



## **MEETING NOTICE of POLICE and FIREFIGHTERS' PENSION BOARDS OF TRUSTEES**

There will be a joint meeting of the **Wilmette Police Pension Board of Trustees** and the **Wilmette Firefighters' Pension Board of Trustees** at **3:30 P.M. on Thursday, January 23, 2020**, at **Wilmette Fire Station #26** at 1304 Lake Avenue. The agenda will be as follows:

- I. CALL TO ORDER
- II. ROLL CALL
- III. PUBLIC COMMENT
- IV. APPROVAL OF MINUTES
  - a. Joint Meeting October 24, 2019
- V. PENSION TRUSTEE UPDATE
  - a. Review of 2020 Joint Pension Boards Quarterly Meeting Schedule
  - b. Review of Trustees' terms expiring in 2020
  - c. Reminder of Election on 3<sup>rd</sup> Monday in April
- VI. PENSION MEMBERSHIP CHANGES
  - a. Approval of new pension member(s)
  - b. Approval of new pensioner(s)
  - c. Approval of annual increase
  - d. Notification of the death of pensioner
  - e. Refund of member contribution
- VII. FINANCIAL DATA
  - a. Approval of disbursements
  - b. Presentation of summary of cash bank account activity
  - c. Presentation of cash flows
- VIII. INVESTMENT REPORT
  - a. Presentation of 2019 4th Quarter Investment results by Graystone Consulting
  - b. 2020 Outlook by Graystone Consulting
  - c. Asset allocation review and possible portfolio rebalance
  - d. Review Index Funds - Exchange Traded Funds (ETFs) and open-end Mutual Funds
  - e. Public Act 100-0542 disclosure
  - f. Discuss Opportunistic Equity Strategy
- IX. MISCELLANEOUS
  - a. Conference / Seminar / Training discussion and approval
  - b. Review and discussion of Public Act 101-0610 – Downstate Public Safety Pension Consolidation
  - c. Fire – Review and approval of formal engagement letter with Ottosen DiNolfo Hasenbalg & Castaldo, Ltd.
  - d. Fire disability matters - L. Burns Annual Evaluation for Disability Pension update
  - e. Police disability matters - Officer S. Walker non-duty Disability Application update
- X. NEW, OLD, UNFINISHED BUSINESS
- XI. ADJOURNMENT

Christopher Canning, President  
Firefighters' Pension Board

David Farina, President  
Police Pension Board

January 15, 2020

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If you are a person with a disability and need special accommodations to attend and/or participate in a Village of Wilmette public meeting, please notify the Management Services Department at 251-2700 (TDD# 853-7634) as soon as possible.

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**MINUTES OF THE BOARD OF TRUSTEES MEETING  
WILMETTE FIRE PENSION FUND  
October 24th, 2019**

This was a meeting of the Wilmette Fire Pension Fund.

Location:

The Wilmette Fire Department Station 26 Training Room. 1304 Lake Ave Wilmette, IL 6091

**I. CALL TO ORDER**

The meeting was called to order at 3:35 PM.

**II. ROLL CALL**

The roll call showed the following members present:

Mr. Canning	President
Ms. Molloy	Treasurer
Mr. Grajewski	
Mr. Mitchell	
Mr. Weglarz	

Members Absent:

None

**III. PUBLIC COMMENT**

a. None

**IV. APPROVAL OF MINUTES**

a. Mr. Mitchel made a motion to accept the minutes of the July 24<sup>th</sup>, 2019 meeting, Mr. Weglarz seconded. All present voted aye: The motion carried.

**V. PENSION TRUSTEE UPDATE**

a. OPA training. Barb Hirsch retired

**VI. PENSION MEMBERSHIP CHANGES**

a. Approval of new pensioner(s)

i. Lou Klausing retired 7/4/19. Mr. Mitchel made a motion to approve the new pensioner, Mr. Weglarz seconded. All present voted aye. The motion carried.

b. Approval of annual increase

i. Tim Ludford. Mr. Mitchel made a motion to approve the increase, Mr. Weglarz seconded. All present voted aye. The motion carried.

c. Notification of the death of a pensioner

i. Marlene Schoden

d. Refund of member contribution

i. None

- e. Letter for new employees Ted Garard and Jay Caffie.

## VII. FINANCIAL DATA

- a. Approval of Disbursements
  - i. Mr. Mitchell made a motion to approve the disbursements, Mr. Weglarz seconded. All present voted aye: The motion carried.
- b. Presentation of summary of cash bank account activity.
- c. Notification of Filing Annual Reports is done
- d. Presentation of cash flows

## VIII. INVESTMENT REPORT

- a. Manager review: Columbia Acorn. Matt Lafin-Lead portfolio manager, Erica Mashmeyer-Portfolio Manager, and Mike Matarozu-Relationship Manager
- b. Motion by Mitchel second by Weglarz. All voted aye. to move \$500k out of large cap vanguard to cash Northshore account. Motion by Mitchel second Weglarz In mid-December move \$500k out of large cap and \$400k out of London Small Cap and move half of the proceeds to flex fixed SKBA (\$450k is estimate) and half to weaver (\$450k) to rebalance money out of equities large cap Vanguard. Mid-December.  
Moved to amend motion by Mitchel second by Weglarz to mirror the police motion and have the percentages closest to the DOI target allocation.

## IX. MISCELLANEOUS

- a. Conference seminars-IPFA conference is on 11/1/19.
- b. Packet and review and today's meeting is 10 hours of CE.

## X. NEW, OLD, UNFINISHED BUSINESS.

- a. January 23 April 23, 7/23, 1022 for meetings in 2020.
- b. Marcia Rangel-need death certificate to release the final check.
- c. Mitchel moved to adopt the resolution to say no to consolidation. Seconded by Weglarz. All vote aye. Motion passed.

## XI. ADJOURNMENT

- a. Trustee Mitchell made a motion to adjourn the meeting, Trustee Weglarz seconded. All present voted aye, meeting adjourned at 5:30 PM

# MINUTES OF THE BOARD OF TRUSTEES MEETING

## WILMETTE POLICE PENSION FUND

October 24, 2019

This was a joint meeting of the Wilmette Police Pension Board of Trustees and the Wilmette Firefighters' Pension Board of Trustees.

Location: The Wilmette Fire Department Station #26 Training Room, 1304 Lake Ave., Wilmette Illinois.

I. CALL TO ORDER. The meeting was called to order at 3:40 PM.

II. ROLL CALL.

The roll call showed the following members present:

Mr. Farina	President (left at approximately 5:00 PM)
Mr. Kinzel	Vice President
Mr. Collins	Secretary
Mr. Clark	Active Member
Mr. Paulson	Retired Member (arrived at 3:55 PM)

The roll call showed the following members absent:

None

III. PUBLIC COMMENT.

There was no public comment.

IV. APPROVAL OF MINUTES

Mr. Clark moved to approve the Minutes for the Joint Meeting on July 25, 2019 without modifications, adjustments, clarifications, comments. Mr. Kinzel seconded the motion. No further discussion occurred on the motion. Voting yes: Trustees Farina, Kinzel, Collins, and Clark. Voting no: none. **The motion carried approving the Minutes for the Joint Meeting on July 25<sup>th</sup>, 2018 without modifications, adjustments, clarifications, comments.**

V. PENSION TRUSTEE UPDATE

a. Reminder – Open Meetings Act and Freedom of Information Act Training – Finance Director Molloy reminded the Board about this training is available on Illinois Attorney General's website. Certificate of completion need to be sent to Mr. Collins and Deputy Village Clerk Karen Norwood.

VI. PENSION MEMBERSHIP CHANGES

- a. Approval of new pension member(s) – No Action Needed
- b. Notice of new pensioner(s) – No Action Needed
- c. Approval of annual increase – No Action Needed.

# MINUTES OF THE BOARD OF TRUSTEES MEETING

## WILMETTE POLICE PENSION FUND

October 24, 2019

- d. Notification of the death of pensioner. No Action Needed.
- e. Refund of member contribution.
  - i. Tyler Mortensen Resigned on 09/27/2019. His date of hire was 01/02/2018. Refund amount is to be determined.
- f. Other
  - i. Sam Walker – Resigned to IMRF position on 08/16/2019. His date of hire was 01/02/2018. He filed for a Not on Duty Disability Pension (3-114.2) on July 17, 2019.

### VII. FINANCIAL DATA

#### a. Approval of Disbursements

The Pension Board discussed and reviewed the disbursements for the 3rd quarter of 2019 totaling \$9,681.75. Disbursements included payments for investment management fees to SKBA Capital Mgmt & Weaver Barksdale, for actuarial services to Foster & Foster; for Certified Trustee training for Mr. Paulson to Illinois Public Pension Fund Association and for professional accounting services to K. Krueger.

Mr. Kinzel moved to approve the disbursements for the third quarter of 2019. Mr. Collins seconded the motion. No further discussion occurred on the motion. Voting yes: Trustees Farina, Kinzel, Collins, Clark and Paulson. Voting no: none. **The motion carried approving the disbursements for the third quarter of 2019.**

#### b. Presentation of summary of cash bank account activity.

Finance Director Melinda Molloy reviewed the 2019 North Shore Community Bank Activity Report.

#### c. Presentation of cash flows

Director Molloy reviewed cash flow projections for the remainder of 2019 and beginning of 2020. It was noted that the Police Pension Fund would be short. The Fund would need to make an adjustment this meeting to meet the obligation for the upcoming months.

#### d. Notification of Filing of Annual Statements to Illinois Department of Insurance – Director Molloy related that it was completed.

### VIII. INVESTMENT REPORT

# MINUTES OF THE BOARD OF TRUSTEES MEETING

## WILMETTE POLICE PENSION FUND

October 24, 2019

- a. Presentation of 2019 3rd Quarter Investment results by Graystone Consulting representative Mr. Tom McShane.  
Mr. McShane reviewed the Asset Class Index and overview for the 3<sup>rd</sup> Quarter. Mr. McShane related that the risk of recession is there but doesn't see it coming in the next couple of quarters.
- b. Discuss and approve strategy to fund cash flow needs by Graystone Consulting  
Director Molloy reviewed the cash flow needs and recommended \$700,000 be deposited into North Shore Community Bank Account. Mr. McShane reviewed the asset allocation table for Wilmette Fire and Police Pension Funds. The Police Fund is 66.56% equity and 33.44%.

Mr. Clark motioned in order to fund cash flow needs, \$700,000 will be taken out of Vanguard Large Cap Equity and deposited into North Shore Community Bank Police Pension Fund Account. Mr. Kinzel seconded the motion. No further discussion occurred on the motion. Voting yes: Trustees Kinzel, Collins, Clark and Paulson. Voting no: none. **The motion carried approving the motion in order to fund cash flow needs, \$700,000 will be taken out of Vanguard Large Cap Equity and deposited into North Shore Community Bank Police Pension Fund Account.**

- c. Asset allocation review and possible portfolio rebalance  
The Board discussed the current asset allocation and that adjustments may need to be done to be in compliance with the statute requirements of 65% equity and 35% fixed if the allocation for equity is greater than 65% at year end. If the allocation for equity is less than 65%, there would be no adjustment.  
Mr. Clark motioned to give authority to Director Molloy and Mr. McShane to re-balance the allocation of the Wilmette Police Pension Fund to the statutory requirement of 65% equity and 35% fixed if the allocation for equity of over 65% at year-end by taking the overbalance amount and putting 50% of the overbalance amount into SKBA and 50% of the overbalance amount into Weaver. Mr. Kinzel seconded the motion. No No further discussion occurred on the motion. Voting yes: Trustees Kinzel, Collins, Clark and Paulson. Voting no: none. **The motion carried giving authority to Director Molloy and Mr. McShane to re-balance the allocation of the Wilmette Police Pension Fund to the statutory requirement of 65% equity and 35% fixed if the allocation for equity of over 65% at year-end by taking the overbalance amount and**

# MINUTES OF THE BOARD OF TRUSTEES MEETING

## WILMETTE POLICE PENSION FUND

October 24, 2019

**putting 50% of the overbalance amount into SKBA and 50% of the overbalance amount into Weaver.**

- d. Manager Review – Columbia Acorn Mid Cap Equity Fund  
Matt Litfin, Erika Maschmeyer and Mike Matarazzo from Columbia Acorn reviewed the company philosophy, quality growth, and its overall performance. They went through the process of selecting stocks and their process of review.
- IX. MISCELLANEOUS
- a. Conference / Seminar / Training discussion and approval
    - i. Training Request. No action needed.
    - ii. October 24, 2019 Joint Meeting is 10.0 hours of training.
    - iii. Training Documents Distributed.
      - 1. Reimer Dobrovolny & Karlson LLC October Newsletter
      - 2. IPPFA Suburban and Downstate Police Pension Benefits presentation
      - 3. IPPFA Social Security and Government Pensions presentation
      - 4. IPPFA Retirement Healthcare Funding presentation
      - 5. Report to Governor JB Pritzker – Illinois Pension Consolidation Feasibility Task Force
      - 6. A “Pension Crisis” Mentality Won’t Help: Thinking Differently About Illinois’ Retirement Systems
      - 7. Is Consolidating the Assets of Illinois’ Public Pension Funds A Good Idea? 10/16/19 Amanda Kass
      - 8. Life Preservers or Anchors? Illinois Pension Intercept – Associated Fire Fighters of Illinois presentation
      - 9. IML memo on Consolidation; Groom Law Group memo on Consolidation
      - 10. Amortization Issues: A Major Source of Underfunding by Foster and Foster

# MINUTES OF THE BOARD OF TRUSTEES MEETING

## WILMETTE POLICE PENSION FUND

**October 24, 2019**

11. Associated Firefighters of Illinois 2019 Annual Pension Seminar presentation – Reports on Financial Condition & Public Safety Employee Benefit Act

12. FY2020 General Fund Budget and Pension Overview – Center for Tax and Budget Accountability

13. The State of Public Pensions: 2018 NCPERS PRS Study – national Conference on Public Employee Retirement Systems

14. Legal Insights for Pension Boards of Ottosen Britz Kelly Cooper Gilbert & Dinolfo Ltd.

- b. 2020 Meeting Schedule
  - i. January 23, 2020
  - ii. April 23, 2020 (Election April 20th, 2020)
  - iii. July 23, 2020
  - iv. October 22, 2020

- c. Review of LifeStatus 360 Services  
Board reviewed LifeStatus 360 death audit service.

Mr. Clark motioned to authorize Lauternbach and Amen, LLP to share data with the LifesStatus 360 in order to complete death audit service. Mr. Kinzel seconded the motion. No further discussion occurred on the motion. Voting yes: Trustees Kinzel, Collins, Clark and Paulson. Voting no: none. **The motion carried authorizing Lauternbach and Amen, LLP to share data with the LifesStatus 360 in order to complete death audit service.**

- d. Semi-Annual Review of closed session minutes – No Action Needed.

- e. Police disability matters updates. The Board reviewed the application for disability Pension Benefits – Not on-duty of Officer S. Walker that was submitted on July 17, 2019.
  - i. The Board discussed the application and retaining Reimer & Dobrovolny PC to review the application and manage the disability claim and hearing for Officer S. Walker.

Mr. Clark motioned to approve the retainment of Reimer & Dobrovolny PC to review the Application for Not- on duty Disability

# MINUTES OF THE BOARD OF TRUSTEES MEETING

## WILMETTE POLICE PENSION FUND

October 24, 2019

Pension Benefits of Officer S. Walker and the managing of the Disability Claim and Disability Hearing for Officer S. Walker. Mr. Paulson seconded the motion. No further discussion occurred on the motion. Voting yes: Trustees Kinzel, Collins, Clark and Paulson. Voting no: none. **The motion carried authorizing the approval of retaining Reimer & Dobrovolny PC to review the Application for Not- on duty Disability Pension Benefits of Officer S. Walker and the managing of the Disability Claim and Disability Hearing for Officer S. Walker.**

- ii. The Board discussed the medical examination options: independent medical reviews or independent medical examinations that are available to the Board. The Board related that the independent medical examinations option was what was done in the past disability applications and should stay with this procedure.

Mr. Collins motioned to authorize Reimer & Dobrovolny PC to contact INSPE Associates LTD to select three doctors who will do full independent medical examinations and evaluations. Mr. Paulson seconded the motion. No further discussion occurred on the motion. Voting yes: Trustees Kinzel, Collins, Clark and Paulson. Voting no: none. **The motion carried authorizing Reimer & Dobrovolny PC to contact INSPE Associates LTD to select three doctors who will do full independent medical examinations and evaluations.**

- f. Review, discussion and possible approval of a Resolution Regarding Consolidation of Pension Funds.  
The Board reviewed the Resolution Regarding Consolidation of Pension Funds that was provided by the Illinois Public Pension Fund Association (IPPPFA). IPPFA has request public pension funds to adopt the resolution and send it back to IPPFA to be sent to legislatures.

Mr. Kinzel motioned to adopt the IPPFA Resolution Regarding Consolidation of Pension Funds and have it sent to the legislature by the IPPFA. Mr. Paulson seconded the motion. No further discussion occurred on the motion. Voting yes: Trustees Kinzel, Collins, Clark and Paulson. Voting no: none. **The motion carried authorizing the adoption the IPPFA Resolution Regarding Consolidation of Pension Funds and have it sent to the legislature by the IPPFA.**

# MINUTES OF THE BOARD OF TRUSTEES MEETING

## WILMETTE POLICE PENSION FUND

October 24, 2019

X. NEW, OLD, UNFINISHED BUSINESS. None

XI. ADJOURNMENT

Mr. Kinzel moved to adjourn. Mr. Clark seconded the motion. No further discussion occurred on the motion. Voting yes: Trustees Kinzel, Collins, Clark and Paulson. Voting no: none. **The motion carried and the meeting was adjourned at 5:52 PM.**

## 2020 Proposed Joint Pension Boards Quarterly Meeting Schedule

<b>Meeting Date</b>	<b>Business to conduct</b>
01/23/20  Meeting with Investment Consultant  Meeting with Investment Manager	Routine quarterly business ** Annual Pension Increases Investment Performance - 2019 4th Q Review 2020 Outlook Manager Review Sub-committee Reports
04/20/20 Election	3rd Monday in April
04/23/20  Meeting with Investment Consultant Meeting with Investment Manager	Routine quarterly business ** Ratification of active trustee elections Investment Performance - 2020 1st Q Review Manager Review Asset Allocation Review Presentation of Actuary Report Sub-committee Reports
07/23/20  Meeting with Investment Consultant Meeting with Investment Manager	Routine quarterly business ** Election of President & Secretary Investment Performance - 2020 2nd Q Review Manager Review Presentation of IDOI Report Sub-committee Reports
10/22/20  Meeting with Investment Consultant Meeting with Investment Manager	Routine quarterly business ** Proposed Meeting schedule for next year Investment Performance - 2020 3rd Q Review Manager Review Asset Allocation Review Sub-committee Reports

\*\* Routine quarterly business would consist of approvals of minutes, approvals of new members, approvals of service plan acceptances of continuing disability reports, approvals of contribution refunds, approvals of surviving spouse pension

**Village of Wilmette  
Fire Pension  
Membership Changes  
4th Quarter 2019**

<b>New Pension Members:</b>	<b>Start Date</b>
Garard, Edward "Ted"	9/30/2019
Caffie, Jeremy "Jay"	1/21/2019

<b>New Pensioners:</b>	<b>Start Date</b>
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<b>Initial Increases:</b>	<b>Start Date</b>
John Ramaker	12/1/2019

<b>Deceased:</b>	<b>End Date</b>
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<b>Refunds:</b>	<b>Date</b>	<b>Amount</b>
N/A		

**Other:**  
N/A

**John Ramaker**

**Pension Increase**

Effective 12/1/2019

Retirement Date 3/7/2016

Birth Date 11/9/1964

Date Attained Age 55 11/9/2019

Number of Full Years Retired Upon Attaining Age 55 4 years, 8 months, 2 days

Percentage Increase (3% X each full year retired) 14.00%

Base Monthly Pension (current pension) 5,088.03

Initial Increase (percentage increase X base mo. Pension) 712.32

**New Monthly Pension Amount 5,800.35**

**Village of Wilmette  
Police Pension  
Membership Changes  
4th Quarter 2019**

**New Pension Members:**                      **Start Date**  
N/A

**New Pensioners:**                              **Start Date**  
N/A

**Initial Increases:**                              **Start Date**  
N/A

**Deceased:**                                        **End Date**  
N/A

<b>Refunds:</b>	<b>Date</b>		<b>Amount</b>
Tyler Mortensen <i>Resigned 9/27/2019, DOH: 1/2/2018</i>	10/31/2019	\$	13,761.40

**Other:**  
Arlene Walsh, Ex-wife of Dan Walsh QUILDRO                      \$1000/mo. for 20 years  
*\*payments to begin once paperwork requested received*

**Village of Wilmette Firemen's Pension Fund**  
**Disbursements other than Pension Benefits**  
**4th Quarter - 2019**

<u>Payee</u>	<u>Amount</u>	<u>Description</u>
Morgan Stanley Smith Barney	5,491.86	Investment Consulting Fee - 3rd quarter
Morgan Stanley Smith Barney	3,261.10	Investment Management Fee - London - 3rd Quarter
Morgan Stanley Smith Barney	5,619.16	Investment Consulting Fee - 4th quarter
Morgan Stanley Smith Barney	3,430.89	Investment Management Fee - London - 4th Quarter
Weaver Barksdale	2,559.52	Investment Management Fee - Fixed Income A/C - 4th Quarter
SKBA Capital Mgmt.	4,220.67	Investment Management Fee - Fixed Income A/C - 4th Quarter
Ottosen, Britz, Kelly, Cooper & Gilbert	185.90	Legal fees - re: Burns Disability
Ottosen, Britz, Kelly, Cooper & Gilbert	67.50	Legal fees - re: Q4 meeting prep
IGFOA IL Public Pension/OPEB Institute	120.00	2019 IL Public Pension Institute - Molloy, Melinda
IPFA seminar	185.00	Certified Trustee Pension Training - Mitchell, Mark
Krueger, Kathy	600.00	October Professional Accounting Services
<b>Total</b>	<b>25,741.60</b>	

**Village of Wilmette Police Pension Fund**  
**Disbursements other than Pension Benefits**  
**4th Quarter - 2019**

<u>Payee</u>	<u>Amount</u>	<u>Description</u>
Morgan Stanley Smith Barney	5,513.75	Investment Consulting Fee - 3rd quarter
Morgan Stanley Smith Barney	3,395.33	Investment Management Fee - London - 3rd Quarter
Morgan Stanley Smith Barney	5,463.53	Investment Consulting Fee - 4th quarter
Morgan Stanley Smith Barney	3,513.74	Investment Management Fee - London - 4th Quarter
Weaver Barksdale	2,783.68	Investment Management Fee - Fixed Income A/C - 4th Quarter
SKBA Capital Mgmt.	4,503.38	Investment Management Fee - Fixed Income A/C - 4th Quarter
Reimer & Karlson LLC	1,259.54	Legal fees - re: Sam Walker disability matter
Inspe Associates LTD	2,502.00	Medical review - re: Sam Walker disability matter
Krueger, Kathy	600.00	October Professional Accounting Services
<b>Total</b>	<b>29,534.95</b>	

