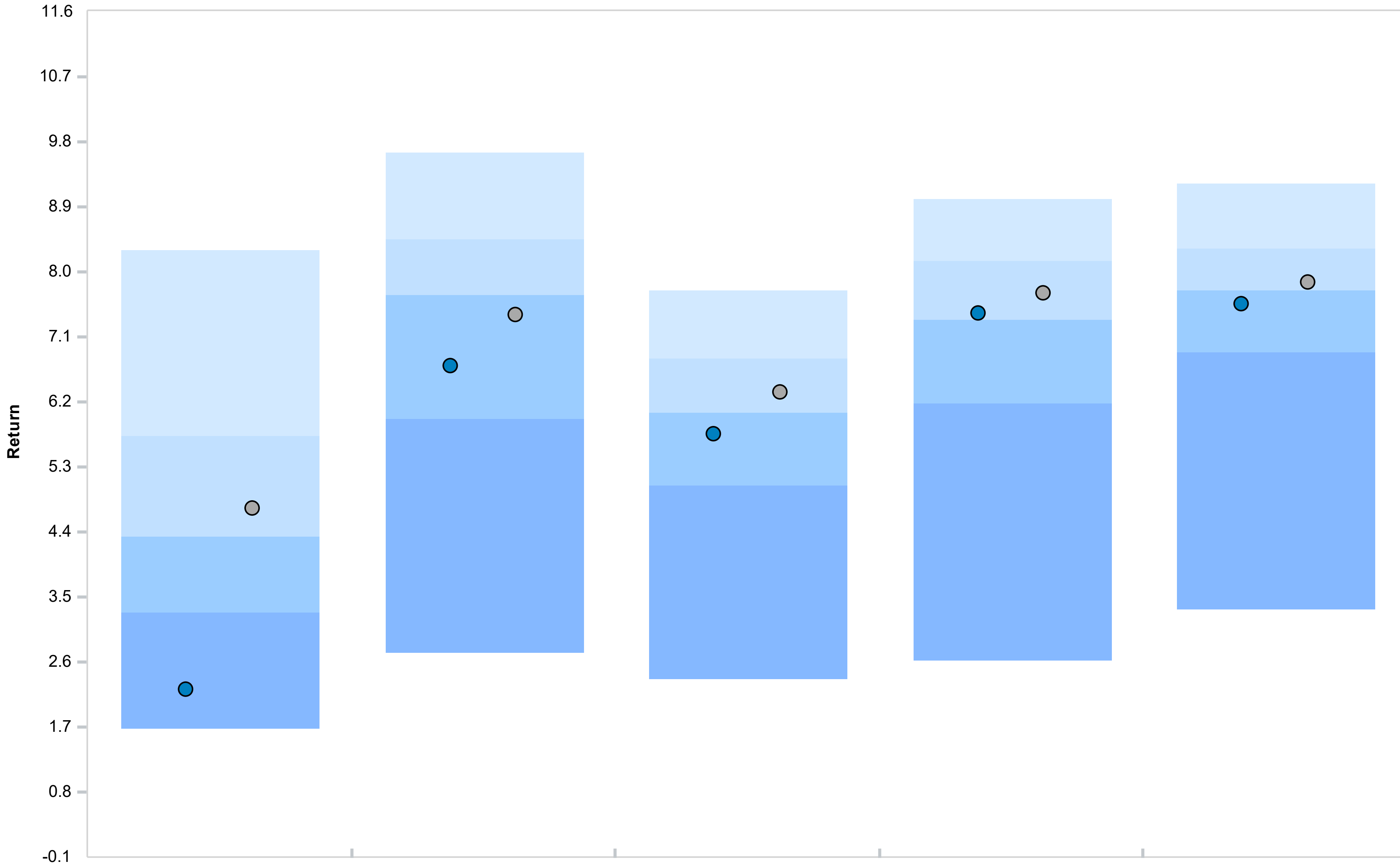
Asset Allocation Compliance

	Asset Allocation $	Current Allocation (%)	Minimum Allocation (%)	Target Allocation (%)	Maximum Allocation (%)	Target Rebal. ($)	Differences (%)
Fire Total Fund	30,143,455	100.0		100.0		-	0.0
Total Equity	17,486,223	58.0		60.0		599,850	-2.0
Total Domestic Equity	14,041,291	46.6		44.0		-778,170	2.6
Seizert Capital	4,951,486	16.4	12.5	15.5	25.0	-279,250	0.9
ClearBridge (LSITX)	5,080,617	16.9	12.5	15.5	25.0	-408,381	1.4
T. Rowe Price (TRMCX)	4,009,188	13.3	8.0	13.0	20.0	-90,539	0.3
Total International Equity	3,444,933	11.4		16.0		1,378,020	-4.6
AF EuroPacific Growth (RERGX)	3,444,933	11.4	6.0	16.0	20.0	1,378,020	-4.6
Total Real Estate	1,512,923	5.0		5.0		-5,750	0.0
Principal Real Estate	1,512,923	5.0	0.0	5.0	10.0	-5,750	0.0
Total Fixed Income	10,421,626	34.6		35.0		128,583	-0.4
Total Domestic Fixed Income	10,421,626	34.6		35.0		128,583	-0.4
C.S. McKee	5,289,799	17.5	15.0	17.5	25.0	-14,695	0.0
Garcia Hamilton	5,131,827	17.0	15.0	17.5	25.0	143,277	-0.5
Cash	722,682	2.4	0.0	0.0	10.0	-722,682	2.4

Allocation Summary



Plan Sponsor Peer Group Analysis vs. All Master Trust - Total Fund



	1 YR	3 YR	5 YR	7 YR	10 YR
Fire Total Fund	2.21 (92)	6.68 (67)	5.76 (58)	7.41 (48)	7.54 (58)
Fire - Total Fund Policy	4.73 (42)	7.40 (56)	6.33 (40)	7.69 (39)	7.86 (46)
Median	4.34	7.68	6.05	7.34	7.74

Parentheses contain percentile rankings.

AndCo compiled this report for the sole use of the client for which it was prepared. AndCo is responsible for evaluating the performance results of the Total Fund along with the investment advisors by comparing their performance with indices and other related peer universe data that is deemed appropriate. AndCo uses the results from this evaluation to make observations and recommendations to the client.