**2019 North Shore Community Bank Activity Report**

Employee Contributions	36,601.36	38,772.73
Property Tax Collections	3,890.95	3,001.60
Pension Payroll	(344,402.57)	(298,510.14)
Investment Transfer	-	-
Expense Reimb. To General Fund	(14,558.52)	(15,149.57)
Bank Charges	-	-
Interest Credit	1,455.37	701.36
<b>1/31 Balances</b>	<b>468,195.53</b>	<b>111,724.66</b>
Employee Contributions	37,135.61	38,984.34
Property Tax Collections	417,384.98	321,982.68
Pension Payroll	(345,439.67)	(300,641.41)
Investment Transfer	-	250,000.00
Other - Record Copy Services / Fire Copy	-	-
Expense Reimb. To General Fund	(2,600.87)	-
Bank Charges	-	-
Interest Credit	808.70	702.29
<b>2/28 Balances</b>	<b>575,484.28</b>	<b>422,752.56</b>
Employee Contributions	37,084.42	40,824.11
Property Tax Collections	988,982.25	762,929.21
Pension Payroll	(345,439.67)	(300,507.11)
Expense Reimb. To General Fund	(11,517.43)	(12,190.17)
Bank Charges	-	-
Interest Credit	2,488.26	1,986.04
<b>3/31 Balances</b>	<b>1,247,082.11</b>	<b>915,794.64</b>
Employee Contributions	37,112.36	39,591.50
Property Tax Collections	51,980.40	40,099.19
Pension Payroll	(345,439.67)	(298,786.07)
Expense Reimb. To General Fund	(7,039.50)	(7,029.00)
Bank Charges	-	-
Interest Credit	5,848.88	2,005.24
<b>4/30 Balances</b>	<b>989,544.58</b>	<b>691,675.50</b>
Employee Contributions	37,016.02	39,508.28
Property Tax Collections	20,441.23	15,768.93
Pension Payroll	(345,439.67)	(298,786.07)
Transfer to Morgan Stanley	-	-
Expense Reimb. To General Fund	(25,271.40)	(25,666.46)
Bank Charges	-	-
Interest Credit	2,018.99	1,414.26
<b>5/31 Balances</b>	<b>678,309.75</b>	<b>423,914.44</b>
Employee Contributions	37,131.90	39,532.94
Property Tax Collections	1,000.98	772.18
Pension Payroll	(341,477.87)	(298,709.31)
Expense Reimb. To General Fund	(1,190.00)	(1,190.00)
Bank Charges	-	-
Interest Credit	1,252.41	789.32
<b>6/30 Balances</b>	<b>375,027.17</b>	<b>165,109.57</b>
Employee Contributions	36,266.08	39,635.02
Property Tax Collections	559,115.42	511,525.00
Pension Payroll	(346,884.50)	(298,709.31)
Expense Reimb. To General Fund	(2,015.00)	(2,015.00)
Bank Charges	-	-
Interest Credit	1,060.09	568.19
<b>7/31 Balances</b>	<b>622,569.26</b>	<b>416,113.47</b>
Employee Contributions	36,270.41	39,558.61
Property Tax Collections	707,513.29	573,662.66
Pension Payroll	(344,941.73)	(298,709.31)
Expense Reimb. To General Fund	(675.00)	(800.00)
Bank Charges	-	-
Interest Credit	2,370.89	1,752.11
<b>8/31 Balances</b>	<b>1,023,107.12</b>	<b>731,577.54</b>
Employee Contributions	36,380.68	38,765.37
Property Tax Collections	1,986.81	1,610.92
Pension Payroll	(344,123.39)	(298,709.31)
Expense Reimb. To General Fund	-	-
Bank Charges	-	-
Interest Credit	1,854.28	1,323.61
<b>9/30 Balances</b>	<b>719,205.50</b>	<b>474,568.13</b>
Employee Contributions	37,136.11	38,372.45
Property Tax Collections	33,254.36	27,018.15
Pension Payroll	(344,123.39)	(312,470.71)
Investment Transfer	500,000.00	700,000.00
Expense Reimb. To General Fund	(9,400.57)	(9,004.81)
Bank Charges	-	-
Interest Credit	1,282.63	847.51
<b>10/31 Balances</b>	<b>937,354.64</b>	<b>919,330.72</b>
Employee Contributions	37,154.57	38,260.54
Property Tax Collections	13,283.02	10,782.00
Pension Payroll	(344,123.39)	(298,709.31)
Other - Record Copy Services / Fire Copy	-	-
Expense Reimb. To General Fund	(658.40)	(600.00)
Bank Charges	-	-
Interest Credit	1,370.65	1,352.84
<b>11/30 Balances</b>	<b>644,381.09</b>	<b>670,416.79</b>
Employee Contributions	37,152.96	38,293.57
Property Tax Collections	8,936.07	7,266.00
Pension Payroll	(344,835.71)	(298,709.31)
Investment Transfer	2,000,000.00	1,500,000.00
Investment Transfer Service Fee	-	-
Expense Reimb. To General Fund	-	-
Bank Charges	-	-
Interest Credit	2,610.13	1,606.40
<b>12/31/2018 Balances</b>	<b>2,348,244.54</b>	<b>1,918,873.45</b>

## Cash Flow Projections - 2019 & 2020

For discussion purposes to determine draws from investment earnings

<b>Firefighters Pension Fund</b>													
	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2020
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Est.
	January	February	March	April	May	June	July	August	September	October	November	December	January
<b>Information for Jan 2020 Meeting</b>													
Beg. Bal.	785,208.94	468,195.53	575,484.28	1,247,082.11	989,544.58	678,309.75	375,027.17	622,569.26	1,023,107.12	719,205.50	937,354.64	644,381.09	2,348,244.54
Employee Contribution	36,601	37,136	37,084	37,112	37,016	37,132	36,266	36,270	36,381	37,136	37,155	37,153	37,100
Property Tax Collections	3,891	417,385	988,982	51,980	20,441.23	1,000.98	559,115.42	707,513	1,986.81	33,254.36	13,283.02	8,936.07	-
Earnings / Investment transfer	1,455	809	2,488	5,848.88	2,018.99	1,252.41	1,060.09	2,370.89	1,854.28	501,282.63	1,370.65	2,002,610.13	-
Regular Pension Payroll	(344,403)	(345,440)	(345,440)	(345,440)	(345,440)	(341,478)	(346,885)	(344,942)	(344,123)	(344,123)	(344,123)	(344,836)	(363,600)
Other Expenses	(14,559)	(2,601)	(11,517)	(7,040)	(25,271)	(1,190)	(2,015)	(675)	-	(9,401)	(658)	-	(20,000)
Ending Bal.	468,195.53	575,484.28	1,247,082.11	989,544.58	678,309.75	375,027.17	622,569.26	1,023,107.12	719,205.50	937,354.64	644,381.09	2,348,244.54	2,001,744.54

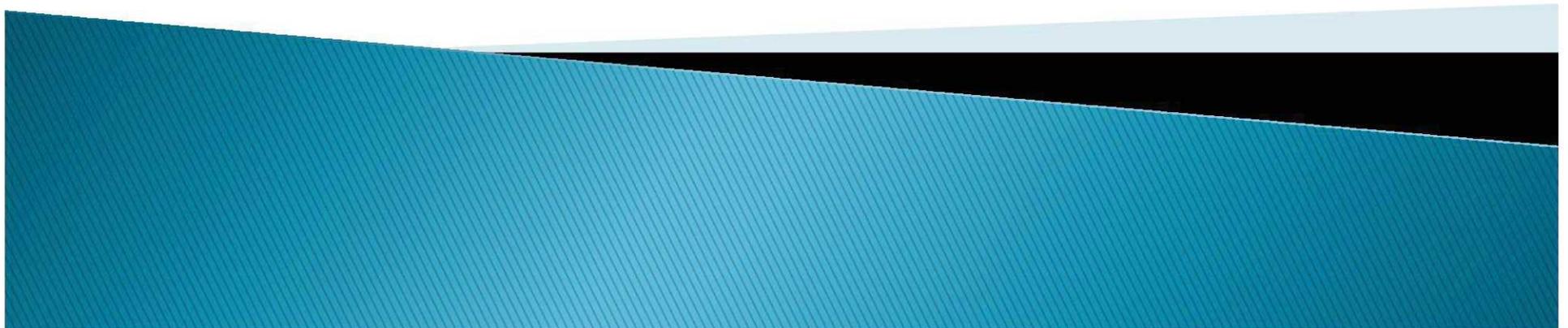
<b>Firefighters Pension Fund</b>													
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2021
	Est	Est.											
	January	February	March	April	May	June	July	August	September	October	November	December	January
<b>Information for Jan 2020 Meeting</b>													
Beg. Bal.	2,348,244.54	1,989,494.54	3,058,713.48	2,698,381.24	2,338,076.93	1,977,676.28	1,617,391.52	1,256,240.93	2,324,594.67	1,928,460.64	1,568,180.08	1,207,917.98	847,654.28
Employee Contribution	38,667	37,136	37,084	37,112	37,016	37,132	36,266	36,270	1,283	37,136	37,155	37,153	37,100
Property Tax Collections	-	1,429,500	-	-	-	-	-	1,429,500	-	-	-	-	-
Earnings / Investment transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
Regular Pension Payroll	(383,333)	(383,333)	(383,333)	(383,333)	(383,333)	(383,333)	(383,333)	(383,333)	(383,333)	(383,333)	(383,333)	(383,333)	(363,600)
Other Expenses	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(20,000)
Ending Bal.	1,989,494.54	3,058,713.48	2,698,381.24	2,338,076.93	1,977,676.28	1,617,391.52	1,256,240.93	2,324,594.67	1,928,460.64	1,568,180.08	1,207,917.98	847,654.28	501,154.28

<b>Police Pension Fund</b>													
	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2020
	Actual	Est.											
	January	February	March	April	May	June	July	August	September	October	November	December	January
<b>Information for Jan 2020 Meeting</b>													
Beg. Bal.	382,908.88	111,724.66	422,752.56	915,794.64	691,675.50	423,914.44	165,109.57	416,113.47	731,577.54	474,568.13	919,330.72	670,416.79	1,918,873.45
Employee Contribution	38,773	38,984	40,824	39,592	39,508	39,533	39,635	39,559	38,765	38,372	38,261	38,294	39,200
Property Tax Collections	3,002	321,983	762,929	40,099	15,769	772	511,525	573,663	1,610.92	27,018.15	10,782.00	7,266.00	-
Earnings / Investment transfer	701	250,702	1,986	2,005	1,414	789	568	1,752.11	1,323.61	700,847.51	1,352.84	1,501,606.40	-
Regular Pension Payroll	(298,510)	(300,641)	(300,507)	(298,786)	(298,786)	(298,709)	(298,709)	(298,709)	(298,709)	(312,471)	(298,709)	(298,709)	(318,300)
Other Expenses	(15,150)	-	(12,190)	(7,029)	(25,666)	(1,190)	(2,015)	(800)	-	(9,005)	(600)	-	(26,000)
Ending Bal.	111,724.66	422,752.56	915,794.64	691,675.50	423,914.44	165,109.57	416,113.47	731,577.54	474,568.13	919,330.72	670,416.79	1,918,873.45	1,613,773.45

<b>Police Pension Fund</b>													
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2021
	Est	Est	Est.										
	January	February	March	April	May	June	July	August	September	October	November	December	January
<b>Information for Jan 2020 Meeting</b>													
Beg. Bal.	1,918,873.45	1,606,123.45	2,481,873.45	2,169,123.45	1,856,373.45	1,543,623.45	1,230,873.45	918,123.45	1,793,873.45	1,481,123.45	1,168,373.45	855,623.45	542,873.45
Employee Contribution	40,833	40,833	40,833	40,833	40,833	40,833	40,833	40,833	40,833	40,833	40,833	40,833	39,200
Property Tax Collections	-	1,188,500	-	-	-	-	-	1,188,500	-	-	-	-	-
Earnings / Investment transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
Regular Pension Payroll	(339,500)	(339,500)	(339,500)	(339,500)	(339,500)	(339,500)	(339,500)	(339,500)	(339,500)	(339,500)	(339,500)	(339,500)	(318,300)
Other Expenses	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(14,083)	(26,000)
Ending Bal.	1,606,123.45	2,481,873.45	2,169,123.45	1,856,373.45	1,543,623.45	1,230,873.45	918,123.45	1,793,873.45	1,481,123.45	1,168,373.45	855,623.45	542,873.45	237,773.45

# Capital Markets Overview

4Q19



# Asset Class Index Performance

## Capital Market Returns

As of December 31, 2019; Private Real Estate as of September 30, 2019

ASSET CLASS	INDEX IN USD	1-MONTH	YTD	1-YR	3-YR ANN	5-YR ANN
<b>Global Equity</b>						
Global Equity	MSCI All Country World	3.6%	27.3%	27.3%	13.0%	9.1%
US Equity	S&P 500	3.0%	31.5%	31.5%	15.2%	11.7%
International Equity	MSCI All Country World ex US	4.4%	22.1%	22.1%	10.4%	6.1%
Emerging Markets Equity	MSCI Emerging Markets	7.5%	18.9%	18.9%	12.0%	6.1%
<b>Global Fixed Income</b>						
Investment Grade Fixed Income	Barclays US Aggregate	-0.1%	8.7%	8.7%	4.0%	3.0%
Inflation-Linked Securities	Barclays Universal Govt Inflation-Linked	-0.4%	8.2%	8.2%	3.8%	4.2%
High Yield	Barclays Global High Yield (H)	2.3%	13.3%	13.3%	6.1%	6.5%
Emerging Markets Fixed Income	JP Morgan EM Bonds (UH in USD)	4.1%	13.5%	13.5%	2.8%	1.7%
<b>Alternative Investments</b>						
Global REITs	FTSE EPRA/NAREIT Global REITs	1.7%	23.6%	23.6%	10.3%	6.8%
Commodities	Bloomberg Commodities	5.0%	7.7%	7.7%	-0.9%	-3.8%
MLPs	Alerian MLP	8.5%	6.6%	6.6%	-4.4%	-7.4%
Hedged Strategies	HFRX Global Hedge Fund Index	1.3%	8.7%	8.7%	2.4%	1.2%
Managed Futures	HFRX Macro/CTA Index	0.6%	5.1%	5.1%	1.4%	-0.3%
Private Real Estate	NCREIF Private Real Estate	-	4.8%	6.2%	6.8%	8.6%
<b>Global Cash</b>						
Cash	Citigroup 3-month Treasury Bill	0.1%	2.3%	2.3%	1.7%	1.0%
<b>Other Fixed Income</b>						
Municipal Fixed Income	Barclays Municipal Bond	0.3%	7.5%	7.5%	4.7%	3.5%

Source: FactSet, Morgan Stanley Wealth Management GIC. For more information about the risks to Master Limited Partnerships (MLPs), please refer to the Risk Considerations section at the end of this material.

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# Capital Markets Overview: 4Q 2019

## Introduction

Quarterly Update as of December 31, 2019 and Forecasts as of November 29, 2019

- The S&P 500 capped off an historic year for returns in the fourth quarter with its strongest finish since 2013. Equities were up 9.07% on the quarter and gained 32.6% in 2019. International markets underperformed the US slightly, though still performed nicely. MS & Co.'s CIO and Chief US Equity Strategist, Mike Wilson, has raised his price target to 3,000 for the S&P 500 into 2020 and expects range-bound trading over the next year, as unrealistic expectations for corporate earnings and already stretched valuations may pressure equity returns.
- US equities rose in the fourth quarter, as the S&P 500 gained 9.07% and 10 of 11 sectors finished in the black. Tech led, gaining 14.40%. Other outperformers included Health Care and Financials, which were up 14.37% and 10.44%, respectively. Real Estate was the only money loser, falling 0.54%. Utilities trailed as well, up only 0.80%. Other major US indices were positive on the quarter; the Dow Jones added 6.67% and the NASDAQ gained 12.49%.
- International underperformed slightly in the fourth quarter, as the US continued its market leadership. International markets rose on positive trade news and incremental improvement in European economic data. The MSCI EAFE Index (a benchmark for international developed markets) added 8.21% for US-currency investors.
- The bond market was flat in the fourth quarter as the Fed meeting expectations and improving sentiment surrounding global growth kept bond yields steady to slightly higher across the curve. The Bloomberg Barclays US Aggregate Bond Index, a general measure of the bond market, rose 0.18%.
- Morgan Stanley & Co. economists expect US real GDP will be 1.7% in Q4 2019 amid an environment of 2.9% global GDP growth; they expect that pace to accelerate in the US and globally for 2020 to 1.8% and 3.2%, respectively.
- Commodities were up in the fourth quarter; the Bloomberg Commodity Index gained 4.0%.

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

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# Capital Markets Overview: 4Q 2019

## The US Economy

Quarterly Update as of December 31, 2019 and Forecasts as of November 29, 2019

The Bureau of Economic Analysis estimated that real Gross Domestic Product increased at an annualized rate of 2.1% in 3Q19, in comparison to a 2.0% increase in 2Q19. Morgan Stanley & Co. economists forecast US Real GDP growth will be 1.7% in Q4 2019 and 1.8% in 2020.

The seasonally adjusted unemployment rate for November 2019 was 3.5%, the cycle low. The number of unemployed was 5.8 million in November, down from 6.0 million in August. The number of long-term unemployed (those jobless for 27 weeks or more) was 1.2 million, unchanged from August 2019's 1.2. These individuals accounted for 21.1% of the unemployed vs. 20.6% at the end of August 2019.

According to the most recent data from the Federal Reserve Bank of St. Louis, corporate profits rose 0.6% quarter over quarter and fell 0.3% year over year as of Q3 2019.

Inflation was accelerated slightly in the US, according to the Bureau of Labor Statistics. The year-over-year Consumer Price Index was 2.1% in November, up from 1.8% in October. Morgan Stanley & Co. economists forecast a 2.0% annual inflation rate for Q4 2019 and 2.4% for 2020.

The Census Bureau reported that the number of new private-sector housing starts in November was at a seasonally adjusted annual rate of 1,365,000—13.6% above housing starts in November of last year.

The Census Bureau also reported that seasonally adjusted retail and food services sales increased at 3.3% year over year in November. Consumer confidence was steady in 4Q19, with Conference Board Consumer Confidence reading 126.5 in December, compared to 126.3 in September, though confidence is still below July's peak of 135.8.

In November, the Institute for Supply Management's (ISM) Purchasing Managers Index (PMI), a manufacturing sector index, remains in contraction at 48.1, though is up from September's reading of 47.8, which had been the lowest since 2016. Generally speaking, a PMI or NMI (ISM Non-Manufacturing Index) over 50 indicates that the sector is expanding, and a PMI below 50 but over 43 indicates that the sector is shrinking but the overall economy is expanding. August's reading was the first PMI below 50 since August 2016. Overall, PMI has been above 43 for 126 consecutive months, indicating overall economic recovery and expansion since May 2009.

The ISM's Non-Manufacturing Index (NMI) for November was 53.9—down from October's 54.7. The index has now been above 50 for 118 consecutive months, indicating non-manufacturing expansion since February 2010.

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Federal Reserve Bank of St. Louis, Morgan Stanley Wealth Management GIC

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# Capital Markets Overview: 4Q 2019

## US Equity Markets

As of 4Q 2019

The Dow Jones Industrial Average gained 6.67% in the fourth quarter, while the NASDAQ Composite Index was up 12.49%. The S&P 500 Index added 9.07% over the same period.

10 of 11 sectors rose on a total return basis in 4Q19. Tech led, gaining 14.40%. Other outperformers included Health Care and Financials, which were up 14.37% and 10.44%, respectively. Real Estate was the only money loser, falling 0.54%. Utilities trailed as well, up only 0.80%.

The Russell 1000, a large-cap index, gained 9.04% for the quarter, as large-cap growth (10.62%) outperformed large-cap value (7.39%).

The Russell Midcap gained 7.06% on the quarter, with mid-cap growth (8.17%) outperforming mid-cap value (6.33%).

The Russell 2000, a small-cap index, added 9.94% for the quarter, with small-cap growth (11.38%) outperforming small-cap value (8.47%).

### Key US Stock Market Index Returns (%) for the Period Ending 12/31/2019

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
S&P 500	9.07%	31.49%	11.69%	14.72%
Dow Jones	6.67%	25.34%	12.58%	14.50%
Russell 2000	9.94%	25.52%	8.22%	11.64%
Russell Midcap	7.06%	30.54%	9.33%	13.20%
Russell 1000	9.04%	31.43%	11.48%	14.59%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

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# Capital Markets Overview: 4Q 2019

## Global Equity Markets

As of 4Q 2019

International underperformed slightly in the fourth quarter, as the US continued its market leadership. International markets rose on positive trade news and incremental improvement in European economic data. The MSCI EAFE Index (a benchmark for international developed markets) added 8.21% for US-currency investors.

In the fourth quarter, the MSCI Emerging Markets Index rose 11.93% for US-currency investors as a weakening US dollar provided a tailwind to improving sentiment surrounding global growth and trade. The MSCI Europe Index gained 8.89% for US-currency investors, while the MSCI Japan added 7.51%.

The S&P 500 Index gained 9.07% for the quarter.

Emerging economy equity market indices were up in the fourth quarter. The MSCI BRIC (Brazil, Russia, India and China) Index rose 13.18% in US dollar terms, while the MSCI EM Asia Index gained 12.33%.

### Key Global Stock Market Index Returns (%) for the Period Ending 12/31/2019

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
MSCI EAFE	8.21%	22.66%	6.18%	6.84%
MSCI EAFE Growth	8.48%	28.43%	8.13%	8.26%
MSCI EAFE Value	7.87%	16.83%	4.15%	5.34%
MSCI Europe	8.89%	24.59%	5.69%	6.62%
MSCI Japan	7.51%	20.59%	7.95%	8.73%
S&P 500	9.07%	31.49%	11.69%	14.72%
MSCI Emerging Markets	11.93%	18.88%	6.00%	3.64%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

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# Capital Markets Overview: 4Q 2019

## The US Bond Market

As of 4Q 2019

The bond market was flat in the fourth quarter as the Fed meeting expectations and improving sentiment surrounding global growth kept bond yields steady to slightly higher across the curve. The Bloomberg Barclays US Aggregate Bond Index, a general measure of the bond market, rose 0.18%.

Interest rates rose during the fourth quarter, as the yield on the 10-year US Treasury note rose to a quarter-end 1.91% from 1.66% at the end of September. The shortest end of the curve fell as the Fed cut their Fed funds target rate, with the yield on 3-month Treasury bills falling to 1.54% from 1.81%, re-steepening the yield curve as measured by the 10-year and the 3-month tenors.

Riskier parts of the bond market such as US high yield debt rose in the fourth quarter, buoyed by the market's risk-on sentiment. The Bloomberg Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, gained 2.61%.

Mortgage-backed continued to show modest gains in the fourth quarter. The Bloomberg Barclays Capital Mortgage-Backed Securities Index rose 0.71%. Municipal bonds were also up; the Bloomberg Barclays Capital Muni Index saw gains of 0.74%.

### Key US Bond Market Index Returns (%) for the Period Ending 12/31/2019

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
Bloomberg Barclays Capital US Aggregate	0.18%	8.72%	3.06%	2.72%
Bloomberg Barclays Capital High Yield	2.61%	14.32%	6.13%	5.78%
Bloomberg Barclays Capital Government/Credit	-0.03%	9.70%	3.24%	2.80%
Bloomberg Barclays Capital Government	-0.79%	6.86%	2.37%	1.99%
Bloomberg Barclays Capital Intermediate Govt/Credit	0.37%	6.82%	2.59%	2.16%
Bloomberg Barclays Capital Long Govt/Credit	-1.12%	19.59%	5.43%	5.09%
Bloomberg Barclays Capital Mortgage Backed Securities	0.71%	6.35%	2.60%	2.48%
Bloomberg Barclays Capital Muni	0.74%	7.54%	3.54%	3.40%

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

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# Capital Markets Overview: 2Q 2019

## Hedge Funds

As of 2Q 2019

### HFRI Fund Weighted Composite Index: 2Q = 2.02%

- After a remarkable first quarter, the second quarter was largely positive for hedge funds, leading to the strongest first-half performance in over 20 years. Hedge funds continued their strong performance despite bouts of market volatility brought on by increased geopolitical tensions. Trade disputes between both the US and China, as well as the US and Mexico, led to further speculation of declining economic growth, prompting global equities and commodities to pull back substantially in May.
- With an expectation of increased volatility later this year, downward pressure on corporate earnings growth and continued geopolitical uncertainty, alternative strategies can play an increasingly important role in providing investors with diversification within a broader portfolio. In addition, GIMA favors portfolio diversifiers with low correlation that historically have generated attractive risk-adjusted returns such as relative value, multi-strategy and high-hedge equity long/short managers.

### HFRI Equity Hedge Index: 2Q = 1.73%

- Equity hedge strategies were mostly positive during the quarter as managers with overweight exposures to Technology, Materials and Financials led the way. Within the US, 10 out of 11 S&P sectors ended in the black, with Energy being the only declining sector as oil and natural gas prices fell sharply on concerns over declining global growth.
- Health care-focused managers were unable to repeat the success seen in the first quarter as potential presidential nominees/candidates criticized the current state of health care and sounded off on drug pricing and insurance reform at the first Democratic debate, leading to heavy pressure on health care services and biotech subsectors.

### HFRI Event Driven Index: 2Q = 1.40%

- Directionally long and largely large-cap-biased activist managers benefitted from large-cap outperformance compared to small-caps, as investors moved up the cap structure in search of support and sought out internationally focused companies not reliant on a tighter domestic labor market.
- Global M&A activity was very strong during the second quarter, which marked the 10<sup>th</sup> quarter to pass \$1.0 trillion in global activity.
- Additionally, special situations and distressed managers benefitted from positive news across the capital structure of a bankrupt utility company, as well as the takeout of a large gaming company in the US—both widely held hedge fund positions.

### HFRI Macro Systematic Index: 2Q = 3.70%

- It was a positive quarter for trend-following strategies such as those utilized by commodity trading advisors (CTAs), as the SG CTA Trend Index returned 4.42%, mostly driven by long rates positioning as global bonds continued to rally on softer inflation expectations and more dovish commentary from global central banks.
- Managers with short positioning in foreign dollars, i.e., going long the US dollar, felt pain as the US dollar weakened in anticipation of Fed rate cuts. On the other hand, despite the volatility in oil and outsized move in gold, managers had mostly neutral positioning in these commodities, leading to small and mostly mixed performance in these markets.

### HFRI Relative Value Index: 2Q = 1.54%

- With markets pricing in potential Fed rate cuts in the US and Quantitative Easing by the European Central Bank, relative value managers benefitted from both risk and “safe-haven” fixed income assets, closing out the first half of 2019 on a strong note. This was broadly a reflection of expectations for sustained, looser monetary policy amid mixed economic data and uncertainty around global trade tensions.
- Despite US high yield spreads widening in May, spreads quickly tightened back up in June and remain at historically tight levels. The quality premium, the difference between yields of the lowest-rated tranche of investment grade debt and the highest-rated tranche of high yield debt, is now at 60 basis points, a level not seen since before the global financial crisis, indicating the relative richness of high yield versus investment grade debt.
- Within the distressed sector, three prominent themes played out across the space: 1) positive news out of Puerto Rico where a US district court approved a deal to restructure Puerto Rico’s sales tax-backed bonds; 2) hyperinflation within Argentina put severe pressure on their municipal and corporate bonds as their currency depreciated, making it more difficult to service their US dollar-denominated debt; and 3) positive news related to restructuring plans for a large west coast utility provider.

Source: HFRI Hedge Fund Indices, Morgan Stanley Wealth Management GIC

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Morgan Stanley's investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be suitable for you. Please see the Morgan Stanley Smith Barney LLC program disclosure brochure (the "Morgan Stanley ADV") for more information in the investment advisory programs available. The Morgan Stanley ADV is available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV). **Sources of Data.** Information in this material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third-party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data. All opinions included in this material constitute the Firm's judgment as of the date of this material and are subject to change without notice. This material was not prepared by the research departments of Morgan Stanley & Co. LLC or Morgan Stanley Smith Barney LLC. Some historical figures may be revised due to newly identified programs, firm restatements, etc.

**Global Investment Manager Analysis (GIMA) Focus List, Approved List and Tactical Opportunities List; Watch Policy.** GIMA uses two methods to evaluate investment products in applicable advisory programs: **Focus** (and investment products meeting this standard are described as being on the Focus List) and **Approved** (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List. Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status). GIMA has a "Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. Certain investment products on either the Focus List or Approved List may also be recommended for the **Tactical Opportunities List** based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time. For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

The **Global Investment Committee** is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models which, when compounded over a period of years, would decrease returns.

**Adverse Active Alpha (AAA)** is a patented screening and scoring process designed to help identify high-quality equity and fixed income managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. Please note that this data may be derived from back-testing, which has the benefit of hindsight. In addition, highly ranked managers can have differing risk profiles that might not be suitable for all investors. Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information. Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence process are equally important factors for investors when considering managers for use through an investment advisory program. Factors including, but not limited to, manager turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be

suitable for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

**The Global Investment Manager Analysis (GIMA) Services Only Apply to Certain Investment Advisory Programs** GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA Status changes even though it may give notice to clients in other programs.

**Strategy May Be Available as a Separately Managed Account or Mutual Fund** Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program. In most Morgan Stanley Wealth Management investment advisory accounts, fees are deducted quarterly and have a compounding effect on performance. For example, on an advisory account with a 3% annual fee, if the gross annual performance is 6.00%, the compounding effect of the fees will result in a net performance of approximately 3.93% after one year, 1 after three years, and 21.23% after five years. **Conflicts of Interest:** GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS & Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

**Consider Your Own Investment Needs:** The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be a client-specific suitability analysis or recommendation, or offer to participate in any investment. Therefore, clients should not use this profile as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a suitability determination may lead to asset allocation results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be a suitable asset allocation for you, whether CGCM is a suitable program for you.

**No obligation to notify** – Morgan Stanley Wealth Management has no obligation to notify you when the model portfolios, strategies, or any other information, in this material changes.

**Please consider the investment objectives, risks, fees, and charges and expenses of mutual funds, ETFs, closed end funds, unit investment trusts, and variable insurance products carefully before investing. The prospectus contains this and other information about each fund. To obtain a prospectus, contact your Financial Advisor or Private Wealth Advisor or visit the Morgan Stanley website at [www.morganstanley.com](http://www.morganstanley.com). Please read it carefully before investing.**

***An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.***

The type of mutual funds and ETFs discussed in this presentation utilizes nontraditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize

one or more of the below noted investment strategies or categories or which seek exposure to the following markets: (1) commodities (e.g., agricultural, energy and metals), currency, precious metals; (2) managed futures; (3) leveraged, inverse or inverse leveraged; (4) bear market, hedging, long-short equity, market neutral; (5) real estate; (6) volatility (seeking exposure to the CBOE VIX Index). Investors should keep in mind that while mutual funds and ETFs may, at times, utilize nontraditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may vary from traditional hedge funds pursuing similar investment objectives. Moreover, traditional hedge funds have limited liquidity with long “lock-up” periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions and ETFs trade on an exchange. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual or ETF pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Nontraditional investment options and strategies are often employed by a portfolio manager to further a fund’s investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund’s essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or “leverage.”

### KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds (“ETFs”), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities’ (TIPS)** coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments (“ESG”)** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client’s account will be managed as described herein. **Options** and margin trading involve substantial risk and are not suitable for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases shares of a closed-end fund, shares may have a market price that is above or below NAV. Portfolios that invest a large percentage of assets in only one industry **sector** (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

**Alternative investments** often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; Risks associated with the operations, personnel, and processes of the manager; and Risks associated with cybersecurity. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment

funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results. Further, opinions expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management. 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These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown). The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Individual funds have specific tax risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Wealth Management and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley Wealth Management or any of its affiliates, (3) are not guaranteed by Morgan Stanley Wealth Management and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Wealth Management is a registered broker-dealer, not a bank. This material is not to be reproduced or distributed to any other persons (other than professional advisors of the investors or prospective investors, as applicable, receiving this material) and is intended solely for the use of the persons to whom it has been delivered. This material is not for distribution to the general public. Past performance is no guarantee of future results. Actual results may vary. SIPC insurance does not apply to precious metals, other commodities, or traditional alternative investments. In Consulting Group's advisory programs, alternative investments are limited to US-registered mutual funds, separate account strategies and exchange-traded funds (ETFs) that seek to pursue alternative investment strategies or returns utilizing publicly traded securities. Investment products in this category may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investments are not suitable for all investors. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee for distribution from their management fees to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an Alternative Investment and in some instances pay these fees on the investments held by advisory clients. Morgan Stanley Wealth Management rebates such fees that are received and attributable to an investment held by an advisory client and retains the fees paid in connection with investments held by brokerage clients. Morgan Stanley Wealth Management has a conflict of interest in offering alternative investments because Morgan Stanley Wealth Management or our affiliates, in most instances, earn more money in your account from your investments in alternative investments than from other investment options.

It should be noted that the majority of hedge fund indexes are comprised of hedge fund manager returns. This is in contrast to traditional indexes, which are comprised of individual securities in the various market segments they represent and offer complete transparency as to membership and construction methodology. As such, some believe that hedge fund index returns have certain biases that are not present in traditional indexes. Some of these biases inflate index performance, while others may skew performance negatively. However, many studies indicate that overall hedge fund index performance has been biased to the upside. Some studies suggest performance has been inflated by up to 260 basis points or more annually depending on the types of biases included and the time period studied. Although there are numerous potential biases that could affect hedge fund returns, we identify some of the more common ones throughout this paper.

Self-selection bias results when certain manager returns are not included in the index returns and may result in performance being skewed up or down. Because hedge funds are private placements, hedge fund managers are able to decide which fund returns they want to report and are able to opt out of reporting to the various databases. Certain hedge fund managers may choose only to report

returns for funds with strong returns and opt out of reporting returns for weak performers. Other hedge funds that close may decide to stop reporting in order to retain secrecy, which may cause a downward bias in returns.

Survivorship bias results when certain constituents are removed from an index. This often results from the closure of funds due to poor performance, "blow ups," or other such events. As such, this bias typically results in performance being skewed higher. As noted, hedge fund index performance biases can result in positive or negative skew. However, it would appear that the skew is more often positive. While it is difficult to quantify the effects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artificial "lift" or upwards bias.

**Hedge Funds of Funds** and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor's goals by the pre-established year or "target date." A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are suitable only for the risk capital portion of an investor's portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy.

**Asset allocation and diversification** do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

**Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at [www.morganstanley.com/disclosures/dol](http://www.morganstanley.com/disclosures/dol). Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.**

Annuities and insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be a suitable comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.

Investment and services offered through Morgan Stanley Private Wealth Management, a division of Morgan Stanley Smith Barney LLC, Member SIPC.

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Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services.

For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

**GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS:** The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

**HYPOTHETICAL MODEL PERFORMANCE (GROSS):** Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

**FEES REDUCE THE PERFORMANCE OF ACTUAL ACCOUNTS:** None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at [www.morganstanley.com/adv](http://www.morganstanley.com/adv). The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material.

**Variable annuities** are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract. If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection. Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.

**Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fixed income** asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

**Master Limited Partnerships (MLPs)** are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Individual MLPs

are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV, and, as a result, the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

**Investing in commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be suitable for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor.

**REITs** investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions. Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a **mortgage-backed security**. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. **Asset-backed securities** generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

**Yields** are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision. **Credit ratings** are subject to change. **Duration**, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. The majority of \$25 and \$1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per \$25 or \$1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price. The initial interest rate on a **floating-rate security** may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk. The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield. Some \$25 or \$1000 par **preferred securities** are QDI (Qualified Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

Companies paying **dividends** can reduce or cut payouts at any time.

**Nondiversification:** For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

**Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies whose stocks are

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considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected .

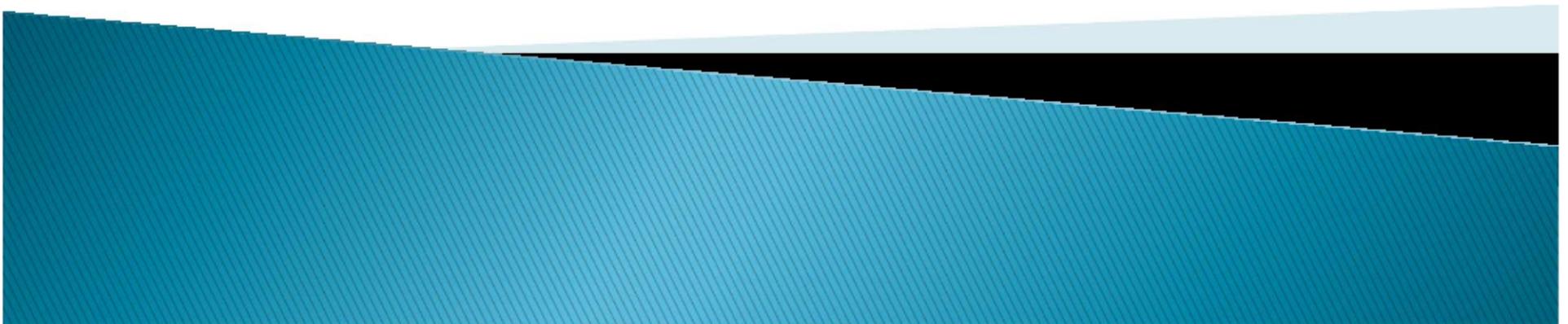
Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

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# Investment Perspectives

January 2020



# Fully Invested With a Watchful Eye Toward Risks and Opportunities

As of January 8, 2020

- **Risk markets begin the year where they left off.** We think strong 4Q rally in risk assets is due to four things: 1) Fed, ECB and BOJ expanding balance sheets aggressively; 2) progress on Brexit and trade; 3) early indications that the global economy is troughing, most notably PMIs in China and Europe; and 4) valuations have rebounded sharply from the very cheap levels last summer.
- **4Q breakout in global equity markets suggests secular bull market has begun next leg.** While equity markets are now pricing a strong rebound in growth, we think the rally can continue as long as the central banks' balance sheet expansion persists at current rates of \$100 billion per month. Valuations look "fair" assuming volatility stays low and could even go higher.
- **Inflation may not be that far away.** With central banks seemingly unafraid of inflation and fiscal policy on the rise, inflation risks are growing. This is good for nominal GDP growth and in line with our global reflation theme, but many portfolios may not be prepared for it. Our portfolios are more aligned with a world of eventual rising inflation with overweight to US value and international stocks. We will look to hedge our portfolios from rising inflation during 2020 as opportunities arise.
- **The US will likely lag the global recovery.** International economies are more levered to global trade improving while the US is still dealing with the fading fiscal stimulus enacted in 2018 and corporate margin pressures. Capital spending has disappointed and is unlikely to bounce back much as US corporates delever until earnings growth returns. We forecast just 3 percent EPS growth for the S&P 500 in 2020. Meanwhile, international earnings growth looks better next year relative to the US, particularly in Japan, Brazil, and South Korea.
- **Our view has been consistent over the past year to favor quality growth at a reasonable price and Value.** Our only underweights within equities are in US growth and small/mid caps. Japan and Europe are our favored regions given their greater leverage to global growth recovery and trade deal. We also like select EM. We remain underweight credit.
- **US overweights:** Utilities, Staples & Financials. **US underweights:** Tech & Consumer Discretionary. We still prefer large cap to small and value to growth. We have been expecting a rotation from defensives to cyclicals once the Fed got ahead of the slowdown. That may have begun last month but is likely ahead of itself if rates are topping again. **Avoid profitless growth stocks and maintain some bond proxies for potential 1H growth disappointments.**

Source: Morgan Stanley & Co. Research

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## Current Indicators: Equity Valuation

### Morgan Stanley & Co. 12M-Forward S&P 500 Target

As of January 10, 2020

EPS Landscape	MS & Co Target 2021 EPS Est.	Multiple	Price Target	Upside / (Downside)
Bull Case	\$180	18.0	3,250	(0.8%)
Base Case	\$177	17.0	3,000	(8.4%)
Bear Case	\$172	16.0	2,750	(16.0%)
Current S&P 500 Price			3,275	

### Morgan Stanley & Co. and Consensus S&P 500 Earnings Estimates

As of January 10, 2020



### S&P 500 Current and Historical Valuation

As of January 10, 2020

	Current	Tech Bubble	Financial Crisis	20-Year Average	Current Relative to Average
S&P 500 Trailing P/E	21.8	28.9	12.1	18.8	1.15
S&P 500 Forward P/E	18.7	26.6	11.2	15.0	1.24
Technology	23.3	52.1	13.1	19.3	1.19
Consumer Discretionary	22.1	22.7	33.0	19.9	1.11
Communication Services	18.6	31.5	11.3	17.1	1.07
Industrials	17.4	20.5	8.5	16.8	1.03
Real Estate	40.9	-	-	-	-
Financials	13.3	12.5	9.6	14.5	0.92
Consumer Staples	20.4	16.0	11.7	17.4	1.17
Energy	17.5	20.3	11.6	20.6	0.86
Utilities	18.6	13.3	9.8	14.9	1.23
Materials	18.0	12.3	14.2	17.8	1.01
Health Care	16.4	24.2	9.3	17.8	0.91

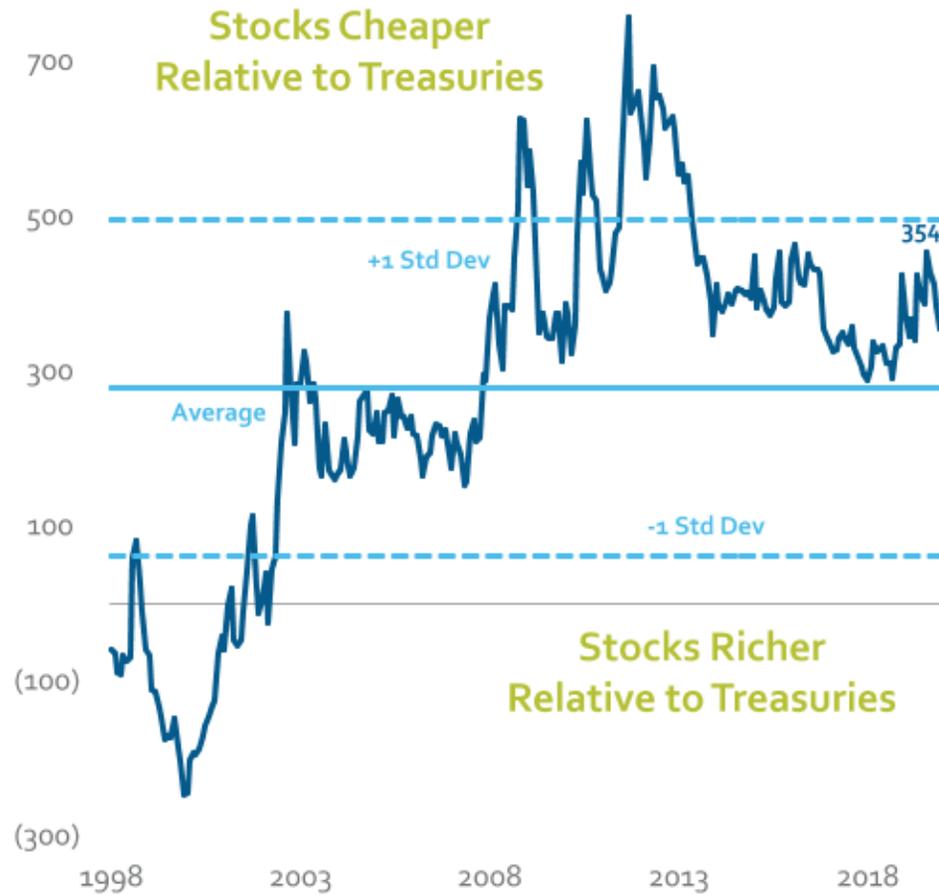
Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

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# Current Indicators: Equity Valuation

## S&P 500 Equity Risk Premium<sup>(1)</sup>

As of December 31, 2019



## P/E Relative to Rest of World

As of January 10, 2020



Source: FactSet, Morgan Stanley Wealth Management GIC. Note: (1) Equity risk premium = S&P 500 forward earnings yield – 10-year Treasury yield. Equity risk premium is the excess return that an individual stock or the overall stock market provides over a risk-free rate. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time. Standard deviation (volatility) is a measure of the dispersion of a set of data from its mean.