AndCo uses time-weighted calculations which are founded on standards recommended by the CFA Institute. The calculations and values shown are based on information that is received from custodians. AndCo analyzes transactions as indicated on the custodian statements and reviews the custodial market values of the portfolio. As a result, this provides AndCo with a reasonable basis that the investment information presented is free from material misstatement. This methodology of evaluating and measuring performance provides AndCo with a practical foundation for our observations and recommendations. Nothing came to our attention that would cause AndCo to believe that the information presented is significantly misstated.

This performance report is based on data obtained by the client's custodian(s), investment fund administrator, or other sources believed to be reliable. While these sources are believed to be reliable, the data providers are responsible for the accuracy and completeness of their statements. Clients are encouraged to compare the records of their custodian(s) to ensure this report fairly and accurately reflects their various asset positions.

The strategies listed may not be suitable for all investors. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. Past performance is not an indication of future performance. Any information contained in this report is for informational purposes only and should not be construed to be an offer to buy or sell any securities, investment consulting, or investment management services.

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THE VILLAGE OF WINNETKA, ILLINOIS
POLICE PENSION FUND

PUBLIC ACT 95-0950
MUNICIPAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

Lauterbach & Amen, LLP
CERTIFIED PUBLIC ACCOUNTANTS
668 N. RIVER ROAD • NAPERVILLE, ILLINOIS 60563
PHONE 630.393.1483 • FAX 630.393.2516
www.lauterbachamen.com

June 28, 2019

Members of the Pension Board of Trustees
Winnetka Police Pension Fund
Winnetka, Illinois

Enclosed please find a copy of your Municipal Compliance Report for the Winnetka Police Pension Fund for the fiscal year ended December 31, 2018. We have prepared the report with the most recent information available at our office. Should you have more current information, or notice any inaccuracies, we are prepared to make any necessary revisions and return them to you.

The President and Secretary of the Pension Fund are required to sign the report of page 3. If not already included with the enclosed report, please also include a copy of the Pension Fund's most recent investment policy.

The signed Public Act 95-0950 – Municipal Compliance Report must be provided to the municipality before the tax levy is filed on the last Tuesday in December. We are sending the report via email to promote an environmentally-friendly work atmosphere.

If you have any questions regarding this report, please contact us at auditreport@lauterbachamen.com.

Respectfully submitted,

Lauterbach & Amen, LLP

Lauterbach & Amen, LLP

THE VILLAGE OF WINNETKA, ILLINOIS
POLICE PENSION FUND

Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2018

The Pension Board certifies to the Board of Trustees of the Village of Winnetka, Illinois on the condition of the Pension Fund at the end of its most recently completed fiscal year the following information:

1) The total cash and investments, including accrued interest, of the fund at market value and the total net position of the Pension Fund:

	Current Fiscal Year	Preceding Fiscal Year
Total Cash and Investments (including accrued interest)	$29,853,836	$30,193,872
Total Net Position	$29,846,790	$30,199,235

2) The estimated receipts during the next succeeding fiscal year from deductions from the salaries of police officers and from other sources:

Estimated Receipts - Employee Contributions	$276,800
Estimated Receipts - All Other Sources	
Investment Earnings	$1,865,900
Municipal Contributions	$1,720,195

3) The estimated amount required during the next succeeding fiscal year to (a) pay all pensions and other obligations provided in Article 3 of the Illinois Pension Code, and (b) to meet the annual requirements of the fund as provided in Sections 3-125 and 3-127:

(a) Pay all Pensions and Other Obligations	$2,648,800
(b) Annual Requirement of the Fund as Determined by:	
Illinois Department of Insurance	N/A
Private Actuary - Foster & Foster	
Recommended Municipal Contribution	$1,720,195
Statutory Municipal Contribution	$1,168,483

Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2018

4) The total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year compared to the total net income, assumed investment return, and actual investment return received during the preceding fiscal year:

	Current Fiscal Year	Preceding Fiscal Year
Net Income Received from Investment of Assets	$31,794	$3,373,306
Assumed Investment Return		
Illinois Department of Insurance	N/A	6.50%
Private Actuary - Foster & Foster	6.25%	6.25%
Actual Investment Return	(5.64)%	12.02%

5) The total number of active employees who are financially contributing to the fund:

Number of Active Members	26

6) The total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits:

	Number of	Total Amount Disbursed
(i) Regular Retirement Pension	24	$1,819,189
(ii) Disability Pension	1	$42,829
(iii) Survivors and Child Benefits	5	$219,621
Totals	30	$2,081,639

7) The funded ratio of the fund:

	Current Fiscal Year	Preceding Fiscal Year
Illinois Department of Insurance	N/A	72.52%
Private Actuary - Foster & Foster	67.32%	67.15%

8) The unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability:

Unfunded Liability:

Illinois Department of Insurance	N/A
Private Actuary - Foster & Foster	$14,781,556

The accrued liability is the actuarial present value of the portion of the projected benefits that has been accrued as of the valuation date based upon the actuarial valuation method and the actuarial assumptions employed in the valuation. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets.

9) The investment policy of the Pension Board under the statutory investment restrictions imposed on the fund.

Investment Policy - See Attached.

Please see Notes Page attached.

CERTIFICATION OF MUNICIPAL POLICE
PENSION FUND COMPLIANCE REPORT

The Board of Trustees of the Pension Fund, based upon information and belief, and to the best of our knowledge, hereby certify pursuant to §3-143 of the Illinois Pension Code 40 ILCS 5/3-143, that the preceding report is true and accurate.

Adopted this ~~Oct.~~ 25th day of October, 2019

[redacted]

Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2018

INDEX OF ASSUMPTIONS

1) Total Cash and Investments - as Reported at Market Value in the Audited Financial Statements for the Years Ended December 31, 2018 and 2017.

   Total Net Position - as Reported in the Audited Financial Statements for the Years Ended December 31, 2018 and 2017.

2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended December 31, 2018 plus 3.5% Increase (Actuarial Salary Increase Assumption) Rounded to the Nearest $100.

   Estimated Receipts - All Other Sources:

   Investment Earnings - Cash and Investments as Reported in the Audited Financial Statements for the Year Ended December 31, 2018, times 6.25% (Actuarial Investment Return Assumption) Rounded to the Nearest $100.

   Municipal Contributions - Recommended Tax Levy Requirement as Reported by Foster & Foster, Actuarial Valuation for the Year Ended December 31, 2018.

3) (a) Pay all Pensions and Other Obligations - Total Non-Investment Deductions as Reported in the Audited Financial Statements for the Year Ended December 31, 2018, plus a 25% Increase, Rounded to the Nearest $100.

   (b) Annual Requirement of the Fund as Determined by:

   Illinois Department of Insurance - No December 31, 2018 Actuarial Valuation available at the time of this report.

   Private Actuary - Foster & Foster

   Recommended Amount of Tax Levy as Reported by Foster & Foster in the December 31, 2018 Actuarial Valuation.

   Statutorily Required Amount of Tax Levy as Reported by Foster & Foster in the December 31, 2018 Actuarial Valuation.

INDEX OF ASSUMPTIONS - Continued

4) Net Income Received from Investment of Assets - Investment Income (Loss) net of Investment Expense, as Reported in the Audited Financial Statements for the Years Ended December 31, 2018 and 2017.

   Assumed Investment Return:

   Illinois Department of Insurance - Preceding Fiscal Year Interest Rate Assumption as Reported in the December 31, 2017 Actuarial Valuation. No December 31, 2018 Actuarial Valuation available at the time of this report.

   Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Foster & Foster, December 31, 2018 and 2017 Actuarial Valuations.

   Actual Investment Return - Money Weighted Rate of Return under GASB Pronouncements 67 and 68, as Reported in the Audited Financial Statements for the Fiscal Years Ended December 31, 2018 and 2017.

5) Number of Active Members - Illinois Department of Insurance Annual Statement for December 31, 2018 - Schedule P.

6) (i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for December 31, 2018 - Schedule P for Number of Participants and Expense page 1 for Total Amount Disbursed.

   (ii) Disability Pension - Same as above.

   (iii) Survivors and Child Benefits - Same as above.

INDEX OF ASSUMPTIONS - Continued

7) The funded ratio of the fund:

Illinois Department of Insurance - Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the December 31, 2017 Actuarial Valuation. No December 31, 2018 Actuarial Valuation available at the time of this report.

Private Actuary - Current and Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the Foster & Foster, December 31, 2018 and 2017 Actuarial Valuations.

8) Unfunded Liability:

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) - No December 31, 2018 Actuarial Valuation available at the time of this report.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Foster & Foster in the December 31, 2018 Actuarial Valuation.

Investment Policy Statement
Village of Winnetka
Police Pension Fund

Approved January 2019

TABLE OF CONTENTS

I. Introduction

The Village of Winnetka Police Pension Fund is a defined benefit, single employer pension plan. Although a single employer pension plan, the defined benefits, as well as the employee and employer contribution levels are mandated by Illinois State Statutes and may be amended only by the Illinois State Legislature. The Plan provides retirement, death, and disability benefits for its participants.

II. Statement of Purpose

Mission statement The fundamental goal of the Village of Winnetka Police Pension Fund is to provide pension benefits to plan participants. As such, the Board of Trustees will invest plan assets solely in the interests of plan participants and beneficiaries, for the exclusive purpose of providing pension benefits to plan participants and beneficiaries.

Investment philosophy The Board of Trustees believes that plan assets should be managed in a fashion that reflects the plan's unique liabilities and funding resources, incorporating accepted investment theory and reliable, empirical evidence. Specifically, the Board has adopted the following principles:

- That asset allocation is the key determinant of return and, therefore, commitments to asset allocation targets will be maintained through a disciplined rebalancing program.
- That diversification, both by and within asset classes, is a primary risk control element.
- That the investment program is ultimately for the purpose of meeting the pension plan's obligations for benefit payments.
- That the investment program must be cognizant of the total pension plan's cash flow obligations.

Goals and objectives For total plan assets, the goals and objectives are as follows:

- The foremost purpose of the Fund is to provide for the payment of pension benefits to current eligible beneficiaries and future beneficiaries over an infinite period of time.
- Over the long-term, the assets of the plan should be preserved thus the preservation of capital is a primary objective.
- To preserve and/or improve the actuarial soundness of the plan in order to meet benefit obligations.
- To prudently manage the inherent investment risks that are related to the achievement of investment goals.
- Overall level of risk (volatility) in the total plan is comparable to the risk associated with the target benchmarks specified below. Risk may be measured by the annualized standard deviation of returns.
- A long-term (one to two market cycles) rate of return, net of fees, of at least the actuarial earnings rate.
- A long-term (one to two market cycles) rate of return, net of fees, in excess of its policy benchmark and/or appropriate peer groups. The policy benchmark is a hypothetical portfolio of index funds weighted by asset allocation targets.

Policy Benchmark		
Asset Class	**Index**	**Target Weight**
US Equity – large cap value	Russell 1000 Value	15%
US Equity – large cap growth	Russell 1000 Growth	15%
US Equity – mid cap value	Russell Mid Cap Value	5%
US Equity – small cap value	Russell Small Cap Value	8%
Non-US Equity	MSCI AC World ex USA	16%
Real Estate Equity	NCREIF ODCE	5%
US Fixed Income	Bloomberg Barclays Intermediate Aggregate	36%
		100%

III. Roles and Responsibilities

Board of Trustees Within the parameters established under Illinois Statutes, the Board has the responsibility of establishing and maintaining broad policies and objectives for all aspects of the Fund's operation. In keeping with their obligation to serve as governing fiduciaries, changes to any of the following will require the Board's involvement and approval.

- The investment policy statement and appendices;
- The strategic asset allocation;
- Performance benchmarks for the strategic asset allocation; and
- All other issues of the investment policy statement not specifically enumerated here.

Investment Consultant

1. Assists the Board of Trustees in developing investment policy guidelines, including asset class choices, asset allocation targets, and risk diversification.

2. Conducts investment manager searches when requested by the Board of Trustees.

3. Provides the Board of Trustees with objective information on a broad spectrum of investment decisions and assists in evaluating the merits of each particular investment product or investment manager, as to their track records, management styles, and quality.

4. Monitors the performance of the aggregate plan and the investment managers and provides regular quarterly reports to the Board of Trustees, which aids them in determining the progress toward the investment objectives.

5. Serves as a fiduciary to the Pension Fund.

6. Monitors investment managers to ensure compliance with the Illinois Pension Code.

Investment Managers

- Duties – Investment managers will select, buy, and sell specific securities pursuant Illinois Statutes or prospectus, and the investment policy and guidelines contained in contractual agreements, which may be amended from time to time. Discretion is delegated to the investment managers to carry out investment actions as directed by the Fund.
- Standard of care – The standard of prudence applied to investment managers shall be the prudent expert standard and shall be applied in the context of managing an overall portfolio.
- Acknowledgement of fiduciary obligations – Separately managed investment managers will acknowledge in writing that they are a fiduciary of the pension plan.