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## Current Indicators: Earnings

### Morgan Stanley S&P 500 Revenue and Earnings Estimates

As of January 10, 2020

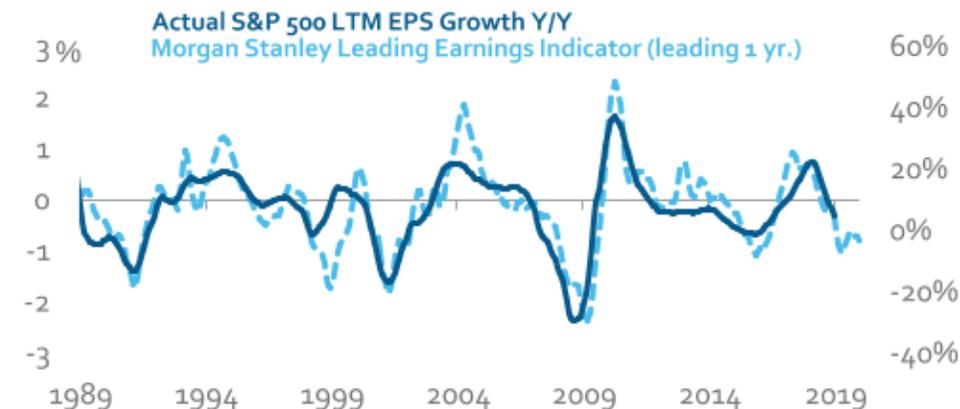
Sector/Index	Revenue Growth			Earnings Growth		
	2018	2019E	2020E	2018	2019E	2020E
Consumer Discretionary	7.1%	4.5%	7.5%	17.5%	0.3%	12.5%
Consumer Staples	3.8%	4.7%	3.5%	7.8%	3.2%	6.0%
Energy	16.7%	-6.0%	6.9%	100.6%	-28.6%	20.4%
Financials	3.9%	7.3%	0.5%	26.5%	5.0%	3.2%
Health Care	6.5%	8.7%	6.0%	14.6%	6.8%	6.1%
Industrials	9.4%	0.3%	3.8%	18.8%	-3.6%	12.1%
Info Tech	11.0%	4.9%	8.7%	23.8%	-2.2%	9.6%
Materials	10.5%	4.3%	3.3%	22.6%	-10.4%	11.3%
Communication Services	8.6%	12.0%	11.2%	27.0%	2.3%	9.9%
Utilities	3.3%	-0.6%	3.3%	12.8%	3.8%	6.9%
REITS	15.3%	4.0%	4.6%	9.4%	3.7%	7.7%
<b>S&amp;P 500</b>	<b>7.8%</b>	<b>4.5%</b>	<b>5.5%</b>	<b>22.7%</b>	<b>-0.1%</b>	<b>8.4%</b>

Source: Bloomberg, FactSet, Morgan Stanley Wealth Management GIC

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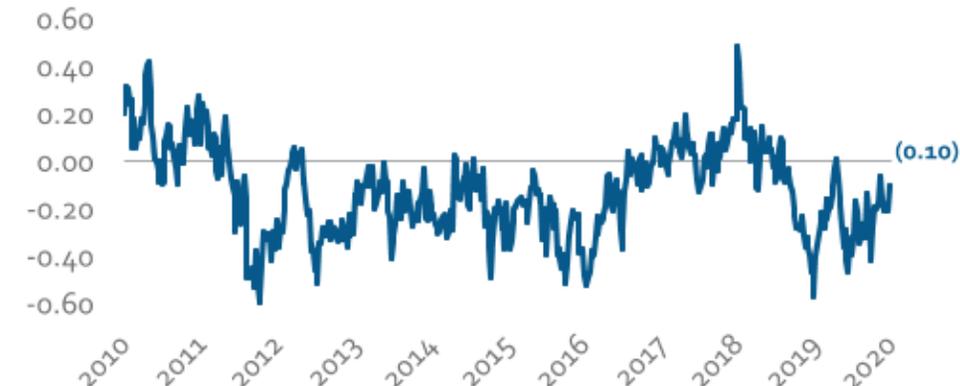
### S&P 500 Forward 12-Months Earnings Outlook

As of November 30, 2019



### Citi Global Earnings Revision Index

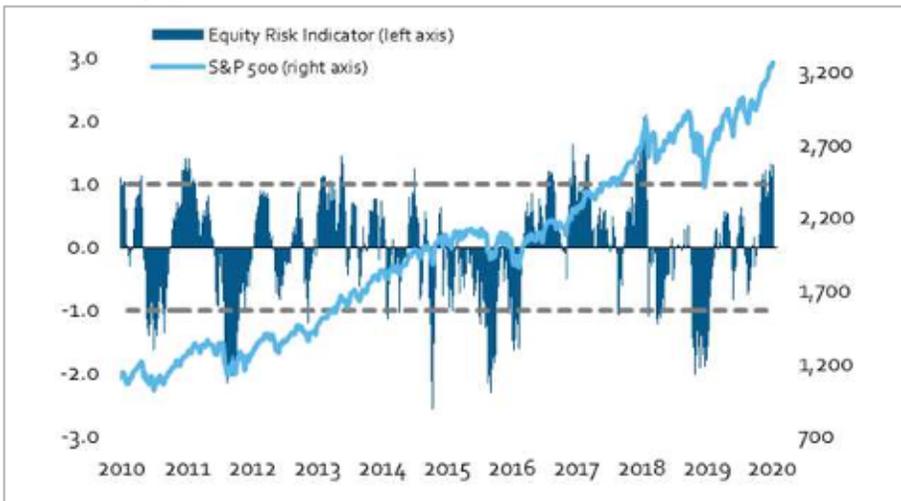
As of January 3, 2020



# US Equity Market Indicators

## Morgan Stanley Equity Risk Indicator

As of January 2, 2020



- The US Equity Risk Indicator came in at 1.3 last week
- Sentiment polls and market breadth inputs were more bullish

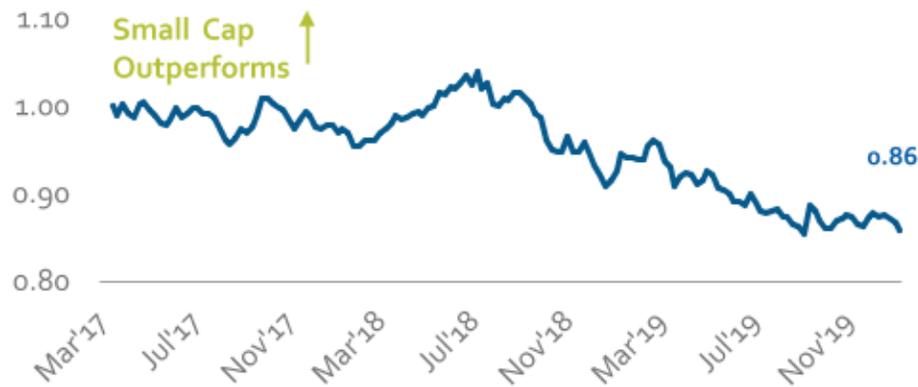
Source: Bloomberg, FactSet, dailysentimentindex.com, Morgan Stanley & Co., Morgan Stanley Wealth Management GIC. This page features Morgan Stanley & Co.'s proprietary US Equity Risk Indicator, which is a gauge of US equity market sentiment/positioning. It also features a table of some of the key sentiment, positioning, breadth and volatility measures that we watch on a regular basis. Each factor is ranked against its three-year history to provide some historical context. Equity Risk Indicator is a standardized measure of investor sentiment and positioning and earnings revision factors, compiled using a statistical Z-score methodology. A Z-Score is a statistical measurement of a score's relationship to the mean in a group of scores. A Z-score of 0 means the score is the same as the mean. A Z-score can also be positive or negative, indicating whether it is above or below the mean and by how many standard deviations. Standard deviation (volatility) is a measure of the dispersion of a set of data from its mean. (1) % rank inverted. Global Risk Demand Index (GRDI): Proprietary gauge of global risk asset sentiment. Daily Sentiment Index: Poll that tracks trader sentiment of US stocks. AAI % Bulls: Individual investor sentiment poll of US equities. Mutual Fund Beta: Measure of mutual fund volatility vs. S&P 500 volatility. Relative Strength Index: Measures momentum; >70=overbought; <30=oversold

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# Current Indicators: Factors

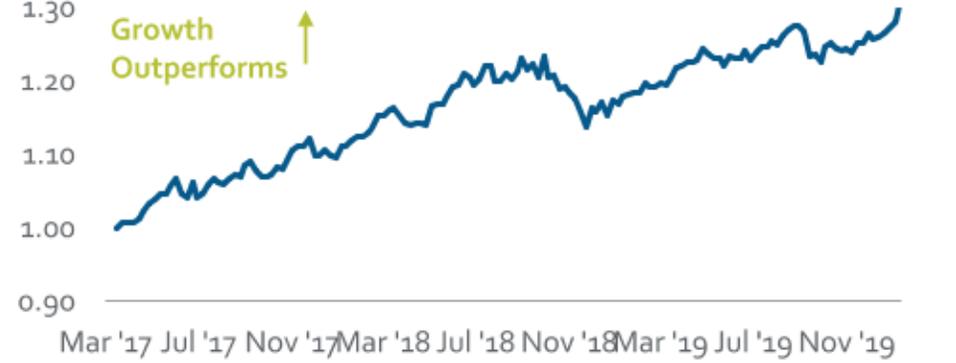
## Small Cap. Vs. Large Cap

As of January 10, 2020



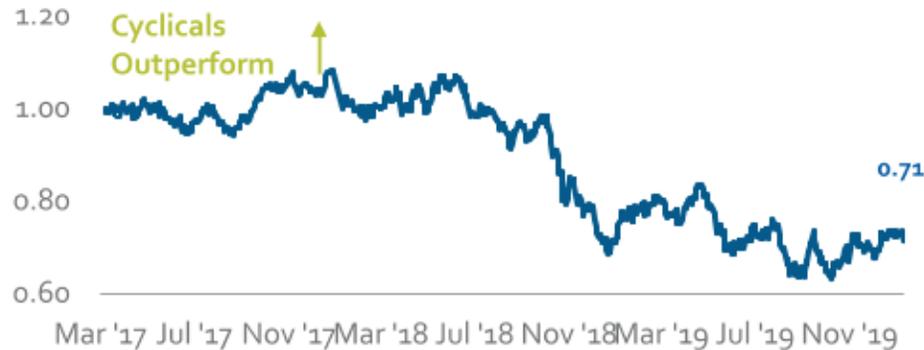
## Growth Vs. Value

As of January 10, 2020



## Cyclicals Vs. Defensives

As of January 10, 2020



## Quality Vs. Junk

As of January 10, 2020



Source: FactSet, Bloomberg. Small cap is represented by the Russell 2000 Index; Large cap is represented by the Russell 1000 Index; Growth is represented by the Russell 1000 Growth Index; Value is represented by the Russell 1000 Value Index; cyclicals, defensives, quality and junk are based on Morgan Stanley & Co. analysis.

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# Current Indicators: Fixed Income Valuation

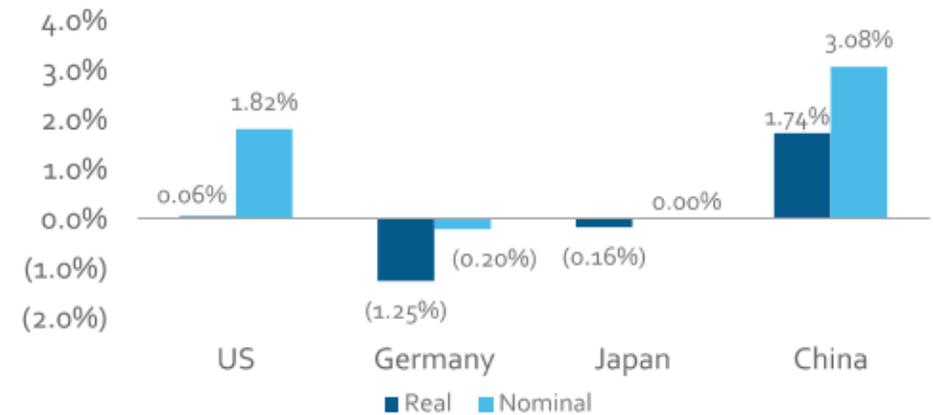
## US Treasuries by Maturity

As of January 10, 2020

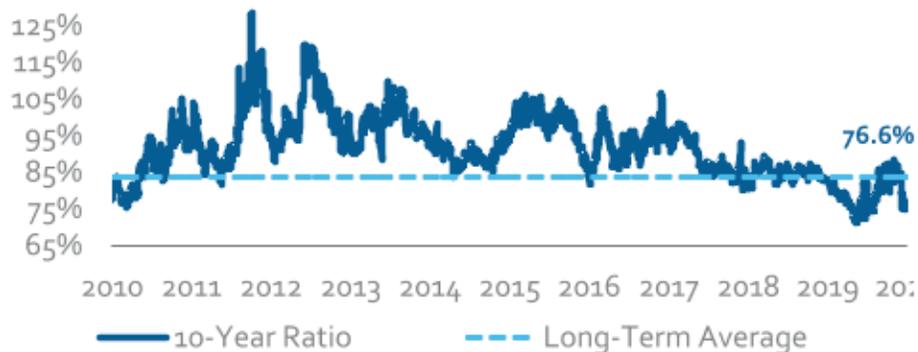
US Treasury Benchmark	Yield (%)			Total Return (%)
	Current	ΔWTD	ΔYTD	YTD
3-Month	1.53	0.02	-0.01	0.04
2-Year	1.57	0.05	0.00	0.03
5-Year	1.63	0.04	-0.06	0.28
10-Year	1.82	0.03	-0.10	0.81
30-Year	2.28	0.03	-0.11	2.04
2-Yr./10-Yr. Spread (bp)	24.94	-1.41	-9.90	-
10-Yr. TIPS Breakeven (bp)	175.58	-1.93	-3.02	-
Interest Rate Volatility† (bp)	53.32	-6.80	-13.26	-

## 10-Year Global Government Bond Yields

As of January 10, 2020



## 10-Year Relative Value Ratio (Municipal Yield/Treasury Yield)

As of January 2, 2020  
% of Corresponding USTs

## Fixed Income Valuation by Rating

As of January 10, 2020

Investment Grade	Duration (Yrs.)	Yield-to-Worst (%)	OAS (bp)	Rich	OAS Range**		Cheap
					Past Two Years (bp)		
MBS*	4.23	2.47	43	22			57
AAA	5.57	2.02	18	11			23
AA	7.02	2.29	52	46			76
A	7.92	2.54	73	68			122
BBB	8.10	3.11	129	111			201
High Yield							
BB	3.41	3.60	186	162			365
B	2.62	5.01	319	299			542
CCC	2.85	10.30	858	512			1,001

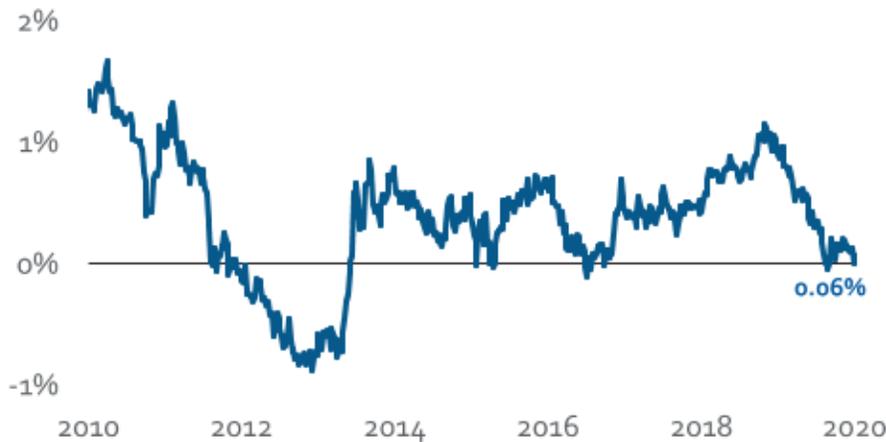
Source: Bloomberg, Haver Analytics, Evercore ISI Investor Surveys, Commitments of Traders (COT) Report, Morgan Stanley Wealth Management GIC. Option Adjusted Spread (OAS) is a measurement of the spread of a fixed income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

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# Current Indicators: Rates

## US 10-Year Real Rates

As of January 10, 2020



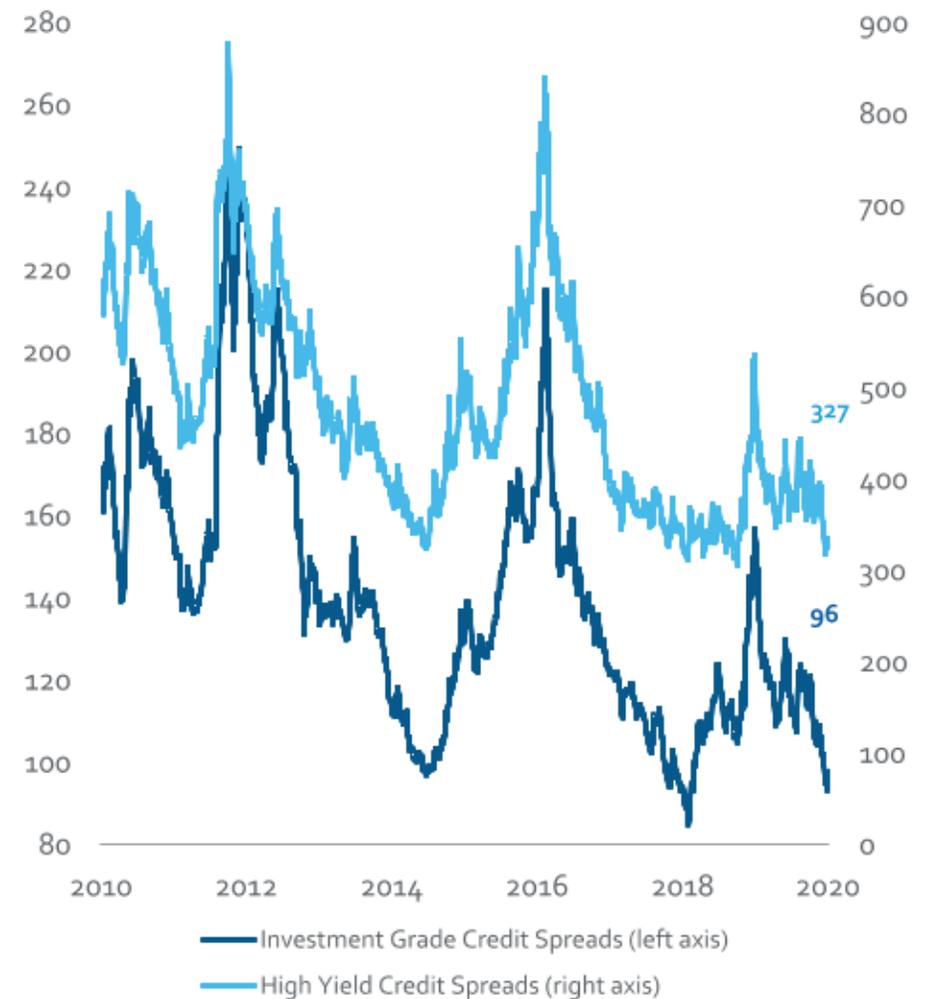
## Positioning in Treasury Futures

As of January 7, 2019



## Credit Spreads

As of January 10, 2020



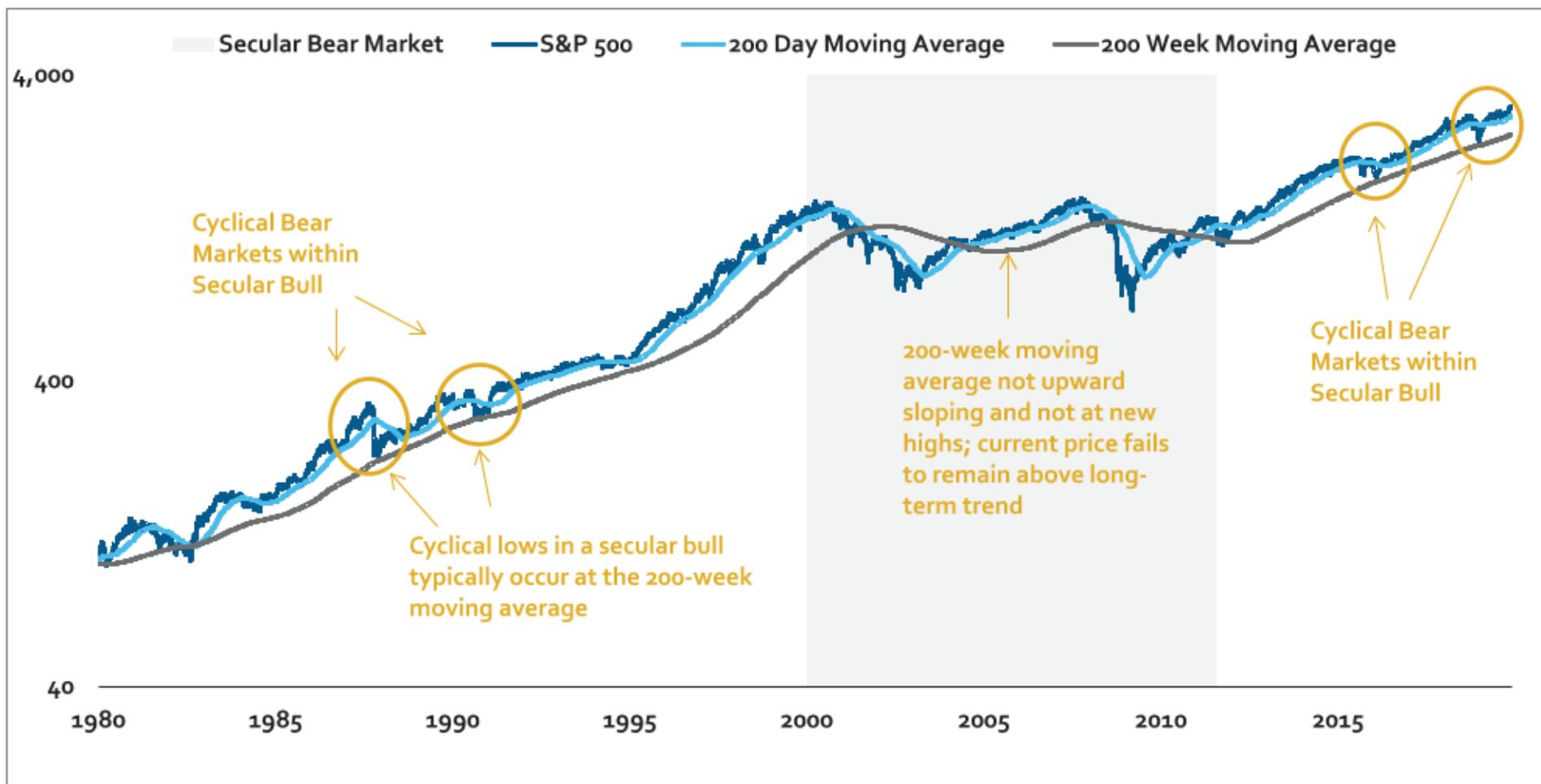
Source: Bloomberg, FactSet, EvercoreISI Investor Surveys, Morgan Stanley Wealth Management GIC  
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# What Do Cyclical Pullbacks Look Like in a Secular Bull Market?

We define a secular bull market as one in which the long-term trend line is sloping upward, and the current price of the S&P 500 is above the long-term trend.