- Disclosure of fees – Separately managed investment managers must fully disclose on a quarterly basis any direct or indirect fees, commissions, and any other compensation that was received by them, including reimbursement for expenses paid by or on behalf of the investment manager in connection with its services to the Fund.
- Communication – Separately managed investment managers will provide the Board with reporting on, at least a quarterly basis, the market value of all holdings as well as the gross of fees and net of fees rates of return. Net of fees rates of return are to be calculated after the payment of investment fees, and any other compensation. Investment managers must also promptly communicate any major changes in policy, in the investment organization or investment team.
- Conflicts of interest – Investment managers are prohibited from knowingly causing or advising the Fund to engage in any investment transaction in which they have any direct interest in the income, gains or profits of the broker or other entity through which the investment transaction is made or has a business relationship with the broker or other entity that would result in a pecuniary benefit to the investment manager as a result of the transaction.

Other external providers The Fund shall retain custodians, actuaries, accounting professionals, investment consultants, depository/financial institutions, and attorneys to implement its investment program.

- The custodian(s) will hold cash and securities. The custodian will be responsible for providing a records maintenance system, fund accounting on a trade date basis, and other services as defined in the contract.
- A depository/financial institution(s) may be utilized to accept and hold cash prior to allocating it to the investment managers, and to invest such cash in liquid, interest-bearing instruments.
- The Fund will retain an actuary to prepare actuarial valuations and periodically analyze the actuarial assumptions and experience of the plan.
- The Fund will retain accounting professionals and ensure an independent audit of the financials is performed and review internal controls.
- The Fund may retain an investment consultant to independently prepare performance reports on the total plan and each investment manager, as well as conduct investment manager and custodial searches, prepare investment policy/asset allocation analysis, and assist in associated investment related issues.
- Standard of care – The standard of prudence applied to other external providers shall be the prudent expert standard.
- Acknowledgement of fiduciary obligations – The external providers will acknowledge in writing that they are fiduciaries of the pension plan.

IV. Asset Allocation

The purpose of Section IV is to manage risk associated with investment in an asset class (i.e., systematic risk). Risk associated with an investment in an individual security (non-systematic risk) is addressed in Section V.

Role and importance of asset allocation The asset allocation decision is generally regarded as the most important decision to be made in the investment management process. The purpose of a strategic asset allocation is to provide an optimal mix of investments that has the potential to produce the desired returns with the least amount of fluctuation in the overall value of the investment portfolio. By spreading funds among several styles or investment types, there is an increased probability that if one investment type is decreasing in value, another is increasing in value.

Asset allocation range To further the long-term goals and objectives of the Fund set forth in Section II, the following asset allocation guidelines are established.

Asset Allocation Range			
Asset Class	**Minimum* %**	**Target %**	**Maximum* %**
Total Equity	**45**	**64**	**65**
Total US Equity	40	43	53
US Equity – large cap	25	30	40
US Equity – mid cap	2	5	8
US Equity – small cap	4	8	12
Total Non-US Equity	6	16	20
Non-US Equity	6	16	20
Total Real Estate Equity	0	5	10
Real Estate Equity	0	5	10
Total Fixed Income and Cash	**35**	**36**	**45**
US Fixed Income	30	36	50
Cash and Cash equivalents	0	0	10

*Minimum and Maximum may not add up to 100%.

Rebalancing policy The primary purpose of rebalancing is to ensure that the Fund adheres to its strategic asset allocation, which is the Fund's explicit statement of its investment approach.

The Fund will carry out rebalancing in a cost-effective manner. If feasible, cash flow, as well as indexed and mutual fund investment strategies, will be used to maintain target allocations. Securities may be liquidated from the over-funded investment managers until the desired allocations are met.

The Board and investment consultant will review the portfolio at least twice a year to determine if rebalancing is required.

V. Investment Guidelines

The purpose of Section V is to limit the risk associated with an investment in an individual security (e.g., non-systematic risk). The selection of investments will be guided by the prudent person and prudent expert standards.

Prohibited investments As a unit of local government in the State of Illinois, the Village of Winnetka Police Pension Fund is regulated by 40 ILCS 5/1-113.1 through 5/1-113.10.

Permissible investments For separately managed investment managers, permissible investments include those investments permitted by Illinois Statutes and this policy. As a unit of local government in the State of Illinois, the Village of Winnetka Police Pension Fund is regulated by 40 ILCS 5/1-113.1 through 5/1-113.10.

VI. Reporting / Performance Monitoring

The purpose of monitoring and reporting on investment performance is for the Board to be able to (a) ensure compliance with plan's policy and applicable law, (b) manage the risk of the portfolio, and (c) assess the performance of the total plan and investment managers retained by the Fund.

Quarterly reporting by investment manager On a quarterly basis, the Finance Director shall receive the following information:

- An outline of current strategy and investments;
- Investment managers' performance relative to the assigned benchmark index; and
- Separately managed investment managers' performance reported gross of fee and net of fee.

Quarterly reporting by the investment consultant On a quarterly basis the Board of Trustees shall receive the following information:

- Portfolio performance relative to the assigned benchmark/index and peer group; and
- Portfolio composition relative to the asset allocation policy.

Reports should contain the following:

- A review of performance relative to assigned benchmarks and peer groups for the most recent quarter end, for one-, three-, and five-year periods ending with the most recent quarter. Performance relative to assigned benchmarks will be reported for the total portfolio, for each asset class, and for each investment manager.
- Both gross of fee and net of fee performance calculations shall be presented for separately managed investment managers.

Communications Listed below are the reports required and the appropriate individuals who will receive copies of these reports:

A.	Custodial Monthly Statements	Village Finance Director and Investment Consultant
B.	Consultant Quarterly Performance Reports	All Trustees and Village Finance Director
C.	Investment Manager Quarterly Reports	Village Finance Director and Investment Consultant
D.	Determination of Benefits	Village Finance Director and all Trustees

The Board, at minimum, expects to meet with the investment consultant quarterly.

It is the Board's responsibility to relate to the investment consultant and investment managers any changes that might affect the investment of the Fund's assets.

Appendix A
Ethics and Conflicts of Interest

Trustees and staff involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Trustees and staff shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Trustees and staff shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Fund.

In addition, the Board of Trustees or staff managing the investment manager contract should comply with the following ethical considerations:

- Adherence to all jurisdiction's and pension board's ethics laws, rules, and regulations related to procurement and involvement with contractors, including those related to political contributions; and
- Disclosure to Board of Trustees of any inherent or potential conflicts of interest in dealing with specific investment advisers prior to taking any official action.

Appendix B

Village of Winnetka
Internal Control Procedures
Promulgated by the Finance Director as of January 2019

Authorized Persons:

Persons authorized to purchase investments and release collateral:

Finance Director
Assistant Finance Director
Village Manager

Investment Transactions and Security Measures:

All investment transactions shall be processed, as delivery versus payment or DVP, to ensure that the Village ownership of securities purchased or sold is always clear. All Village investments shall be:

1) Held by a third party financial institution and evidenced by a safekeeping agreement in a form acceptable to the Village and the Village's independent auditors.

2) Purchased, sold, and held such that the lowest possible level of risk, as defined by the Governmental Accounting Standards Board (GASB), can be maintained for the investment.

The Village shall utilize security codes mutually agreed to by the Village and financial institutions to process investment transactions, collateral transactions, and wire transfers. At a minimum, these procedures shall include at least one of the following: passwords, taped phone conversations, call back on non-repetitive wire transfers, limiting authorized account numbers, and designation of repetitive transaction types.

Internal Controls:

The internal controls as stated in the policy will be performed monthly.

The Village Accountant or Assistant Finance Director shall prepare and initial monthly bank reconciliations within 60 days of the cut off statement date. The Finance Director shall approve of the monthly reconciliations by initialing and dating them.

The Village's investment consultant, who serves as a fiduciary of the Fund, shall prepare quarterly performance reports of the investment portfolio. The December investment performance reports shall be retained by the Pension Fund for a period of at least 5 years.

List of Authorized Investment Advisors, Investment Money Managers, and Financial Institutions

As of January 2019

1) Harris Bank
2) Any Federal Reserve Bank
3) Wells Fargo Bank
4) Wintrust Financial Corporation
5) AndCo Consulting
6) J.P. Morgan Chase
7) Seizert Capital Partners, LLC
8) ClearBridge Investments
9) T. Rowe Price Associates
10) Prudential Investment Management Services
11) American Funds
12) CS McKee Investment Managers
13) Garcia Hamilton & Associates
14) Principal Real Estate Investors

Approved this 1st day of February, 2019 by the
Village of Winnetka Police Pension Board of Trustees

[redacted]

THE VILLAGE OF WINNETKA, ILLINOIS
FIREFIGHTERS' PENSION FUND

PUBLIC ACT 95-0950 - MUNICIPAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

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June 28, 2019

Members of the Pension Board of Trustees
Winnetka Firefighters' Pension Fund
Winnetka, Illinois

Enclosed please find a copy of your Municipal Compliance Report for the Winnetka Firefighters' Pension Fund for the fiscal year ended December 31, 2018. We have prepared the report with the most recent information available at our office. Should you have more current information, or notice any inaccuracies, we are prepared to make any necessary revisions and return them to you.

The President and Secretary of the Pension Fund are required to sign the report of page 3. If not already included with the enclosed report, please also include a copy of the Pension Fund's most recent investment policy.

The signed Public Act 95-0950 – Municipal Compliance Report must be provided to the municipality before the tax levy is filed on the last Tuesday in December. We are sending the report via email to promote an environmentally-friendly work atmosphere.

If you have any questions regarding this report, please contact us at auditreport@lauterbachamen.com.

Respectfully submitted,

Lauterbach & Amen, LLP

Lauterbach & Amen, LLP

THE VILLAGE OF WINNETKA, ILLINOIS
FIREFIGHTERS' PENSION FUND

Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2018

The Pension Board certifies to the Board of Trustees of the Village of Winnetka, Illinois on the condition of the Pension Fund at the end of its most recently completed fiscal year the following information:

1) The total cash and investments, including accrued interest, of the fund at market value and the total net position of the Pension Fund:

	Current Fiscal Year	Preceding Fiscal Year
Total Cash and Investments (including accrued interest)	$29,228,987	$28,587,186
Total Net Position	$29,211,485	$28,593,956

2) The estimated receipts during the next succeeding fiscal year from deductions from the salaries of firefighters' and from other sources:

Estimated Receipts - Employee Contributions	$237,800
Estimated Receipts - All Other Sources	
Investment Earnings	$1,826,800
Municipal Contributions	$1,968,569

3) The estimated amount necessary during the fiscal year to meet the annual actuarial requirements of the pension fund as provided in Sections 4-118 and 4-120:

Annual Requirement of the Fund as Determined by:	
Illinois Department of Insurance	N/A
Private Actuary - Foster & Foster	
Recommended Municipal Contribution	$1,968,569
Statutory Municipal Contribution	$1,330,888

4) The total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year compared to the total net income, assumed investment return, and actual investment return received during the preceding fiscal year:

	Current Fiscal Year	Preceding Fiscal Year
Net Income Received from Investment of Assets	$866,522	$3,286,169
Assumed Investment Return		
Illinois Department of Insurance	N/A	6.50%
Private Actuary - Foster & Foster	6.25%	6.25%
Actual Investment Return	(5.04)%	12.74%

5) The increase in employer pension contributions that results from the implementation of the provisions of P.A. 93-0689:

Illinois Department of Insurance	N/A
Private Actuary - Foster & Foster	N/A

6) The total number of active employees who are financially contributing to the fund:

Number of Active Members	23

7) The total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits:

	Number of	Total Amount Disbursed
(i) Regular Retirement Pension	23	$1,679,276
(ii) Disability Pension	1	$106,334
(iii) Survivors and Child Benefits	8	$319,240
Totals	32	$2,104,850

8) The funded ratio of the fund:

	Current Fiscal Year	Preceding Fiscal Year
Illinois Department of Insurance	N/A	68.00%
Private Actuary - Foster & Foster	63.74%	62.84%

9) The unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability:

Unfunded Liability:

Illinois Department of Insurance	N/A
Private Actuary - Foster & Foster	$16,515,138

The accrued liability is the actuarial present value of the portion of the projected benefits that has been accrued as of the valuation date based upon the actuarial valuation method and the actuarial assumptions employed in the valuation. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets.