## S&P 500 Price since 1980

Daily data as of December 2, 2019



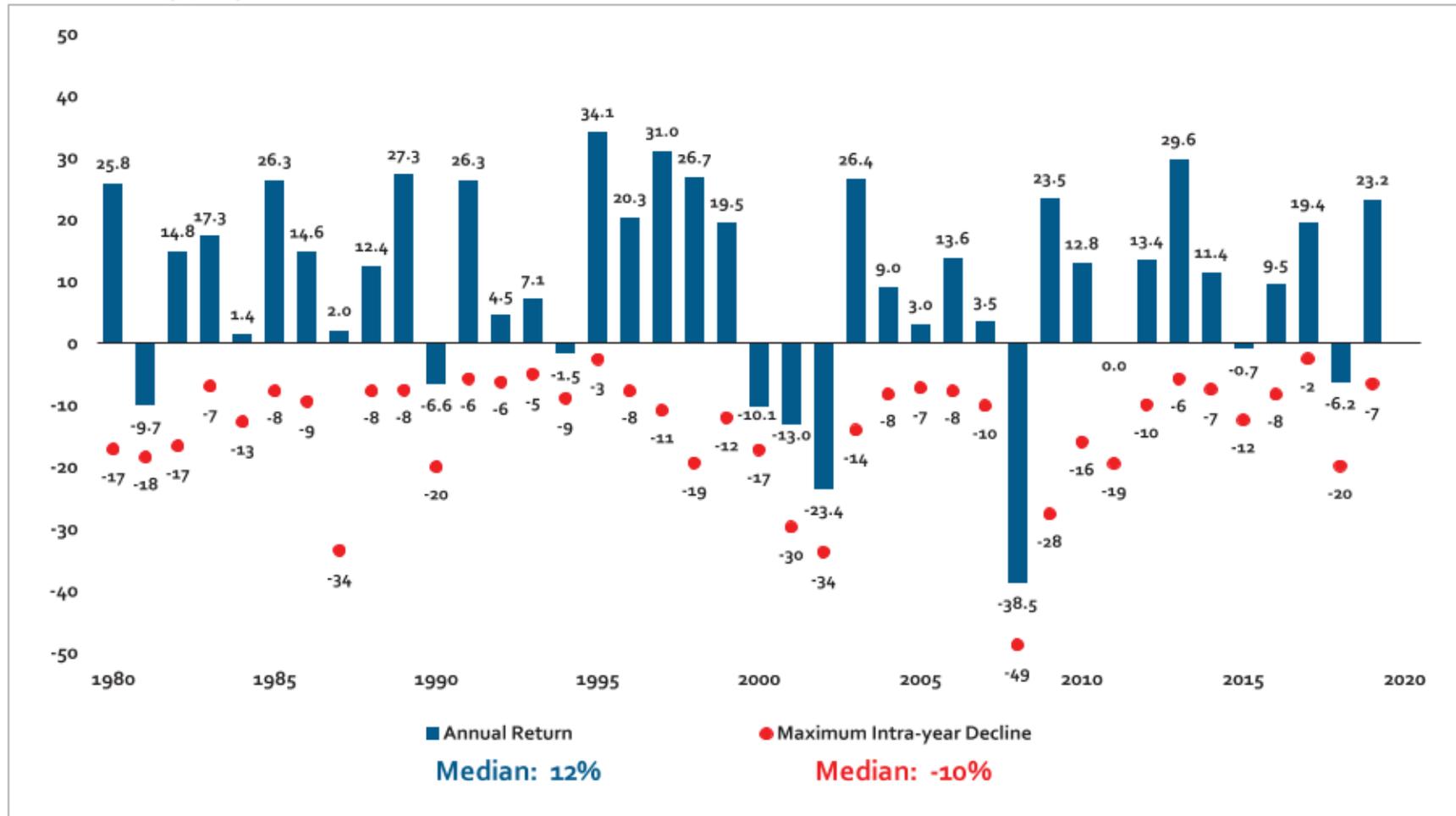
Source: Bloomberg, Morgan Stanley & Co. Research

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# Intra-Year Declines

## S&P 500 Annual Returns and Intra-Year Declines

As of November 30, 2019



Source: Bloomberg, Morgan Stanley Wealth Management GIC. Intra-year declines are defined as the peak-to-trough decline during the year based on price return.

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## Bottom Line: Our Recommendations

As of January 8, 2020

- While the global economy has slowed materially over the past year, we think global reflation is still the primary narrative and trend from 2016. 2018-20 represents a consolidation of this primary trend. Central banks are stimulating aggressively and while we expect the global economy to trough in 1Q2020, the US economy will trough later or show little sign of acceleration until 2H2020, leaving a defensive skew to leadership.
- Global equity markets had a difficult year in 2018 despite relatively strong economic and earnings growth in most regions. Tightening financial conditions, higher interest rates and peaking growth led to a 25% de-rating on global valuations which completed in December 2018. 2019 has been the opposite of 2018, with markets re-rating on lower interest rates and a new round of quantitative easing by central banks. Risk assets may remain overvalued until these activities subside which is unlikely in the near term. Valuations could overshoot fair value to the upside.
- Long-duration Treasuries have outperformed equities since our tactical shift in April, especially on a risk-adjusted basis. We still like long-duration Treasuries as US GDP growth slows. We have a preference for value sectors globally rather than growth given our view that valuations appear stretched for growth stocks and they are crowded. We do like high-quality large-cap growth stocks that trade at reasonable valuations.
- International equity markets have underperformed the US equity market for the past decade. Going forward, we expect International to outperform as the global economy troughs first and grows faster over the next few years, the Fed cuts rates and the US dollar declines. In contrast to the US, international economies also have more labor slack and fiscal capacity.
- Within fixed income, we recommend US-only positioning with no exposure to high yield and some TIPS as inflation expectations recover further with our leading indicators suggesting core CPI is heading to 2.5% or higher by the middle of 2020. We would revisit our position in high yield if spreads were to widen out again toward levels seen at the end of December. We continue to like long-duration Treasuries *tactically*.
- Our cyclical bear market/consolidation call for global equities ended in November when stocks broke out of a two-year range. We think the secular bull market is intact and the next leg has begun. It's important to note that SPX/GOLD has NOT broken out and informs us that inflation may be starting to stir. Our portfolios are set up to benefit from global reflation when it starts in earnest, although that may be a 2H20 story.
- We think the next leg of the secular bull market should coincide with a paradigm shift in which leadership moves from stability and growth assets to cyclicity and value. This aligns with our global reflation narrative from 2016 and the end of secular stagnation. The end of QE and the shift toward more fiscal spending by governments and capital spending by corporates should drive higher productivity over the next decade.

Source: Morgan Stanley Wealth Management GIC

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# Asset Class Returns

As of December 31, 2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	10-Yrs ('10-'19) Ann. Return	10-Yrs ('10-'19) Volatility
EM Equities	82.9%	MLPs <sup>2</sup> 35.9%	MLPs <sup>2</sup> 13.9%	REITs 29.8%	US Equities 32.4%	REITs 14.7%	US Equities 1.4%	MLPs <sup>2</sup> 18.3%	EM Equities 37.3%	US Debt 0.0%	US Equities 31.5%	US Equities 13.6%	MLPs <sup>2</sup> 17.2%
MLPs <sup>2</sup>	76.4%	EM Equities 20.2%	Inflation-Linked 13.6%	High Yield 19.6%	MLPs <sup>2</sup> 27.6%	US Equities 13.7%	DM Int'l Equities 0.9%	High Yield 14.3%	DM Int'l Equities 26.7%	DM Int'l Debt -0.8%	REITs 23.6%	REITs 8.9%	Commod. 13.6%
High Yield	59.4%	REITs 20.0%	US Debt 7.8%	EM Equities 19.1%	DM Int'l Equities 24.0%	Managed Futures 12.3%	US Debt 0.5%	US Equities 12.0%	US Equities 21.8%	Inflation-Linked -1.3%	DM Int'l Equities 23.1%	High Yield 7.3%	US Equities 13.5%
REITs	41.3%	Commod. 16.8%	DM Int'l Debt 6.0%	DM Int'l Equities 18.2%	Diversified Portfolio 15.1%	US Debt 6.0%	REITs -0.4%	Commod. 11.8%	EMD 15.2%	High Yield -4.1%	Diversified Portfolio 19.1%	Diversified Portfolio 7.3%	REITs 12.0%
DM Int'l Equities	33.9%	EMD 15.7%	High Yield 3.1%	EMD 16.8%	Hedged Strategies 8.8%	MLPs <sup>2</sup> 4.8%	Managed Futures -0.9%	EM Equities 10.3%	REITs 15.0%	US Equities -4.4%	EM Equities 18.1%	DM Int'l Equities 6.4%	EM Equities 11.9%
US Equities	26.5%	US Equities 15.1%	US Equities 2.1%	US Equities 16.0%	High Yield 7.3%	Diversified Portfolio 4.7%	Inflation-Linked -1.4%	EMD 9.9%	Diversified Portfolio 14.9%	Managed Futures -4.6%	EMD 13.5%	US Debt 4.3%	DM Int'l Equities 11.5%
Diversified Portfolio	23.6%	High Yield 14.8%	EMD -1.8%	Diversified Portfolio 12.0%	REITs 2.2%	Inflation-Linked 3.6%	Diversified Portfolio -1.9%	Diversified Portfolio 7.5%	High Yield 10.4%	REITs -5.5%	High Yield 12.6%	MLPs <sup>2</sup> 4.2%	DM Int'l Debt 6.9%
EMD	22.0%	Diversified Portfolio 12.7%	Diversified Portfolio -2.1%	Inflation-Linked 7.0%	Managed Futures 0.7%	Hedged Strategies 3.4%	High Yield -2.7%	Inflation-Linked 4.7%	DM Int'l Debt 8.8%	Diversified Portfolio -6.1%	Hedged Strategies 8.7%	EM Equities 4.0%	High Yield 6.8%
Commod.	18.9%	DM Int'l Equities 9.8%	Managed Futures -4.3%	MLPs <sup>2</sup> 4.8%	EM Equities -1.9%	High Yield 0.0%	Hedged Strategies -3.6%	REITs 4.6%	Hedged Strategies 6.0%	EMD -6.2%	US Debt 8.7%	Inflation-Linked 3.4%	Managed Futures 6.2%
Hedged Strategies	11.5%	DM Int'l Debt 7.0%	Hedged Strategies -5.7%	Hedged Strategies 4.8%	US Debt -2.0%	EM Equities -1.4%	DM Int'l Debt -4.4%	US Debt 2.6%	US Debt 3.5%	Hedged Strategies -7.0%	Inflation-Linked 8.4%	EMD 2.7%	Diversified Portfolio 5.6%
Inflation-Linked	11.4%	US Debt 6.5%	REITs -8.1%	US Debt 4.2%	DM Int'l Debt -5.6%	DM Int'l Debt -3.0%	EM Equities -13.5%	Hedged Strategies 2.5%	Inflation-Linked 3.0%	Commod. -11.2%	Commod. 7.7%	DM Int'l Debt 1.4%	Inflation-Linked 4.3%
US Debt	5.9%	Managed Futures 6.4%	DM Int'l Equities -12.2%	DM Int'l Debt 0.5%	Inflation-Linked -8.6%	DM Int'l Equities -4.5%	EMD -14.9%	DM Int'l Debt 2.1%	Commod. 1.7%	MLPs <sup>2</sup> -12.4%	Managed Futures 7.1%	Hedged Strategies 1.1%	Hedged Strategies 4.0%
DM Int'l Debt	3.7%	Inflation-Linked 6.3%	Commod. -13.3%	Commod. -1.1%	EMD -9.0%	EMD -5.7%	Commod. -24.7%	DM Int'l Equities 1.6%	Managed Futures -0.8%	DM Int'l Equities -14.0%	MLPs <sup>2</sup> 6.6%	Managed Futures 0.8%	EMD 3.7%
Managed Futures	-4.8%	Hedged Strategies 4.2%	EM Equities -19.2%	Managed Futures -1.8%	Commod. -9.5%	Commod. -17.0%	MLPs <sup>2</sup> -32.6%	Managed Futures -4.4%	MLPs <sup>2</sup> -6.5%	EM Equities -14.7%	DM Int'l Debt 4.6%	Commod. -4.7%	US Debt 2.9%

Source: FactSet, Morgan Stanley Wealth Management GIC; Indices used: Bloomberg Barclays Capital US Aggregate for US Bonds. FTSE 3M Treasury Bill for cash, Bloomberg Barclays US Aggregate for US Bonds, Bloomberg Barclays Global Majors ex US for DM Int'l Bonds, Bloomberg Barclays US TIPS for Inflation-linked securities, Bloomberg Barclays Global High Yield for global high yield, JP Morgan EMBI for EM Bonds, S&P 500 for US Stocks, MSCI EAFE IMI for Int'l Stocks, MSCI EM IMI for Emerging Market Stocks, FTSE EPRA/NAREIT Global for REITs, Bloomberg Commodity Index for commodities, BarclayHedge US Managed Futures Index for Managed Futures [presented w/ 1-month delay], Alerian MLP Index for MLPs, and HFRX Global hedge Funds for hedged strategies. Diversified portfolio is comprised of 25% S&P 500, 10% Russell 2000, 15% MSCI EAFE, 5% MSCI EME, 25% Bloomberg Barclays US Aggregate, 5% 3 mo. T-Bills, 5% HFRX Global Hedge Funds, 5% Bloomberg Commodity Index, and 5% FTSE EPRA/NAREIT Global Index. MLP data begins on January 1, 2007. Standard deviation (volatility) is a measure of the dispersion of a set of data from its mean.

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**Global Investment Manager Analysis (GIMA) Focus List, Approved List and Tactical Opportunities List; Watch Policy.** GIMA uses two methods to evaluate investment products in applicable advisory programs: **Focus** (and investment products meeting this standard are described as being on the Focus List) and **Approved** (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List. Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status). GIMA has a "Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. Certain investment products on either the Focus List or Approved List may also be recommended for the **Tactical Opportunities List** based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time. For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

The **Global Investment Committee** is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models which, when compounded over a period of years, would decrease returns.

**Adverse Active Alpha (AAA)** is a patented screening and scoring process designed to help identify high-quality equity and fixed income managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. Please note that this data may be derived from back-testing, which has the benefit of hindsight. In addition, highly ranked managers can have differing risk profiles that might not be suitable for all investors. Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information. Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence process are equally important factors for investors when considering managers for use through an investment advisory program. Factors including, but not limited to, manager turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be

suitable for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

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**Strategy May Be Available as a Separately Managed Account or Mutual Fund** Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program. In most Morgan Stanley Wealth Management investment advisory accounts, fees are deducted quarterly and have a compounding effect on performance. For example, on an advisory account with a 3% annual fee, if the gross annual performance is 6.00%, the compounding effect of the fees will result in a net performance of approximately 3.93% after one year, 1 after three years, and 21.23% after five years. **Conflicts of Interest:** GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS & Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

**Consider Your Own Investment Needs:** The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be a client-specific suitability analysis or recommendation, or offer to participate in any investment. Therefore, clients should not use this profile as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a suitability determination may lead to asset allocation results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be a suitable asset allocation for you, whether CGCM is a suitable program for you.

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**An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.**

The type of mutual funds and ETFs discussed in this presentation utilizes nontraditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize

one or more of the below noted investment strategies or categories or which seek exposure to the following markets: (1) commodities (e.g., agricultural, energy and metals), currency, precious metals; (2) managed futures; (3) leveraged, inverse or inverse leveraged; (4) bear market, hedging, long-short equity, market neutral; (5) real estate; (6) volatility (seeking exposure to the CBOE VIX Index). Investors should keep in mind that while mutual funds and ETFs may, at times, utilize nontraditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may vary from traditional hedge funds pursuing similar investment objectives. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions and ETFs trade on an exchange. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual or ETF pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Nontraditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

### KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities' (TIPS)** coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments ("ESG")** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. **Options** and margin trading involve substantial risk and are not suitable for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases shares of a closed-end fund, shares may have a market price that is above or below NAV. Portfolios that invest a large percentage of assets in only one industry **sector** (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

**Alternative investments** often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; Risks associated with the operations, personnel, and processes of the manager; and Risks associated with cybersecurity. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment

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Investment products in this category may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investments are not suitable for all investors. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee for distribution from their management fees to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an Alternative Investment and in some instances pay these fees on the investments held by advisory clients. Morgan Stanley Wealth Management rebates such fees that are received and attributable to an investment held by an advisory client and retains the fees paid in connection with investments held by brokerage clients. Morgan Stanley Wealth Management has a conflict of interest in offering alternative investments because Morgan Stanley Wealth Management or our affiliates, in most instances, earn more money in your account from your investments in alternative investments than from other investment options.

It should be noted that the majority of hedge fund indexes are comprised of hedge fund manager returns. This is in contrast to traditional indexes, which are comprised of individual securities in the various market segments they represent and offer complete transparency as to membership and construction methodology. As such, some believe that hedge fund index returns have certain biases that are not present in traditional indexes. Some of these biases inflate index performance, while others may skew performance negatively. However, many studies indicate that overall hedge fund index performance has been biased to the upside. Some studies suggest performance has been inflated by up to 260 basis points or more annually depending on the types of biases included and the time period studied. Although there are numerous potential biases that could affect hedge fund returns, we identify some of the more common ones throughout this paper.

Self-selection bias results when certain manager returns are not included in the index returns and may result in performance being skewed up or down. Because hedge funds are private placements, hedge fund managers are able to decide which fund returns they want to report and are able to opt out of reporting to the various databases. Certain hedge fund managers may choose only to report

returns for funds with strong returns and opt out of reporting returns for weak performers. Other hedge funds that close may decide to stop reporting in order to retain secrecy, which may cause a downward bias in returns.

Survivorship bias results when certain constituents are removed from an index. This often results from the closure of funds due to poor performance, "blow ups," or other such events. As such, this bias typically results in performance being skewed higher. As noted, hedge fund index performance biases can result in positive or negative skew. However, it would appear that the skew is more often positive. While it is difficult to quantify the effects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artificial "lift" or upwards bias.

**Hedge Funds of Funds** and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor's goals by the pre-established year or "target date." A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are suitable only for the risk capital portion of an investor's portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy.

**Asset allocation and diversification** do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

**Tax laws are complex and subject to change.** Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at [www.morganstanley.com/disclosures/dol](http://www.morganstanley.com/disclosures/dol). Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Annuities and insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be a suitable comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.

Investment and services offered through Morgan Stanley Private Wealth Management, a division of Morgan Stanley Smith Barney LLC, Member SIPC.

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For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

**GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS:** The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

**HYPOTHETICAL MODEL PERFORMANCE (GROSS):** Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

**FEES REDUCE THE PERFORMANCE OF ACTUAL ACCOUNTS:** None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at [www.morganstanley.com/adv](http://www.morganstanley.com/adv). The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material.

**Variable annuities** are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract. If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection. Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.

**Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fixed income** asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

**Master Limited Partnerships (MLPs)** are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Individual MLPs

are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV, and, as a result, the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

**Investing in commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be suitable for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor.

**REITs** investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions. Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a **mortgage-backed security**. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. **Asset-backed securities** generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

**Yields** are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision. **Credit ratings** are subject to change. **Duration**, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. The majority of \$25 and \$1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per \$25 or \$1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price. The initial interest rate on a **floating-rate security** may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk. The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield. Some \$25 or \$1000 par **preferred securities** are QDI (Qualified Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

Companies paying **dividends** can reduce or cut payouts at any time.

**Nondiversification:** For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

**Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies whose stocks are

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considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected . Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels . This material is disseminated in the United States of America by Morgan Stanley Smith Barney LLC. Morgan Stanley Wealth Management is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be , and do not constitute, advice within the meaning of the Municipal Advisor Rule. This material, or any portion thereof, may not be reprinted, sold or redistributed without the written consent of Morgan Stanley Smith Barney LLC.

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# Wilmette Fire Pension Fund

Quarterly Performance Report  
December 31, 2019

## Wilmette Fire Pension Fund

	Target Allocation (%)	Asset Allocation (%)	Differences (%)	Asset Allocation (\$)	Target Rebalance (\$)
Fixed Income	35.00	32.57	-2.43	15,965,940.68	1,190,018.89
Equity	65.00	67.43	2.43	33,051,086.65	-1,190,018.89
Wilmette Firemens Pension Fund	100.00	100.00	0.00	49,017,027.33	-

	Target Allocation (%)	Asset Allocation (%)	Differences (%)	Asset Allocation (\$)	Target Rebalance (\$)
Real Estate	3.00	3.10	0.10	1,521,332.04	-50,821.22
Small Cap Equity	7.00	8.66	1.66	4,246,140.43	-814,948.52
Emerging Markets	8.00	7.59	-0.41	3,721,567.84	199,794.35
Mid Cap Equity	10.00	10.32	0.32	5,057,943.94	-156,241.21
International Equity	12.00	12.72	0.72	6,236,366.18	-354,322.90
Large Cap Equity	25.00	25.03	0.03	12,267,736.22	-13,479.39
Fixed Income	35.00	32.57	-2.43	15,965,940.68	1,190,018.89
Wilmette Firemens Pension Fund	100.00	100.00	0.00	49,017,027.33	-

## Wilmette Fire Pension Fund

As of December 31, 2019

	Total Fund		Domestic Equity		International Equity		REITS		Domestic Fixed Income		Alternative Investment		Cash Equivalent	
	(\$)	%	(\$)	%	(\$)	%	(\$)	%	(\$)	%	(\$)	%	(\$)	%
<b>Wilmette Firemens Pension Fund</b>	<b>19,017,027</b>	<b>100.00</b>	<b>10,828,618</b>	<b>42.49</b>	<b>10,295,201</b>	<b>21.00</b>	<b>1,521,332</b>	<b>3.10</b>	<b>15,595,960</b>	<b>31.82</b>	<b>284,728</b>	<b>0.58</b>	<b>491,188</b>	<b>1.00</b>
<b>Large Cap Equity</b>	<b>12,267,736</b>	<b>25.03</b>	<b>12,267,736</b>	<b>100.00</b>	-	-	-	-	-	-	-	-	-	-
Vanguard - S&P 500 Inst. Index(02/23/2015)	12,267,736	25.03	12,267,736	100.00	-	-	-	-	-	-	-	-	-	-
<b>Mid Cap Equity</b>	<b>5,057,944</b>	<b>10.32</b>	<b>5,057,857</b>	<b>100.00</b>	-	-	-	-	-	-	-	-	<b>87</b>	<b>0.00</b>
iShares Core S&P Mid-Cap ETF 090765	2,553,284	5.21	2,553,197	100.00	-	-	-	-	-	-	-	-	87	0.00
Columbia Acorn Fund 090764	2,504,660	5.11	2,504,660	100.00	-	-	-	-	-	-	-	-	-	-
<b>Small Cap Equity</b>	<b>4,246,140</b>	<b>8.66</b>	<b>3,503,024</b>	<b>82.50</b>	<b>337,267</b>	<b>7.94</b>	-	-	-	-	<b>284,728</b>	<b>6.71</b>	<b>121,120</b>	<b>2.85</b>
London - Small Cap Core - 150666	3,618,104	7.38	2,874,988	79.46	337,267	9.32	-	-	-	-	284,728	7.87	121,120	3.35
Small Cap 600 ETF - 077128	628,037	1.28	628,037	100.00	-	-	-	-	-	-	-	-	-	0.00
<b>Real Estate</b>	<b>1,521,332</b>	<b>3.10</b>	-	-	-	-	<b>1,521,332</b>	<b>100.00</b>	-	-	-	-	-	-
Vanguard REIT Index Fund	1,521,332	3.10	-	-	-	-	1,521,332	100.00	-	-	-	-	-	-
<b>International Equity</b>	<b>6,236,366</b>	<b>12.72</b>	-	-	<b>6,236,366</b>	<b>100.00</b>	-	-	-	-	-	-	-	-
Amerifunds - International Equity - 150605	3,137,519	6.40	-	-	3,137,519	100.00	-	-	-	-	-	-	-	-
iShares Core MSCI EAFE 087512	1,052,778	2.15	-	-	1,052,778	100.00	-	-	-	-	-	-	-	-
Tweedy Browne Global Value 087515	1,010,505	2.06	-	-	1,010,505	100.00	-	-	-	-	-	-	-	-
JOHCM International 087513	1,035,564	2.11	-	-	1,035,564	100.00	-	-	-	-	-	-	-	-
<b>Emerging Markets</b>	<b>3,721,568</b>	<b>7.59</b>	-	-	<b>3,721,568</b>	<b>100.00</b>	-	-	-	-	-	-	-	-
American New World -087508	1,234,659	2.52	-	-	1,234,659	100.00	-	-	-	-	-	-	-	-
Lazard - Emerging Markets Equity - 150647	2,486,909	5.07	-	-	2,486,909	100.00	-	-	-	-	-	-	-	-
<b>Fixed Income</b>	<b>15,965,941</b>	<b>32.57</b>	-	-	-	-	-	-	<b>15,595,960</b>	<b>97.68</b>	-	-	<b>369,981</b>	<b>2.32</b>
Spare - Max Flex Fixed Income - 150603	4,307,218	8.79	-	-	-	-	-	-	4,168,465	96.78	-	-	138,754	3.22
Spare - Flex Fixed Income - 150602	4,399,170	8.97	-	-	-	-	-	-	4,215,036	95.81	-	-	184,133	4.19
Weaver - Fixed Income - 150676	7,252,244	14.80	-	-	-	-	-	-	7,212,038	99.45	-	-	40,206	0.55
Self Managed - Fixed Income - 150523	7,309	0.01	-	-	-	-	-	-	421	5.77	-	-	6,887	94.23

As of December 31, 2019

	1 Month	Quarter To Date	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>Wilmette Firemens Pension Fu</b>	<b>1.98</b>	<b>5.51</b>	<b>20.47</b>	<b>20.47</b>	<b>8.29</b>	<b>6.13</b>	<b>6.96</b>	<b>7.13</b>	<b>6.77</b>	<b>01/01/2003</b>
Custom Benchmark	2.30	5.64	20.69	20.69	9.52	7.17	7.80	7.70	6.88	
<b>US Equity</b>	<b>2.38</b>	<b>7.72</b>	<b>29.37</b>	<b>29.37</b>	<b>11.67</b>	<b>9.42</b>	-	-	<b>11.08</b>	<b>05/01/2013</b>
Custom Benchmark - US Equity	2.78	8.12	29.35	29.35	12.66	10.47	-	-	12.17	
<b>International Equity</b>	<b>3.34</b>	<b>8.17</b>	<b>22.93</b>	<b>22.93</b>	<b>9.25</b>	<b>5.08</b>	-	-	<b>4.74</b>	<b>05/01/2013</b>
MSCI AC World ex US Net	4.33	8.92	21.51	21.51	9.87	5.51	-	-	4.65	
<b>Emerging Markets</b>	<b>6.13</b>	<b>10.45</b>	<b>21.18</b>	<b>21.18</b>	<b>8.36</b>	<b>4.13</b>	-	-	<b>2.29</b>	<b>05/01/2013</b>
MSCI EM Net	7.46	11.84	18.42	18.42	11.57	5.61	-	-	3.56	
<b>Fixed Income</b>	<b>-0.01</b>	<b>0.37</b>	<b>8.23</b>	<b>8.23</b>	<b>3.79</b>	<b>2.73</b>	-	-	<b>2.38</b>	<b>05/01/2013</b>
Barclays Govt/Credit Bond	-0.20	-0.01	9.71	9.71	4.35	3.23	-	-	2.78	

Returns for periods greater than one year are annualized.  
Returns are expressed as percentages.