10) The investment policy of the Pension Board under the statutory investment restrictions imposed on the fund.

Investment Policy - See Attached.

Please see Notes Page attached.

CERTIFICATION OF MUNICIPAL FIREFIGHTERS' PENSION FUND COMPLIANCE REPORT

The Board of Trustees of the Pension Fund, based upon information and belief, and to the best of our knowledge, hereby certify pursuant to §4-134 of the Illinois Pension Code 40 ILCS 5/4-134, that the preceding report is true and accurate.

Adopted this 13TH day of NOVEMBER 2019

[redacted]

INDEX OF ASSUMPTIONS

1) Total Cash and Investments - as Reported at Market Value in the Audited Financial Statements for the Years Ended December 31, 2018 and 2017.

   Total Net Position - as Reported in the Audited Financial Statements for the Years Ended December 31, 2018 and 2017.

2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended December 31, 2018 plus 3.5% Increase (Actuarial Salary Increase Assumption) Rounded to the Nearest $100.

   Estimated Receipts - All Other Sources:

   Investment Earnings - Cash and Investments as Reported in the Audited Financial Statements for the Year Ended December 31, 2018, times 6.25% (Actuarial Investment Return Assumption) Rounded to the Nearest $100.

   Municipal Contributions - Recommended Tax Levy Requirement as Reported by Foster & Foster, Actuarial Valuation for the Year Ended December 31, 2018.

3) Annual Requirement of the Fund as Determined by:

   Illinois Department of Insurance - No December 31, 2018 Actuarial Valuation available at the time of this report.

   Private Actuary - Foster & Foster:

   Recommended Amount of Tax Levy as Reported by Foster & Foster in the December 31, 2018 Actuarial Valuation.

   Statutorily Required Amount of Tax Levy as Reported by Foster & Foster in the December 31, 2018 Actuarial Valuation.

INDEX OF ASSUMPTIONS - Continued

4) Net Income Received from Investment of Assets - Investment Income (Loss) net of Investment Expense, as Reported in the Audited Financial Statements for the Years Ended December 31, 2018 and 2017.

   Assumed Investment Return:

   Illinois Department of Insurance - Preceding Fiscal Year Interest Rate Assumption as Reported in the December 31, 2017 Actuarial Valuation. No December 31, 2018 Actuarial Valuation available at the time of this report.

   Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Foster & Foster, December 31, 2018 and 2017 Actuarial Valuations.

   Actual Investment Return - Money Weighted Rate of Return under GASB Pronouncements 67 and 68, as Reported in the Audited Financial Statements for the Fiscal Years Ended December 31, 2018 and 2017.

5) Illinois Department of Insurance - Amount of total suggested tax levy to be excluded from the property tax extension limitation law as contemplated by 35 ILCS 200/18-185.

   Private Actuary - No Private Actuarial Valuation amount available at the time of this report.

6) Number of Active Members - Illinois Department of Insurance Annual Statement for December 31, 2018 - Schedule P.

7) (i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for December 31, 2018 - Schedule P for Number of Participants and Expense page 1 for Total Amount Disbursed.

   (ii) Disability Pension - Same as above.

   (iii) Survivors and Child Benefits - Same as above.

INDEX OF ASSUMPTIONS - Continued

8) The funded ratio of the fund:

Illinois Department of Insurance - Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the December 31, 2017 Actuarial Valuation. No December 31, 2018 Actuarial Valuation available at the time of this report.

Private Actuary - Current and Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the Foster & Foster, December 31, 2018 and 2017 Actuarial Valuations.

9) Unfunded Liability:

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) - No December 31, 2018 Actuarial Valuation available at the time of this report.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Foster & Foster in the December 31, 2018 Actuarial Valuation.

Investment Policy Statement
Village of Winnetka Firefighters' Pension Fund

Approved February 13, 2019

TABLE OF CONTENTS

I. Introduction

The Village of Winnetka Firefighters' Pension Fund is a defined benefit, single employer pension plan. Although a single employer pension plan, the defined benefits, as well as the employee and employer contribution levels are mandated by Illinois State Statutes and may be amended only by the Illinois State Legislature. The Plan provides retirement, death, and disability benefits for its participants.

II. Statement of Purpose

Mission statement The fundamental goal of the Village of Winnetka Firefighters' Pension Fund is to provide pension benefits to plan participants. As such, the Board of Trustees will invest plan assets solely in the interests of plan participants and beneficiaries, for the exclusive purpose of providing pension benefits to plan participants and beneficiaries.

Investment philosophy The Board of Trustees believes that plan assets should be managed in a fashion that reflects the plan's unique liabilities and funding resources, incorporating accepted investment theory and reliable, empirical evidence. Specifically, the Board has adopted the following principles:

- That asset allocation is the key determinant of return and, therefore, commitments to asset allocation targets will be maintained through a disciplined rebalancing program.
- That diversification, both by and within asset classes, is a primary risk control element.
- That the investment program is ultimately for the purpose of meeting the pension plan's obligations for benefit payments.
- That the investment program must be cognizant of the total pension plan's cash flow obligations.

Goals and objectives For total plan assets, the goals and objectives are as follows:

- The foremost purpose of the Fund is to provide for the payment of pension benefits to current eligible beneficiaries and future beneficiaries over an infinite period of time.
- Over the long-term, the assets of the plan and their purchasing power should be preserved thus the preservation of capital is a primary objective.
- To preserve and/or improve the actuarial soundness of the plan in order to meet benefit obligations.
- To prudently manage the inherent investment risks that are related to the achievement of investment goals.
- Overall level of risk (volatility) in the total plan is comparable to the risk associated with the benchmarks specified below. Risk may be measured by the annualized standard deviation of returns.
- A long-term (one to two market cycles) rate of return, net of fees, of at least the actuarial earnings rate.
- A long-term (one to two market cycles) rate of return, net of fees, in excess of its policy benchmark and/or appropriate peer groups. The policy benchmark is a hypothetical portfolio of index funds weighted by asset allocation targets.