As of December 31, 2019

	1 Month	Quarter To Date	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>Wilmette Firemens Pension Fund</b>	<b>1.98</b>	<b>5.51</b>	<b>20.47</b>	<b>20.47</b>	<b>8.29</b>	<b>6.13</b>	<b>6.96</b>	<b>7.13</b>	<b>6.77</b>	<b>01/01/2003</b>
Custom Benchmark	2.30	5.64	20.69	20.69	9.52	7.17	7.80	7.70	6.88	
<b>Vanguard - S&amp;P 500 Inst. Index(02/23/2015)</b>	<b>3.21</b>	<b>9.32</b>	<b>31.78</b>	<b>31.78</b>	<b>15.44</b>	<b>11.82</b>	<b>14.69</b>	<b>13.59</b>	<b>10.36</b>	<b>01/01/2003</b>
S&P 500 Total Return	3.02	9.07	31.49	31.49	15.27	11.70	14.73	13.56	10.17	
<b>iShares Core S&amp;P Mid-Cap ETF 090765</b>	<b>2.79</b>	<b>6.96</b>	-	-	-	-	-	-	<b>15.12</b>	<b>06/01/2019</b>
S&P 400 MidCap Net	2.76	6.92	-	-	-	-	-	-	14.79	
<b>Columbia Acorn Fund 090764</b>	<b>0.98</b>	<b>8.50</b>	-	-	-	-	-	-	<b>10.58</b>	<b>06/01/2019</b>
Russell 2500 GR	0.93	10.57	-	-	-	-	-	-	15.38	
<b>London - Small Cap Core - 150666</b>	<b>0.65</b>	<b>4.91</b>	<b>27.89</b>	<b>27.89</b>	<b>7.61</b>	<b>5.19</b>	<b>8.01</b>	-	<b>9.41</b>	<b>01/01/2011</b>
Russell 2000	2.88	9.94	25.53	25.53	8.59	8.23	11.65	-	10.26	
<b>Small Cap 600 ETF - 077128</b>	<b>3.00</b>	<b>8.25</b>	<b>22.81</b>	<b>22.81</b>	-	-	-	-	<b>8.98</b>	<b>05/04/2017</b>
S&P 600 SC	2.99	8.21	22.78	22.78	-	-	-	-	8.90	
<b>Vanguard REIT Index Fund</b>	<b>0.81</b>	<b>0.62</b>	<b>28.94</b>	<b>28.94</b>	<b>8.36</b>	<b>7.19</b>	-	-	<b>9.19</b>	<b>05/01/2014</b>
MSCI US IMI Real Estate 25/50	0.82	0.65	29.02	29.02	7.93	6.41	-	-	8.06	
<b>Amerifunds - International Equity - 150605</b>	<b>4.30</b>	<b>10.09</b>	<b>27.40</b>	<b>27.40</b>	<b>12.41</b>	<b>7.37</b>	<b>7.73</b>	<b>6.63</b>	<b>7.60</b>	<b>04/01/2004</b>
MSCI AC World ex US Net	4.33	8.92	21.51	21.51	9.87	5.51	5.44	4.97	5.95	
<b>iShares Core MSCI EAFE 087512</b>	<b>3.62</b>	<b>8.28</b>	<b>22.57</b>	<b>22.57</b>	-	-	-	-	<b>14.58</b>	<b>12/01/2018</b>
MSCI EAFE IMI NT	3.43	8.69	23.06	23.06	-	-	-	-	15.43	
<b>JOHCM International 087513</b>	<b>2.19</b>	<b>7.58</b>	<b>19.04</b>	<b>19.04</b>	-	-	-	-	<b>12.57</b>	<b>12/01/2018</b>
MSCI EAFE	3.25	8.17	22.01	22.01	-	-	-	-	14.77	
<b>Tweedy Browne Global Value 087515</b>	<b>1.35</b>	<b>3.07</b>	<b>14.63</b>	<b>14.63</b>	-	-	-	-	<b>8.76</b>	<b>12/01/2018</b>
MSCI EAFE	3.25	8.17	22.01	22.01	-	-	-	-	14.77	
<b>American New World -087508</b>	<b>4.02</b>	<b>9.08</b>	<b>28.03</b>	<b>28.03</b>	-	-	-	-	<b>21.40</b>	<b>12/01/2018</b>
MSCI ACWI	3.56	9.07	27.30	27.30	-	-	-	-	16.85	
<b>Lazard - Emerging Markets Equity - 150647</b>	<b>7.22</b>	<b>11.15</b>	<b>18.04</b>	<b>18.04</b>	<b>7.33</b>	<b>3.54</b>	<b>1.76</b>	-	<b>2.56</b>	<b>05/01/2010</b>
MSCI EM Net	7.46	11.84	18.42	18.42	11.57	5.61	3.26	-	3.42	

Returns for periods greater than one year are annualized.  
Returns are expressed as percentages.

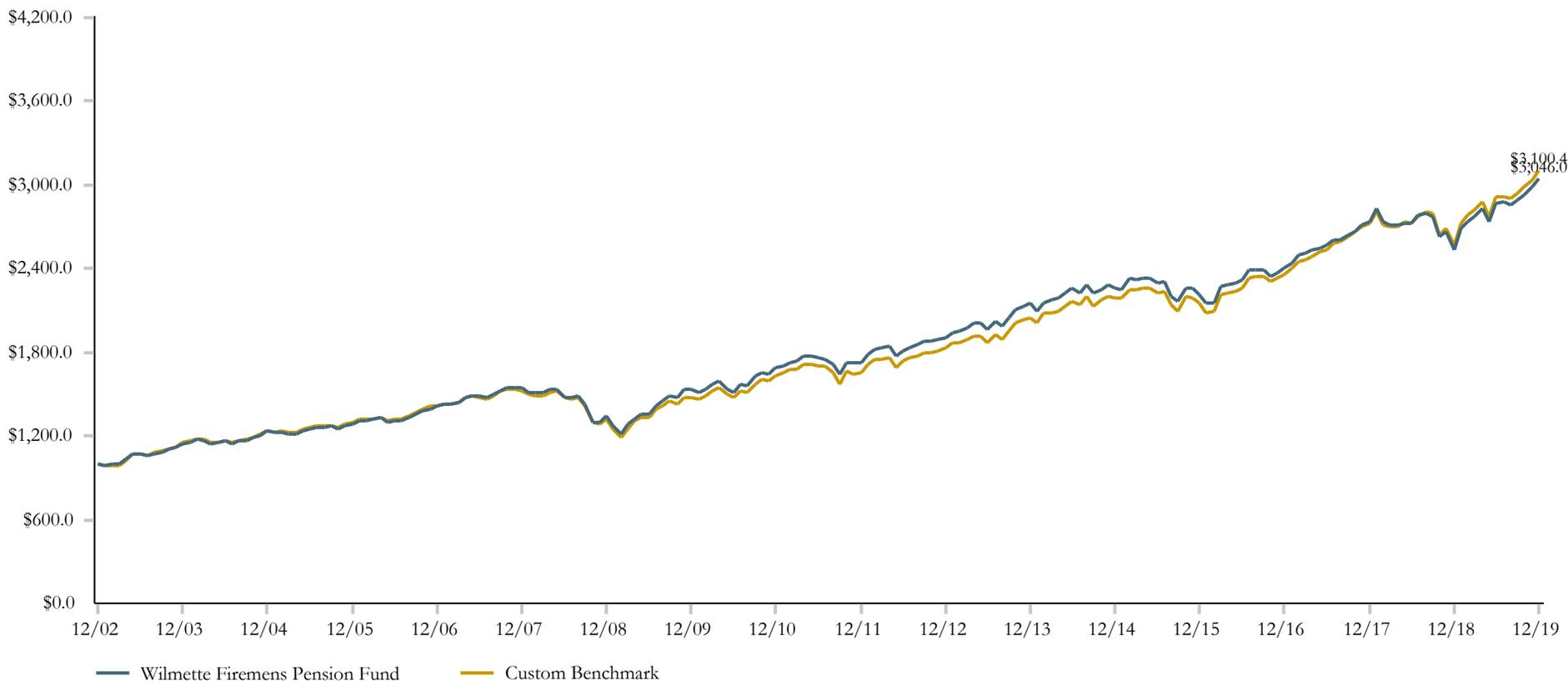
As of December 31, 2019

	1 Month	Quarter To Date	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>Spare - Max Flex Fixed Income - 150603</b>	<b>0.07</b>	<b>0.39</b>	<b>4.31</b>	<b>4.31</b>	<b>2.29</b>	<b>1.54</b>	<b>1.39</b>	<b>2.14</b>	<b>2.20</b>	<b>08/01/2009</b>
BC Gov 1-3 Yr	0.21	0.51	3.59	3.59	1.86	1.40	1.15	1.25	1.27	
<b>Spare - Flex Fixed Income - 150602</b>	<b>-0.07</b>	<b>0.11</b>	<b>8.46</b>	<b>8.46</b>	<b>3.77</b>	<b>2.78</b>	<b>2.49</b>	<b>3.68</b>	<b>4.00</b>	<b>01/01/2003</b>
Custom Benchmark - SKBA Flex	-0.20	-0.01	9.71	9.71	4.35	3.23	2.81	3.81	4.01	
<b>Weaver - Fixed Income - 150676</b>	<b>-0.03</b>	<b>0.52</b>	<b>10.57</b>	<b>10.57</b>	<b>4.76</b>	<b>3.47</b>	<b>2.99</b>	<b>-</b>	<b>3.93</b>	<b>06/01/2011</b>
Weaver Custom Benchmark	0.25	0.67	8.14	8.14	3.74	3.03	2.49	-	3.14	
<b>Self Managed - Fixed Income - 150523</b>	<b>0.15</b>	<b>0.44</b>	<b>2.28</b>	<b>2.28</b>	<b>2.08</b>	<b>2.76</b>	<b>2.49</b>	<b>2.15</b>	<b>2.91</b>	<b>01/01/2003</b>
BC Gov Intm	-0.03	0.02	5.20	5.20	2.57	1.99	1.60	2.38	3.06	

Returns for periods greater than one year are annualized.  
Returns are expressed as percentages.

As of December 31, 2019

	Performance(%)										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2003
Wilmette Firemens Pension Fund	-7.63	14.11	8.34	-2.12	5.06	13.18	10.08	2.54	10.18	14.11	14.28
Custom Benchmark	-5.89	15.65	9.48	-1.69	7.04	11.76	11.00	1.10	10.61	11.91	14.97
Wilmette Fire - Acturial Assumptions	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.30	7.35	7.40	7.50



Please refer to definitions page at the back of this book for benchmark descriptions

As of December 31, 2019

	1 Month	Current Quarter	YTD	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Wilmette Firemens Pension Fund	1.98	5.51	20.45	20.45	8.31	6.03	6.92	6.75	12/15/2002

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Wilmette Firemens Pension Fund	-7.63	14.11	8.23	-2.13	5.06	13.18	10.04	2.52	10.18	13.72

Please refer to definitions page at the back of this book for benchmark descriptions

## As of December 31, 2019

	Dec-2019	Nov-2019	Oct-2019	Sep-2019	Aug-2019	Jul-2019	Jun-2019	May-2019	Apr-2019	Mar-2019	Feb-2019	Jan-2019
<b>Wilmette Firemens Pension Fund</b>												
Beginning Market Value	50,043,842	49,121,981	48,860,363	48,310,162	48,724,646	48,425,790	46,214,377	47,964,859	46,849,495	46,330,571	45,458,397	42,748,262
Net Contributions	-1,999,746	119	-506,876	87	105	-6,751	436	5,286	-11,658	136	116	-6,439
Income	595,989	73,564	15,539	132,123	75,897	32,984	241,365	73,637	18,934	163,408	55,757	40,366
Gain/Loss	376,943	848,177	752,955	417,991	-490,486	272,622	1,969,612	-1,829,406	1,108,088	355,379	816,301	2,676,208
Ending Market Value	49,017,027	50,043,842	49,121,981	48,860,363	48,310,162	48,724,646	48,425,790	46,214,377	47,964,859	46,849,495	46,330,571	45,458,397
<b>Vanguard - S&amp;P 500 Inst. Index(02/23/2015)</b>												
Beginning Market Value	13,856,735	13,371,796	13,576,480	13,327,632	13,542,198	13,350,693	12,472,096	13,318,415	12,800,638	12,555,583	12,165,062	11,262,754
Net Contributions	-2,000,000	-	-500,000	-	-	-	-	-	-	-	-	-
Income	147,214	-	-	73,228	-	-	52,726	-	-	110,252	-	-
Gain/Loss	263,787	484,940	295,315	175,620	-214,566	191,505	825,870	-846,319	517,777	134,803	390,521	902,307
Ending Market Value	12,267,736	13,856,735	13,371,796	13,576,480	13,327,632	13,542,198	13,350,693	12,472,096	13,318,415	12,800,638	12,555,583	12,165,062
<b>Sterling Capital Mgmt - MCV - 021534</b>												
Beginning Market Value	-	-	-	-	-	-	-	4,893,773	4,640,240	4,721,706	4,585,022	4,045,192
Net Contributions	-	-	-	-	-	-	-	-4,840,755	-5,124	17	13	-
Income	-	-	-	-	-	-	-	686	3,851	7,197	3,637	3,703
Gain/Loss	-	-	-	-	-	-	-	-53,704	254,806	-88,680	133,033	536,128
Ending Market Value	-	-	-	-	-	-	-	-	4,893,773	4,640,240	4,721,706	4,585,022
<b>iShares Core S&amp;P Mid-Cap ETF 090765</b>												
Beginning Market Value	2,483,967	2,412,754	2,387,162	2,314,691	2,413,720	2,389,217	2,217,697	2,423,447	-	-	-	-
Net Contributions	1	1	1	1	1	-	152	-	-	-	-	-
Income	11,203	12	14	10,522	16	17	10,739	11	-	-	-	-
Gain/Loss	58,112	71,200	25,578	61,947	-99,046	24,486	160,628	-205,761	-	-	-	-
Ending Market Value	2,553,284	2,483,967	2,412,754	2,387,162	2,314,691	2,413,720	2,389,217	2,217,697	-	-	-	-
<b>Columbia Acorn Fund 090764</b>												
Beginning Market Value	2,480,428	2,333,864	2,308,539	2,361,111	2,443,951	2,397,751	2,264,936	2,422,506	-	-	-	-
Net Contributions	-	-	-164	-	-	-	152	-	-	-	-	-
Income	161,169	-	-	-	-	-	101,843	10	-	-	-	-
Gain/Loss	-136,937	146,563	25,489	-52,572	-82,840	46,199	30,820	-157,580	-	-	-	-
Ending Market Value	2,504,660	2,480,428	2,333,864	2,308,539	2,361,111	2,443,951	2,397,751	2,264,936	-	-	-	-

## As of December 31, 2019

	Dec-2019	Nov-2019	Oct-2019	Sep-2019	Aug-2019	Jul-2019	Jun-2019	May-2019	Apr-2019	Mar-2019	Feb-2019	Jan-2019
<b>London - Small Cap Core - 150666</b>												
Beginning Market Value	3,594,688	3,511,624	3,448,579	3,315,852	3,474,986	3,385,257	3,120,782	3,366,918	3,271,488	3,318,680	3,100,354	2,828,970
Net Contributions	58	22	10	11	11	10	15	17	11	10	10	-
Income	5,834	2,355	2,696	6,020	3,257	2,514	6,147	2,731	2,589	5,995	2,119	2,737
Gain/Loss	17,524	80,686	60,339	126,695	-162,401	87,206	258,313	-248,884	92,830	-53,196	216,196	268,647
Ending Market Value	3,618,104	3,594,688	3,511,624	3,448,579	3,315,852	3,474,986	3,385,257	3,120,782	3,366,918	3,271,488	3,318,680	3,100,354
<b>Small Cap 600 ETF - 077128</b>												
Beginning Market Value	609,812	591,997	580,586	561,698	588,657	581,750	542,044	593,575	571,511	590,717	566,145	511,761
Net Contributions	-53	-	-367	-	-	-	-	-	-	-	-	-
Income	3,067	-	-	2,120	1	1	1,857	1	1	1,922	-	-
Gain/Loss	15,211	17,815	11,777	16,768	-26,960	6,907	37,849	-51,532	22,064	-21,128	24,572	54,383
Ending Market Value	628,037	609,812	591,997	580,586	561,698	588,657	581,750	542,044	593,575	571,511	590,717	566,145
<b>Vanguard REIT Index Fund</b>												
Beginning Market Value	1,509,072	1,528,175	1,511,932	1,484,029	1,430,238	1,407,768	1,384,010	1,382,549	1,383,785	1,328,210	1,318,500	1,179,887
Net Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Income	15,515	-	-	11,954	-	-	13,188	-	-	9,740	-	-
Gain/Loss	-3,255	-19,104	16,244	15,948	53,791	22,470	10,570	1,461	-1,236	45,835	9,710	138,613
Ending Market Value	1,521,332	1,509,072	1,528,175	1,511,932	1,484,029	1,430,238	1,407,768	1,384,010	1,382,549	1,383,785	1,328,210	1,318,500
<b>Amerifunds - International Equity - 150605</b>												
Beginning Market Value	3,008,312	2,948,004	2,849,865	2,798,876	2,871,795	2,895,919	2,715,680	2,871,690	2,787,937	2,731,554	2,664,223	2,462,778
Net Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Income	91,313	-	-	-	-	-	4,390	-	-	-	-	-
Gain/Loss	37,894	60,309	98,139	50,988	-72,919	-24,124	175,849	-156,011	83,753	56,383	67,331	201,445
Ending Market Value	3,137,519	3,008,312	2,948,004	2,849,865	2,798,876	2,871,795	2,895,919	2,715,680	2,871,690	2,787,937	2,731,554	2,664,223
<b>Tweedy Browne Global Value 087515</b>												
Beginning Market Value	997,024	986,040	980,373	956,280	973,995	988,876	941,753	989,939	953,445	944,942	923,683	881,521
Net Contributions	-	-	-2	-	-	-	-	-	-	-	-	-
Income	18,601	-	-	-	-	-	-	-	-	-	-	-
Gain/Loss	-5,120	10,984	5,669	24,093	-17,715	-14,881	47,123	-48,186	36,494	8,503	21,259	42,163
Ending Market Value	1,010,505	997,024	986,040	980,373	956,280	973,995	988,876	941,753	989,939	953,445	944,942	923,683

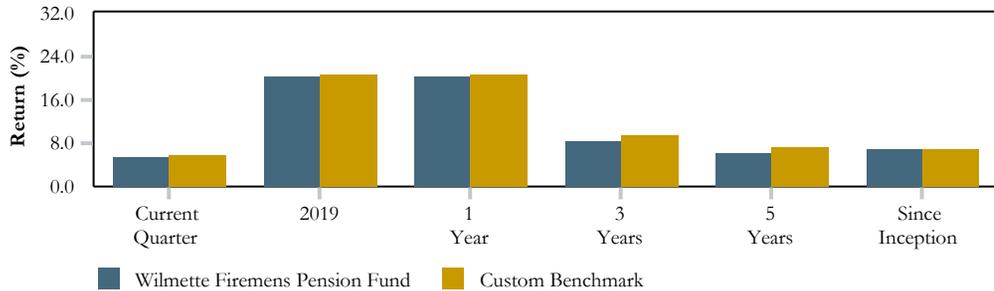
## As of December 31, 2019

	Dec-2019	Nov-2019	Oct-2019	Sep-2019	Aug-2019	Jul-2019	Jun-2019	May-2019	Apr-2019	Mar-2019	Feb-2019	Jan-2019
<b>iShares Core MSCI EAFE 087512</b>												
Beginning Market Value	1,016,078	1,006,685	972,381	944,678	961,236	977,634	927,547	977,053	949,098	941,602	916,459	858,988
Net Contributions	-32	-	-85	-	-	-	-	-	-	-	-	-
Income	14,015	-	-	-	-	-	18,688	-	-	-	-	-
Gain/Loss	22,716	9,393	34,389	27,703	-16,558	-16,399	31,399	-49,506	27,954	7,496	25,143	57,471
Ending Market Value	1,052,778	1,016,078	1,006,685	972,381	944,678	961,236	977,634	927,547	977,053	949,098	941,602	916,459
<b>JOHCM International 087513</b>												
Beginning Market Value	1,013,403	980,520	962,584	967,709	990,343	1,002,300	948,919	980,094	977,104	949,346	928,420	869,913
Net Contributions	-	-	-1	-	-	-	-	-	-	-	-	-
Income	9,727	-	-	-	-	-	-	-	-	-	-	-
Gain/Loss	12,433	32,883	17,936	-5,125	-22,634	-11,958	53,382	-31,175	2,989	27,759	20,926	58,507
Ending Market Value	1,035,564	1,013,403	980,520	962,584	967,709	990,343	1,002,300	948,919	980,094	977,104	949,346	928,420
<b>American New World -087508</b>												
Beginning Market Value	1,186,949	1,166,240	1,131,895	1,113,207	1,142,333	1,140,481	1,068,422	1,123,982	1,098,054	1,070,443	1,042,663	964,375
Net Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Income	48,023	-	-	-	-	-	-	-	-	-	-	-
Gain/Loss	-314	20,708	34,346	18,688	-29,127	1,852	72,059	-55,559	25,928	27,611	27,780	78,288
Ending Market Value	1,234,659	1,186,949	1,166,240	1,131,895	1,113,207	1,142,333	1,140,481	1,068,422	1,123,982	1,098,054	1,070,443	1,042,663
<b>Lazard - Emerging Markets Equity - 150647</b>												
Beginning Market Value	2,319,537	2,320,861	2,237,459	2,158,023	2,277,333	2,325,871	2,213,054	2,316,688	2,265,527	2,278,645	2,350,795	2,106,796
Net Contributions	-	-	-6	-	-	-	-	-	-	-	-	-
Income	39,903	-	-	-	19,803	-	-	-	-	-	-	-
Gain/Loss	127,468	-1,324	83,408	79,436	-139,114	-48,538	112,817	-103,634	51,161	-13,118	-72,150	243,999
Ending Market Value	2,486,909	2,319,537	2,320,861	2,237,459	2,158,023	2,277,333	2,325,871	2,213,054	2,316,688	2,265,527	2,278,645	2,350,795
<b>Spare - Max Flex Fixed Income - 150603</b>												
Beginning Market Value	4,304,281	4,302,221	4,292,394	4,309,459	4,247,370	4,246,465	4,225,531	4,185,934	4,180,774	4,152,228	4,148,980	4,136,775
Net Contributions	25	25	-2,114	23	30	-2,070	43	40	-2,005	55	60	-2,000
Income	8,005	14,409	960	2,648	18,841	2,191	9,693	14,651	671	3,130	19,057	2,359
Gain/Loss	-5,093	-12,374	10,981	-19,735	43,218	784	11,198	24,906	6,494	25,361	-15,869	11,844
Ending Market Value	4,307,218	4,304,281	4,302,221	4,292,394	4,309,459	4,247,370	4,246,465	4,225,531	4,185,934	4,180,774	4,152,228	4,148,980

## As of December 31, 2019

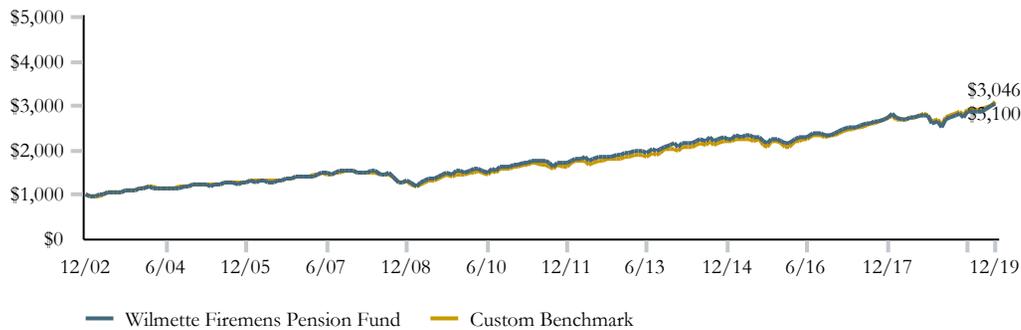
	Dec-2019	Nov-2019	Oct-2019	Sep-2019	Aug-2019	Jul-2019	Jun-2019	May-2019	Apr-2019	Mar-2019	Feb-2019	Jan-2019
<b>Spare - Flex Fixed Income - 150602</b>												
Beginning Market Value	4,402,268	4,406,123	4,396,465	4,419,251	4,309,173	4,309,210	4,249,571	4,177,328	4,179,031	4,106,148	4,105,141	4,063,818
Net Contributions	34	34	-2,152	26	28	-2,102	33	36	-2,047	25	26	-1,995
Income	8,755	14,826	4,935	6,997	19,329	7,459	9,572	17,562	3,998	6,984	16,634	9,686
Gain/Loss	-11,887	-18,715	6,876	-29,809	90,721	-5,394	50,035	54,644	-3,653	65,875	-15,652	33,632
Ending Market Value	4,399,170	4,402,268	4,406,123	4,396,465	4,419,251	4,309,173	4,309,210	4,249,571	4,177,328	4,179,031	4,106,148	4,105,141
<b>Weaver - Fixed Income - 150676</b>												
Beginning Market Value	7,254,131	7,247,930	7,217,199	7,271,207	7,050,873	7,020,169	6,915,919	6,780,487	6,784,444	6,634,365	6,636,560	6,568,357
Net Contributions	79	36	-2,661	25	33	-2,590	40	27	-2,495	29	7	-2,445
Income	13,631	41,952	6,923	18,621	14,638	20,788	12,510	37,972	7,810	18,176	14,297	21,867
Gain/Loss	-15,597	-35,788	26,468	-72,654	205,662	12,506	91,700	97,434	-9,273	131,874	-16,498	48,780
Ending Market Value	7,252,244	7,254,131	7,247,930	7,217,199	7,271,207	7,050,873	7,020,169	6,915,919	6,780,487	6,784,444	6,634,365	6,636,560
<b>Self Managed - Fixed Income - 150523</b>												
Beginning Market Value	7,157	7,145	6,471	6,458	6,444	6,429	6,415	6,433	6,417	6,403	6,390	6,376
Net Contributions	141	1	664	1	1	1	1	-31	1	1	1	1
Income	11	10	11	12	12	14	12	14	14	13	13	13
Gain/Loss	-	-	-	-	-	-	-	-	-	-	-	-
Ending Market Value	7,309	7,157	7,145	6,471	6,458	6,444	6,429	6,415	6,433	6,417	6,403	6,390

Portfolio Performance (%)



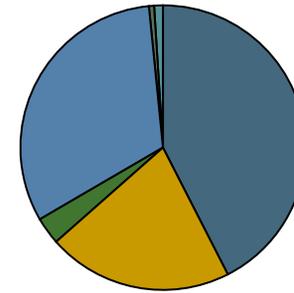
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Wilmette Firemens Pension Fund	5.51	20.47	20.47	8.29	6.13	6.77	01/01/2003
Custom Benchmark	5.64	20.69	20.69	9.52	7.17	6.88	01/01/2003

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Wilmette Firemens Pension Fund							01/01/2003
Beginning Market Value	48,860	42,748	42,748	42,278	42,140	20,281	
Net Contributions	-2,493	-2,443	-2,443	-4,261	-6,509	-8,146	
Fees/Expenses	-14	-82	-82	-270	-410	-733	
Income	685	1,520	1,520	3,927	5,994	16,297	
Gain/Loss	1,978	7,274	7,274	7,343	7,802	21,317	
Ending Market Value	49,017	49,017	49,017	49,017	49,017	49,017	



Asset Allocation (\$000)

December 31, 2019 : \$49,017

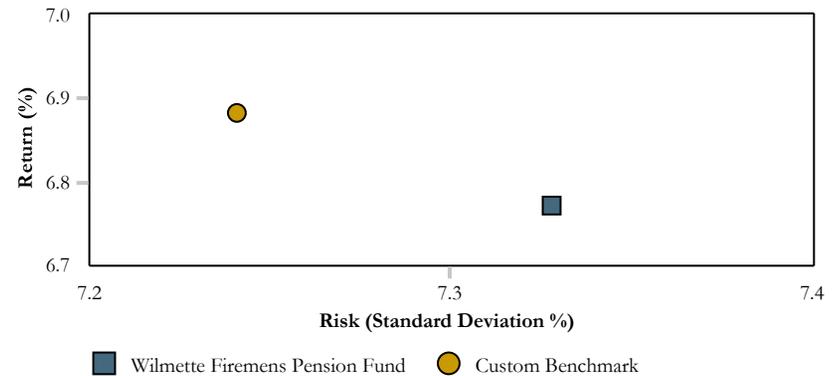


Segments	Market Value (\$000)	Allocation (%)
Domestic Equity	20,828.62	42.49
International Equity	10,295.20	21.00
REITS	1,521.33	3.10
Domestic Fixed Income	15,595.96	31.82
Alternative Investment	284.73	0.58
Cash Equivalent	491.19	1.00

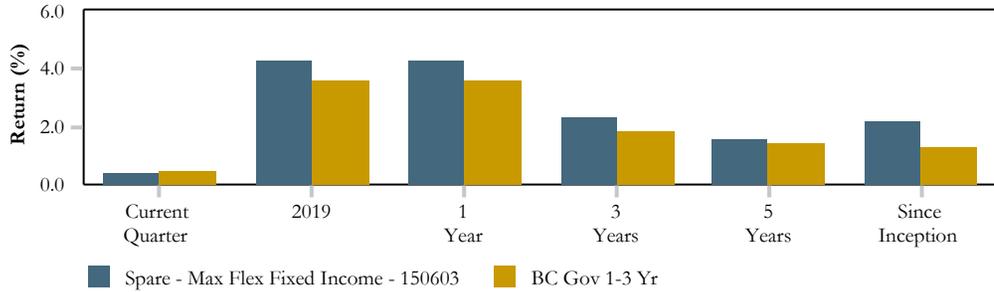
Portfolio Characteristics vs. Custom Benchmark Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Wilmette Firemens Pension Fund	1.00	-0.07	0.97	0.75	01/01/2003

Risk/Return Analysis Since 01/03

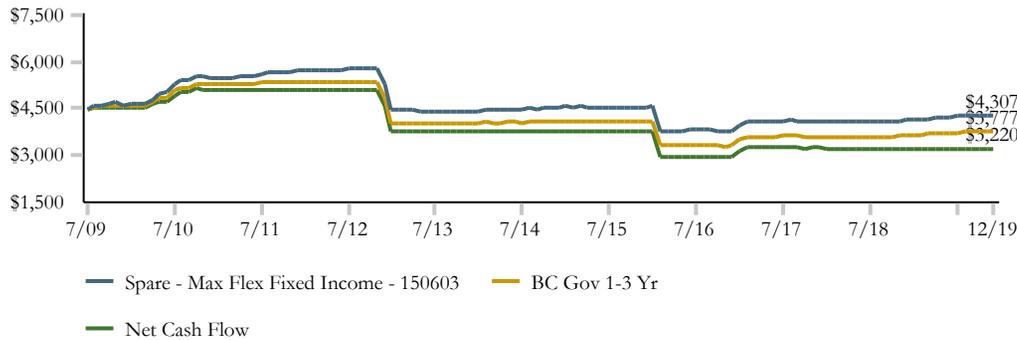


**Portfolio Performance (%)**



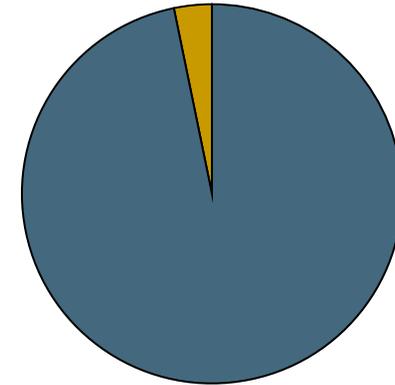
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Spare - Max Flex Fixed Income - 150603	0.39	4.31	4.31	2.29	1.54	2.20	08/01/2009
BC Gov 1-3 Yr	0.51	3.59	3.59	1.86	1.40	1.27	08/01/2009

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Spare - Max Flex Fixed Income - 150603							08/01/2009
Beginning Market Value	4,292	4,137	4,137	3,750	4,525	4,460	
Net Contributions	-	2	2	304	-496	-1,072	
Fees/Expenses	-3	-10	-10	-30	-52	-167	
Income	23	97	97	288	524	1,363	
Gain/Loss	-6	82	82	-4	-194	-276	
Ending Market Value	4,307	4,307	4,307	4,307	4,307	4,307	



**Asset Allocation (\$000)**

December 31, 2019 : \$4,307

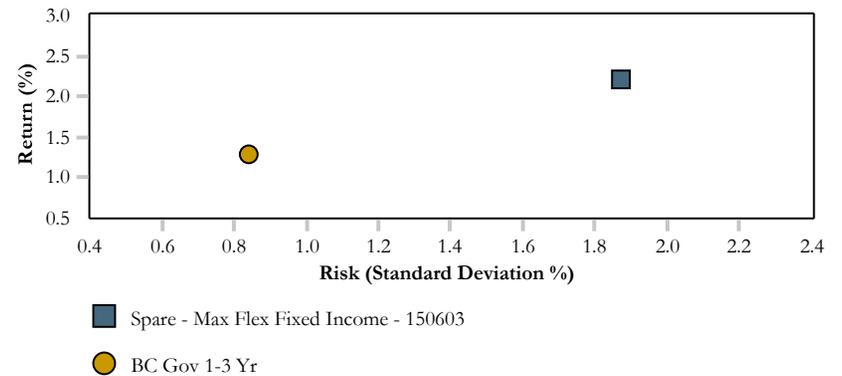


Segments	Market Value (\$000)	Allocation (%)
Domestic Fixed Income	4,168.46	96.78
Cash Equivalent	138.75	3.22

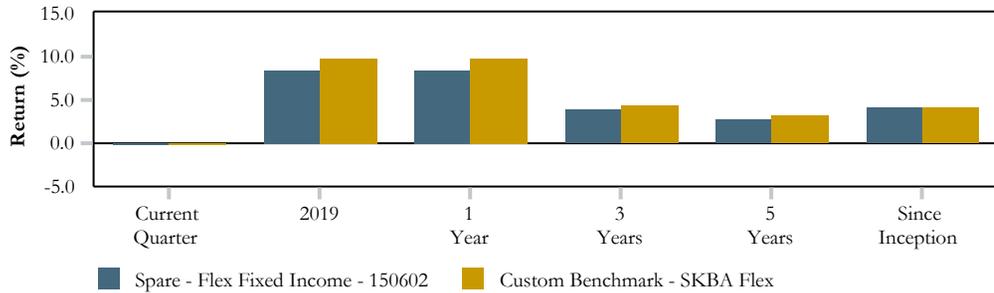
**Portfolio Characteristics vs. BC Gov 1-3 Yr Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Spare - Max Flex Fixed Income - 150603	1.91	-0.23	0.74	0.88	08/01/2009

**Risk/Return Analysis Since 08/09**

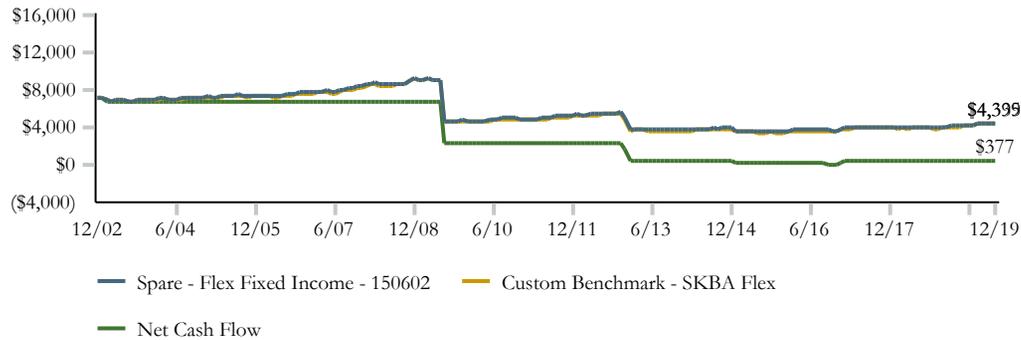


**Portfolio Performance (%)**



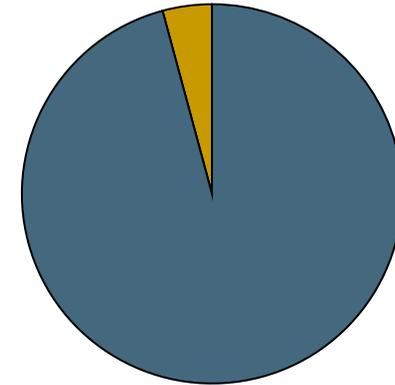
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Spare - Flex Fixed Income - 150602	0.11	8.46	8.46	3.77	2.78	4.00	01/01/2003
Custom Benchmark - SKBA Flex	-0.01	9.71	9.71	4.35	3.23	4.01	01/01/2003

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Spare - Flex Fixed Income - 150602							01/01/2003
Beginning Market Value	4,396	4,064	4,064	3,663	3,946	7,245	
Net Contributions	-	2	2	305	-60	-6,725	
Fees/Expenses	-3	-10	-10	-32	-51	-143	
Income	29	127	127	402	672	3,986	
Gain/Loss	-24	217	217	62	-108	36	
Ending Market Value	4,399	4,399	4,399	4,399	4,399	4,399	



**Asset Allocation (\$000)**

December 31, 2019 : \$4,399

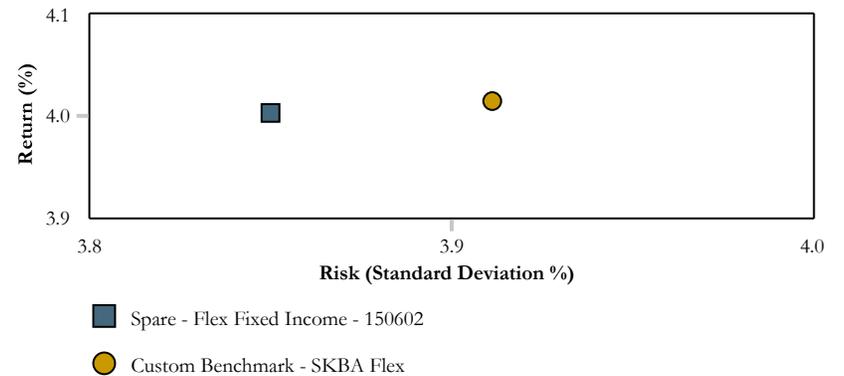


Segments	Market Value (\$000)	Allocation (%)
Domestic Fixed Income	4,215.04	95.81
Cash Equivalent	184.13	4.19

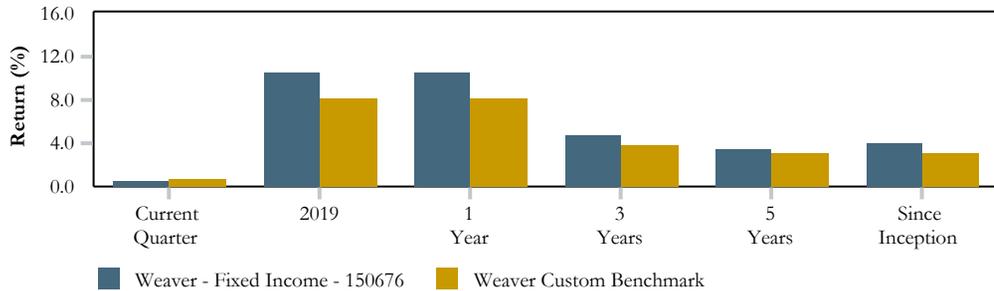
**Portfolio Characteristics vs. Custom Benchmark - SKBA Flex Since**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Spare - Flex Fixed Income - 150602	0.96	0.13	0.96	0.70	01/01/2003

**Risk/Return Analysis Since 01/03**

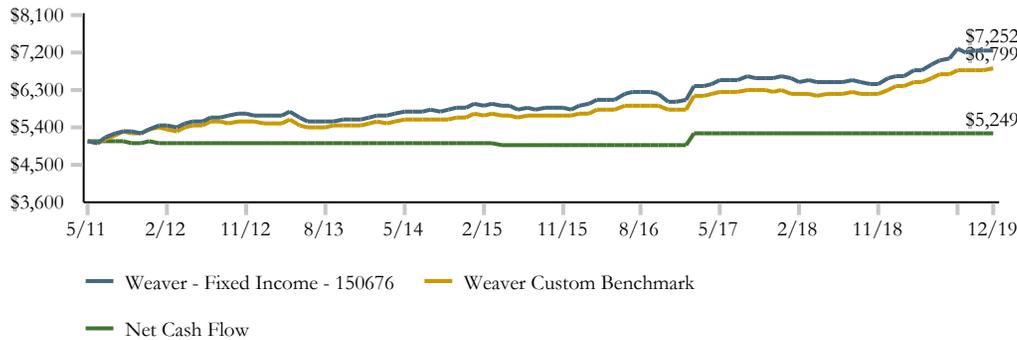


**Portfolio Performance (%)**



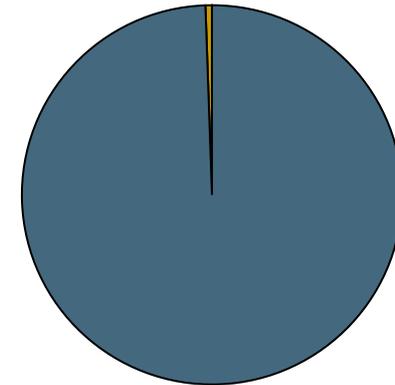
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Weaver - Fixed Income - 150676	0.52	10.57	10.57	4.76	3.47	3.93	06/01/2011
Weaver Custom Benchmark	0.67	8.14	8.14	3.74	3.03	3.14	06/01/2011

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Weaver - Fixed Income - 150676							06/01/2011
Beginning Market Value	7,217	6,568	6,568	6,039	5,879	5,049	
Net Contributions	1	3	3	309	309	317	
Fees/Expenses	-3	-13	-13	-38	-63	-117	
Income	63	229	229	638	973	1,532	
Gain/Loss	-25	465	465	304	154	471	
Ending Market Value	7,252	7,252	7,252	7,252	7,252	7,252	



**Asset Allocation (\$000)**

December 31, 2019 : \$7,252

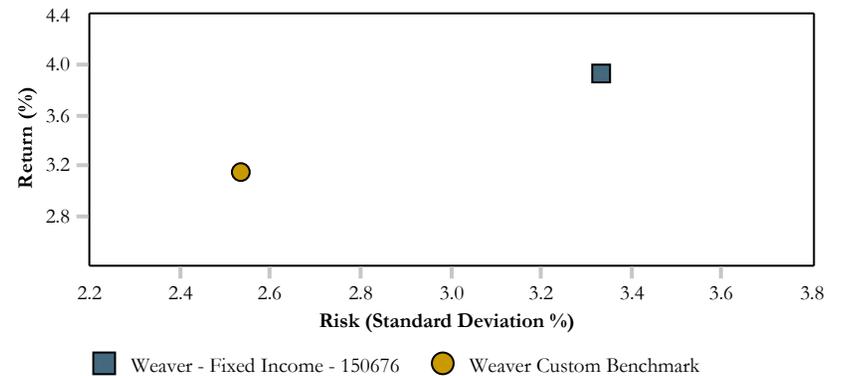


Segments	Market Value (\$000)	Allocation (%)
Domestic Fixed Income	7,212.04	99.45
Cash Equivalent	40.21	0.55

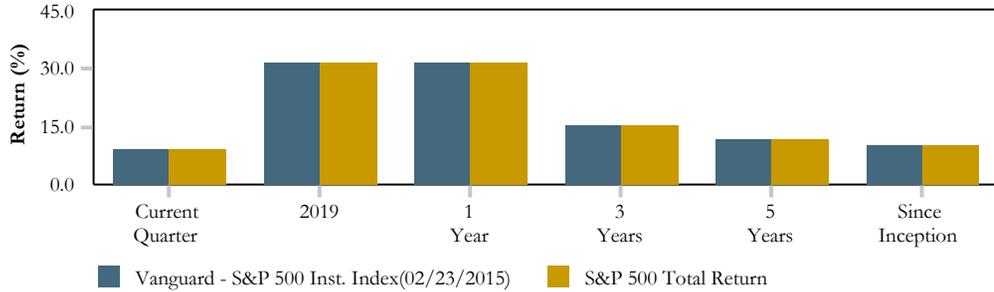
**Portfolio Characteristics vs. Weaver Custom Benchmark Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Weaver - Fixed Income - 150676	1.23	0.06	0.88	0.99	06/01/2011