Policy Benchmark		
Asset Class	**Index**	**Weight**
US Equity – large cap value	Russell 1000 Value	15.5%
US Equity – large cap growth	Russell 1000 Growth	15.5%
US Equity – mid cap value	Russell Mid Cap Value	13%
Non-US Equity	MSCI AC World ex USA	16%
Real Estate Equity	NCREIF ODCE	5%
US Fixed Income	Barclays Intermediate Aggregate	35%
		100%

III. Roles and Responsibilities

Board of Trustees Within the parameters established under Illinois Statutes, the Board has the responsibility of establishing and maintaining broad policies and objectives for all aspects of the Fund's operation. In keeping with their obligation to serve as governing fiduciaries, changes to any of the following will require the Board's involvement and approval.

- The investment policy statement and appendices;
- The strategic asset allocation;
- Performance benchmarks for the strategic asset allocation; and
- All other issues of the investment policy statement not specifically enumerated here.

Investment Consultant

1. Assists the Board of Trustees in developing investment policy guidelines, including asset class choices, asset allocation targets, and risk diversification.

2. Conducts investment manager searches when requested by the Board of Trustees.

3. Provides the Board of Trustees with objective information on a broad spectrum of investment decisions, and assists in evaluating the merits of each particular investment product or investment manager, as to their track records, management styles, and quality.

4. Monitors the performance of the aggregate plan and the investment managers and provides regular quarterly reports to the Board of Trustees, which aids them in determining the progress toward the investment objectives.

5. Serves as a fiduciary to the Pension Fund.

6. Monitors investment managers to ensure compliance with the Illinois Pension Code.

Investment Managers

- Duties – Investment managers will select, buy, and sell specific securities pursuant Illinois Statutes or prospectus, and the investment policy and guidelines contained in contractual agreements, which may be amended from time to time. Discretion is delegated to the investment managers to carry out investment actions as directed by the Fund.
- Standard of care – The standard of prudence applied to investment managers shall be the prudent expert standard and shall be applied in the context of managing an overall portfolio.
- Acknowledgement of fiduciary obligations – Separately managed investment managers will acknowledge in writing that they are a fiduciary of the pension plan.

- Disclosure of fees – Separately managed investment managers must fully disclose on a quarterly basis any direct or indirect fees, commissions, and any other compensation that was received by them, including reimbursement for expenses paid by or on behalf of the investment manager in connection with its services to the Fund and must update any changes to those fees promptly after modification of those payments.
- Communication – Separately managed investment managers will provide the Board with reporting on, at least a quarterly basis, the market value of all holdings as well as the gross of fees and net of fees rates of return. Net of fees rates of return are to be calculated after the payment of investment fees, and any other compensation. Investment managers must also promptly communicate any major changes in policy, in the investment organization or investment team.
- Conflicts of interest – Investment managers are prohibited from knowingly causing or advising the Fund to engage in any investment transaction in which they have any direct interest in the income, gains or profits of the broker or other entity through which the investment transaction is made or has a business relationship with the broker or other entity that would result in a pecuniary benefit to the investment manager as a result of the transaction.

Other external providers The Fund shall retain custodians, actuaries, accounting professionals, investment consultants, depository/financial institutions, and attorneys to implement its investment program.

- The custodian(s) will hold cash and securities. The custodian will be responsible for providing a records maintenance system, fund accounting on a trade date basis, and other services as defined in the contract.
- A depository/financial institution(s) may be utilized to accept and hold cash prior to allocating it to the investment managers, and to invest such cash in liquid, interest-bearing instruments.
- The Fund will retain an actuary to prepare actuarial valuations and periodically analyze the actuarial assumptions and experience of the plan.
- The Fund will retain accounting professionals and ensure an independent audit of the financials is performed and review internal controls.
- The Fund may retain an investment consultant to independently prepare performance reports on the total plan and each investment manager, as well as conduct investment manager and custodial searches, prepare investment policy/asset allocation analysis, and assist in associated investment related issues.
- Standard of care – The standard of prudence applied to other external providers shall be the prudent expert standard.
- Acknowledgement of fiduciary obligations – The external providers will acknowledge in writing that they are fiduciaries of the pension plan.
- Fiduciaries are prohibited from knowingly causing or advising the Fund to engage in any investment transaction in which they have any direct interest in the income, gains or profits of the investment manager or other entity through which the investment transaction is made or has a business relationship with the investment manager or other entity that would result in a pecuniary benefit to the fiduciary as a result of the transaction.

IV. Asset Allocation

The purpose of Section IV is to manage risk associated with investment in an asset class (i.e., systematic risk). Risk associated with an investment in an individual security (non-systematic risk) is addressed in Section V.

Role and importance of asset allocation The asset allocation decision is generally regarded as the most important decision to be made in the investment management process. The purpose of a strategic asset allocation is to provide an optimal mix of investments that has the potential to produce the desired returns with the least amount of fluctuation in the overall value of the investment portfolio. By spreading funds among several styles or investment types, there is an increased probability that if one investment type is decreasing in value, another is increasing in value.

Asset allocation range To further the long-term goals and objectives of the Fund set forth in Section II, the following asset allocation guidelines are established.

Asset Allocation Range			
Asset Class	**Minimum* %**	**Target %**	**Maximum* %**
Total Equity	**45**	**65**	**65**
Total US Equity	40	44	55
US Equity – large cap	25	31	50
US Equity – mid cap	8	13	20
Total Non-US Equity	6	16	20
Non-US Equity	6	16	20
Total Real Estate Equity	0	5	10
Real Estate Equity	0	5	10
Total Fixed Income and Cash	**35**	**35**	**55**
US Fixed Income	30	35	50
Cash and Cash equivalents	0	0	10

*Minimum and Maximum may not add up to 100%.

Rebalancing policy The primary purpose of rebalancing is to ensure that the Fund adheres to its strategic asset allocation, which is the Fund's explicit statement of its investment approach.

The Fund will carry out rebalancing in a cost-effective manner. If feasible, cash flow, as well as indexed and mutual fund investment strategies, will be used to maintain target allocations. Securities may be liquidated from the over-funded investment managers until the desired allocations are met.

The Board and investment consultant will review the portfolio at least twice a year to determine if rebalancing is required.

V. Investment Guidelines

The purpose of Section V is to limit the risk associated with an investment in an individual security (e.g., non-systematic risk). The selection of investments will be guided by the prudent person and prudent expert standards.

Prohibited investments As a unit of local government in the State of Illinois, the Village of Winnetka Firefighters' Pension Fund is regulated by 40 ILCS 5/1-113.1 through 5/1-113.10. For separately managed investment managers prohibited investments include, but are not limited to:

- investments precluded by law or regulation
- securities purchased on margin
- short selling
- derivatives

Under no circumstances will separately managed investment managers use any instruments to create financial leverage within a portfolio, except for mortgages in real estate portfolios.

Permissible investments For separately managed investment managers permissible investments include those investments permitted by Illinois Statutes and this policy. As a unit of local government in the State of Illinois, the Village of Winnetka Firefighters' Pension Fund is regulated by 40 ILCS 5/1-113.1 through 5/1-113.10.

Diversification and credit quality To limit the Fund's risk associated with holding individual securities (e.g., non-systematic risk), asset class diversification requirements and other risk management requirements are set forth. The pension plan will comply with Illinois Statute requirements that the market value of stock in any one corporation does not exceed 5% of the total assets of the pension plan, and the investments in the stock of any one corporation do not exceed 5% of the total outstanding stock of that corporation.

- Diversification relative to a single issuer – Any separately managed investment manager operating within any asset class should not hold more than 5% of the outstanding securities of any single issuer (for publicly traded securities), except for U.S. Treasury notes, bills or bonds.
- Diversification relative to plan assets – No more than 5% of Fund assets shall be invested in the securities of a single issuer, except for U.S. Treasury notes, bills or bonds. This will be measured on a market value basis.
- 5% of Fund assets in any one publicly traded U.S. stock.
- 5% of Fund assets in any one domestic bond (except U.S. Treasury notes, bills or bonds).
- 5% of Fund assets in any one cash equivalent security – (except money market/STIF funds and Illinois Funds).

- Credit risk – The fixed income assets will maintain an "A-" or better weighted average quality rating. Minimum quality rating for any fixed income issue is an investment grade rating as determined by at least one nationally recognized credit rating agency. In the event that a credit is downgraded below investment grade, the investment manager shall immediately notify Trustees and provide an evaluation and recommended course of action, but in no event shall the bond be held beyond 90 days from date of downgrade.
- Fixed Income Sector Risk – The maximum commitment to U.S. corporate bonds in a separately managed bond portfolio is 50%. No non-U.S. bonds shall be purchased and any acquired as a result of mergers, re-organization, etc. shall be sold within 90 days unless it is imprudent to do so.

VI. Reporting / Performance Monitoring

The purpose of monitoring and reporting on investment performance is for the Board to be able to (a) ensure compliance with plan's policy and applicable law, (b) manage the risk of the portfolio, and (c) assess the performance of the total plan and investment managers retained by the Fund.

Quarterly reporting by investment manager On a quarterly basis, the Board of Trustees shall receive the following information:

- An outline of current strategy and investments;
- Investment managers' performance relative to the assigned benchmark index; and
- Separately managed investment managers' performance reported gross of fee and net of fee.

Quarterly reporting by the investment consultant On a quarterly basis the Board of Trustees shall receive the following information:

- Portfolio performance relative to the assigned benchmark/index and peer group; and
- Portfolio composition relative to the asset allocation policy.

Reports should contain the following:

- A review of performance relative to assigned benchmarks and peer groups for the most recent quarter end, for one-, three-, and five-year periods ending with the most recent quarter, and for the most recent period if not a quarter end. Performance relative to assigned benchmarks will be reported for the total portfolio, for each asset class, and for each investment manager.
- Both gross of fee and net of fee performance calculations shall be presented for separately managed investment managers.

Communications Listed below are the reports required and the appropriate individuals who will receive copies of these reports:

A. Custodial Monthly Statements	Village Finance Director and Investment Consultant
B. Consultant Quarterly Performance Reports	All Trustees
C. Investment Manager Quarterly Reports	Village Finance Director and Investment Consultant
D. Determination of Benefits	Village Finance Director and all Trustees

The Board, at minimum, expects to meet with the investment consultant quarterly.

It is the Board's responsibility to relate to the investment consultant and investment managers any changes that might affect the investment of the Fund's assets.

Appendix A
Ethics and Conflicts of Interest

Trustees and staff involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Trustees and staff shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Trustees and staff shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Fund.

In addition, the Board of Trustees or staff managing the investment manager contract should comply with the following ethical considerations:

- Adherence to all jurisdiction's and pension board's ethics laws, rules, and regulations related to procurement and involvement with contractors, including those related to political contributions; and
- Disclosure to Board of Trustees of any inherent or potential conflicts of interest in dealing with specific investment advisers prior to taking any official action.

Appendix B

Village of Winnetka
Internal Control Procedures
Promulgated by the Finance Director as of February 2019

Authorized Persons:

Persons authorized to purchase investments and release collateral:

Finance Director
Assistant Finance Director
Village Manager

Investment Transactions and Security Measures:

All investment transactions shall be processed, as delivery versus payment or DVP, to ensure that the Village ownership of securities purchased or sold is always clear. All Village investments shall be:

1) Held by a third party financial institution and evidenced by a safekeeping agreement in a form acceptable to the Village and the Village's independent auditors.

2) Purchased, sold, and held such that the lowest possible level of risk, as defined by the Governmental Accounting Standards Board (GASB), can be maintained for the investment.

The Village shall utilize security codes mutually agreed to by the Village and financial institutions to process investment transactions, collateral transactions, and wire transfers. At a minimum, these procedures shall include at least one of the following: passwords, taped phone conversations, call back on non-repetitive wire transfers, limiting authorized account numbers, and designation of repetitive transaction types.

Internal Controls:

The internal controls as stated in the policy will be performed monthly.

The Village Accountant or Assistant Finance Director shall prepare and initial monthly bank reconciliations within 60 days of the cut off statement date. The Finance Director shall approve of the monthly reconciliations by initialing and dating them.

The Village's investment consultant, who serves as a fiduciary of the Fund, shall prepare quarterly reports of the investment portfolio. The December investment performance reports shall be retained by the Pension Fund for a period of at least 5 years.

List of Authorized Investment Advisors, Investment Money Managers, and Financial Institutions

As of February 2019

1) Harris Bank
2) Any Federal Reserve Bank
3) Wells Fargo Bank
4) T. Rowe Price Associates
5) Wintrust Financial Corporation
6) AndCo Consulting
7) J.P. Morgan Chase
8) Seizert Capital Partners, LLC
9) ClearBridge Investments
10) American Funds
11) CS McKee Investment Managers
12) Garcia Hamilton Associates
13) Principal Real Estate Investors

Approved this 13 day of February, 2019 by the
Village of Winnetka Firefighters' Pension Board of Trustees

[redacted]