**Risk/Return Analysis Since 06/11**

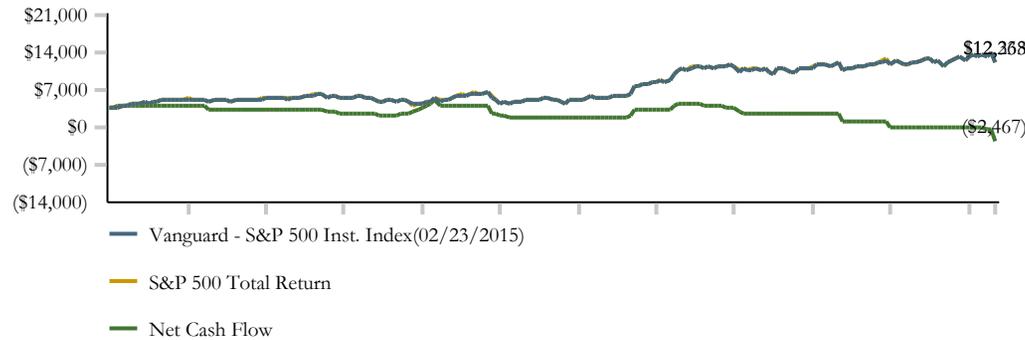


**Portfolio Performance (%)**



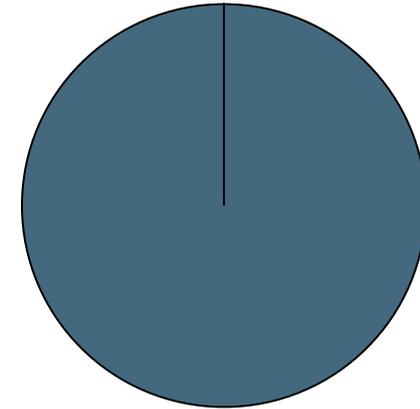
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Vanguard - S&P 500 Inst. Index(02/23/2015)	9.32	31.78	31.78	15.44	11.82	10.36	01/01/2003
S&P 500 Total Return	9.07	31.49	31.49	15.27	11.70	10.17	01/01/2003

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Vanguard - S&P 500 Inst. Index(02/23/2015)							01/01/2003
Beginning Market Value	13,576	11,263	11,263	12,096	11,551	3,624	
Net Contributions	-2,500	-2,500	-2,500	-5,150	-6,039	-6,090	
Fees/Expenses	-	-	-	-	-	-	
Income	147	383	383	845	1,352	2,764	
Gain/Loss	1,044	3,122	3,122	4,477	5,404	11,971	
Ending Market Value	12,268	12,268	12,268	12,268	12,268	12,268	



**Asset Allocation (\$000)**

December 31, 2019 : \$12,268

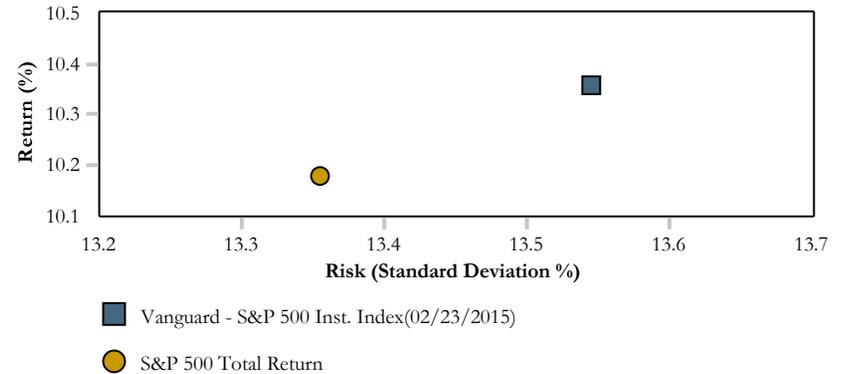


Segments	Market Value (\$000)	Allocation (%)
Domestic Equity	12,267.74	100.00

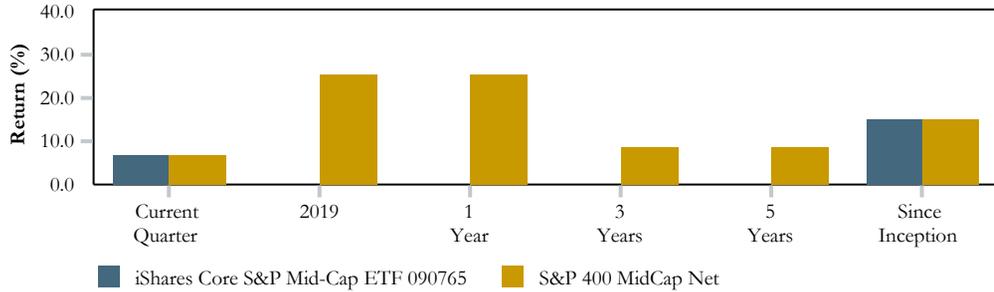
**Portfolio Characteristics vs. S&P 500 Total Return Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Vanguard - S&P 500 Inst. Index(02/23/2015)	1.00	0.23	0.96	0.70	01/01/2003

**Risk/Return Analysis Since 01/03**

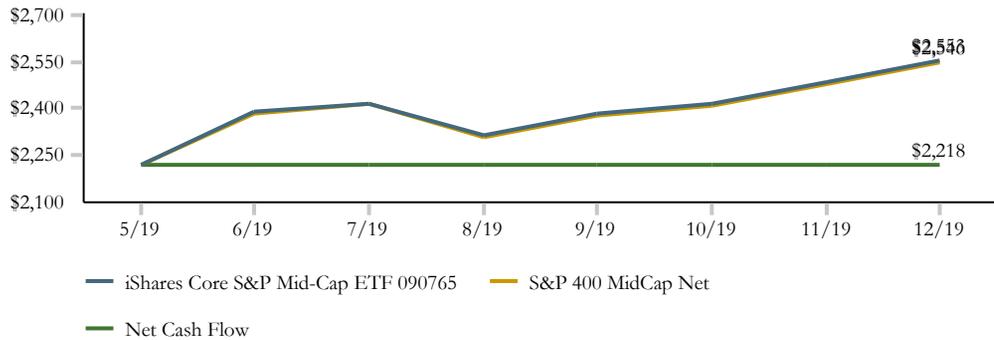


**Portfolio Performance (%)**



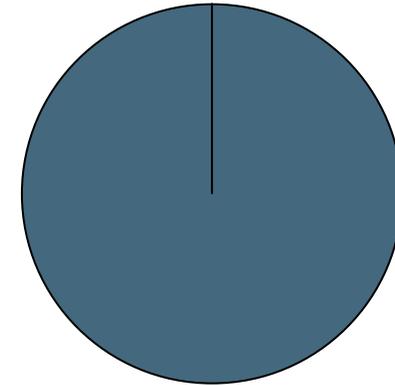
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
iShares Core S&P Mid-Cap ETF 090765	6.96	N/A	N/A	N/A	N/A	15.12	06/01/2019
S&P 400 MidCap Net	6.92	25.55	25.55	8.73	8.50	14.79	06/01/2019

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
iShares Core S&P Mid-Cap ETF 090765							06/01/2019
Beginning Market Value	2,387	-	-	-	-	2,218	
Net Contributions	-	-	-	-	-	1	
Fees/Expenses	-	-	-	-	-	-1	
Income	11	-	-	-	-	33	
Gain/Loss	155	-	-	-	-	303	
Ending Market Value	2,553	-	-	-	-	2,553	



**Asset Allocation (\$000)**

December 31, 2019 : \$2,553

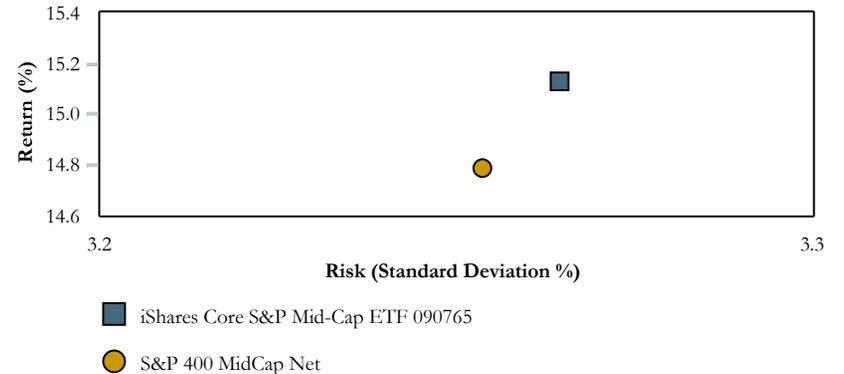


Segments	Market Value (\$000)	Allocation (%)
Domestic Equity	2,553.20	100.00
Cash Equivalent	0.09	0.00

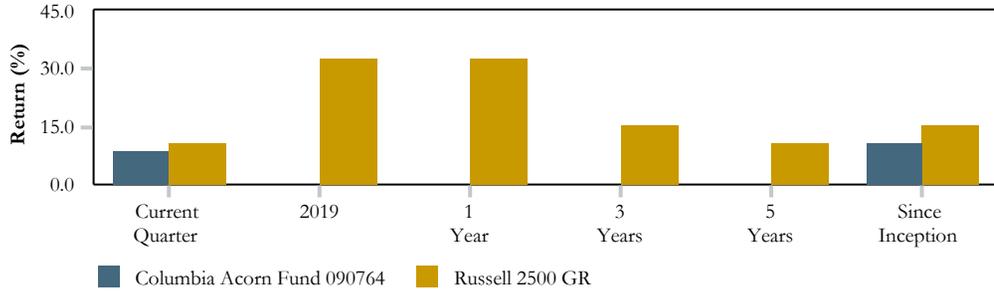
**Portfolio Characteristics vs. S&P 400 MidCap Net Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
iShares Core S&P Mid-Cap ETF 090765	1.00	0.04	1.00	0.58	06/01/2019

**Risk/Return Analysis Since 06/19**

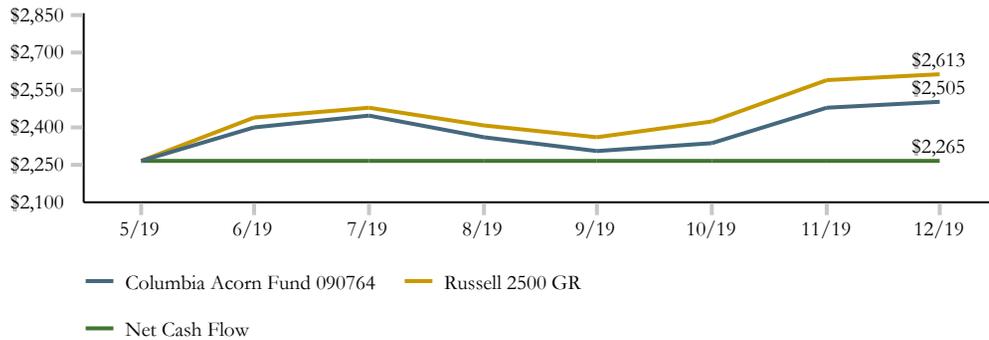


**Portfolio Performance (%)**



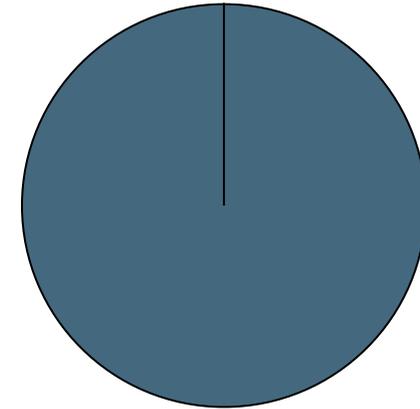
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Columbia Acorn Fund 090764	8.50	N/A	N/A	N/A	N/A	10.58	06/01/2019
Russell 2500 GR	10.57	32.65	32.65	15.17	10.84	15.38	06/01/2019

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Columbia Acorn Fund 090764							06/01/2019
Beginning Market Value	2,309	-	-	-	-	2,265	
Net Contributions	-	-	-	-	-	1	
Fees/Expenses	-	-	-	-	-	-1	
Income	161	-	-	-	-	263	
Gain/Loss	35	-	-	-	-	-23	
Ending Market Value	2,505	-	-	-	-	2,505	



**Asset Allocation (\$000)**

December 31, 2019 : \$2,505

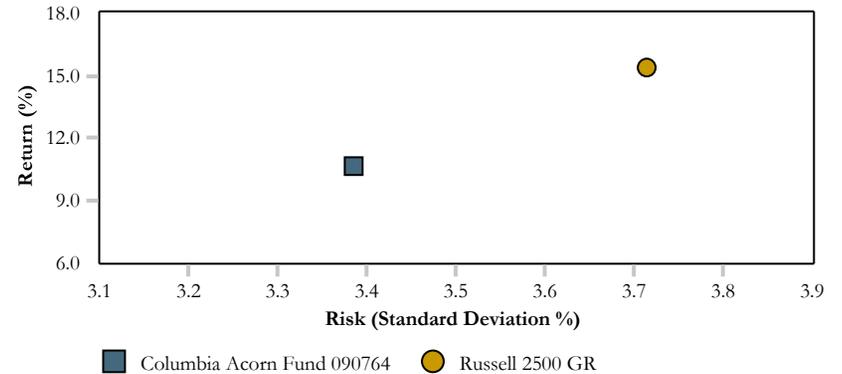


Segments	Market Value (\$000)	Allocation (%)
Domestic Equity	2,504.66	100.00

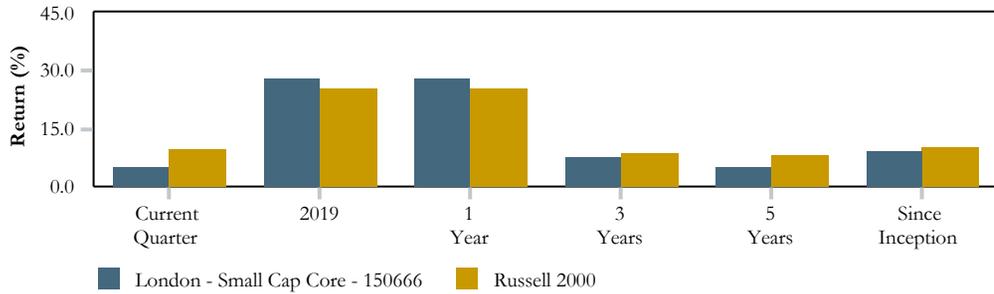
**Portfolio Characteristics vs. Russell 2500 GR Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Columbia Acorn Fund 090764	0.90	-0.40	0.96	0.39	06/01/2019

**Risk/Return Analysis Since 06/19**

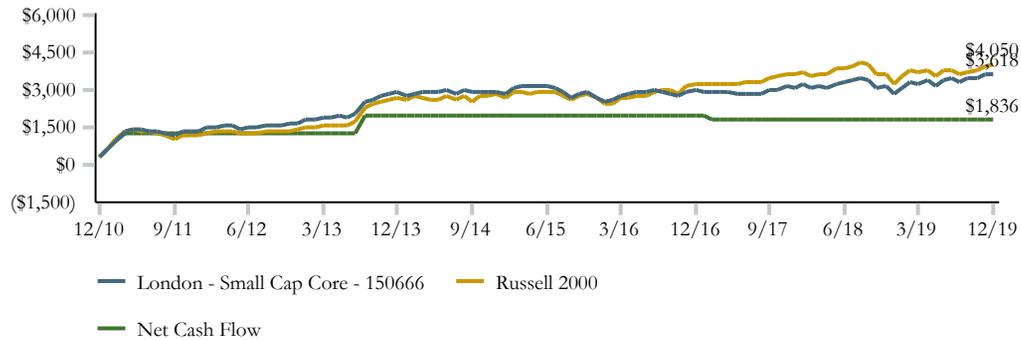


**Portfolio Performance (%)**



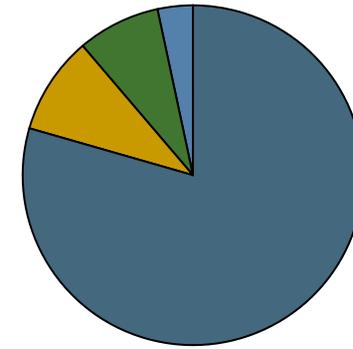
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
London - Small Cap Core - 150666	4.91	27.89	27.89	7.61	5.19	9.41	01/01/2011
Russell 2000	9.94	25.53	25.53	8.59	8.23	10.26	01/01/2011

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
London - Small Cap Core - 150666							01/01/2011
Beginning Market Value	3,449	2,829	2,829	3,005	2,907	322	
Net Contributions	3	25	25	-31	-1	1,645	
Fees/Expenses	-3	-24	-24	-69	-99	-131	
Income	11	45	45	176	282	405	
Gain/Loss	159	744	744	537	529	1,377	
Ending Market Value	3,618	3,618	3,618	3,618	3,618	3,618	



**Asset Allocation (\$000)**

December 31, 2019 : \$3,618

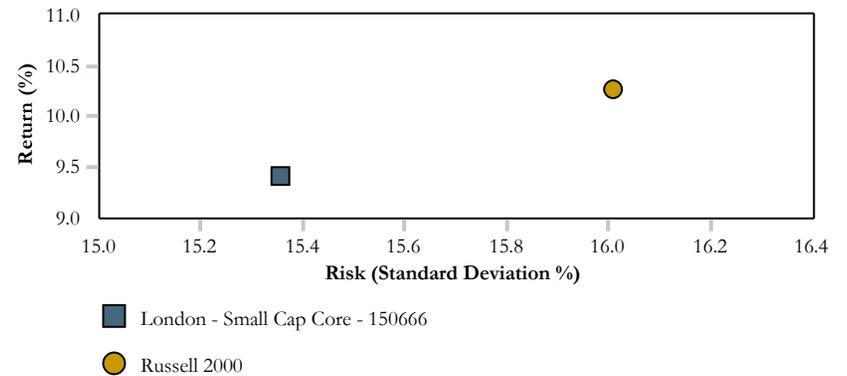


Segments	Market Value (\$000)	Allocation (%)
Domestic Equity	2,874.99	79.46
International Equity	337.27	9.32
Alternative Investment	284.73	7.87
Cash Equivalent	121.12	3.35

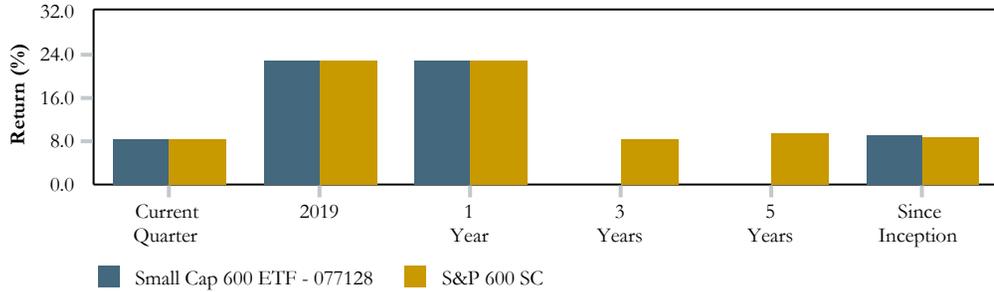
**Portfolio Characteristics vs. Russell 2000 Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
London - Small Cap Core - 150666	0.86	0.62	0.81	0.62	01/01/2011

**Risk/Return Analysis Since 01/11**

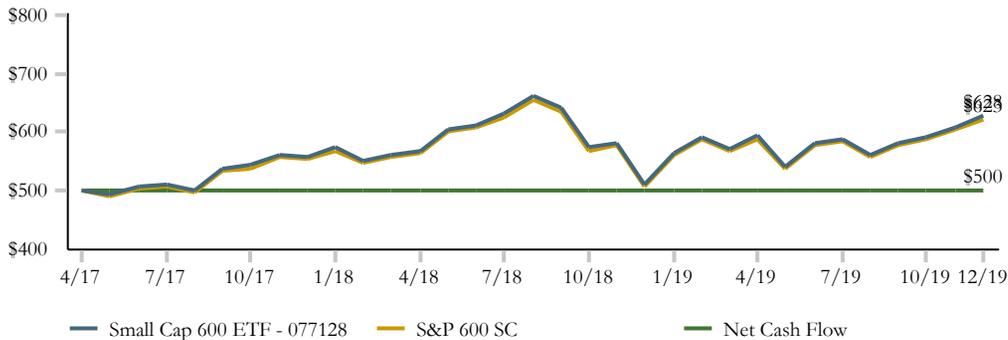


**Portfolio Performance (%)**



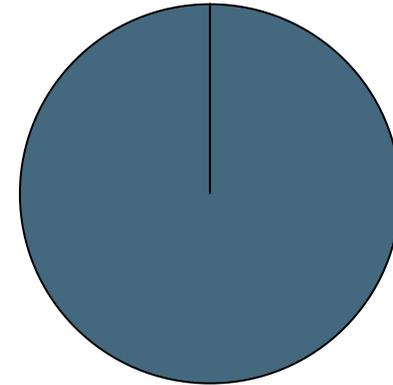
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Small Cap 600 ETF - 077128	8.25	22.81	22.81	N/A	N/A	8.98	05/04/2017
S&P 600 SC	8.21	22.78	22.78	8.36	9.56	8.90	05/04/2017

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Small Cap 600 ETF - 077128							05/04/2017
Beginning Market Value	581	512	512	-	-	500	
Net Contributions	-	-	-	-	-	-	
Fees/Expenses	-	-	-	-	-	-1	
Income	3	9	9	-	-	22	
Gain/Loss	45	108	108	-	-	106	
Ending Market Value	628	628	628	-	-	628	



**Asset Allocation (\$000)**

December 31, 2019 : \$628

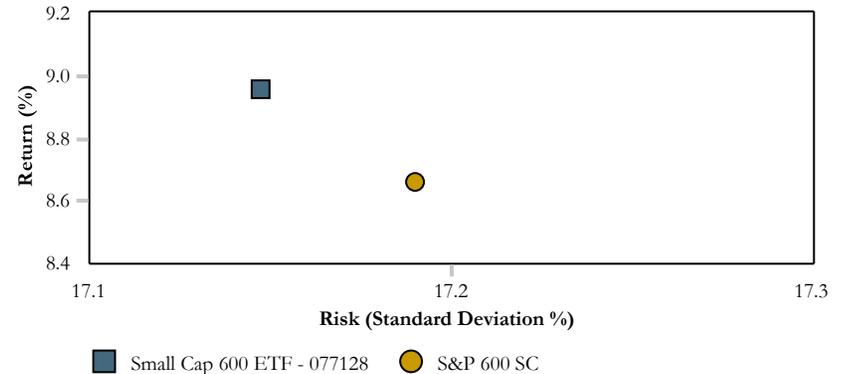


Segments	Market Value (\$000)	Allocation (%)
Domestic Equity	628.04	100.00
Cash Equivalent	-	0.00

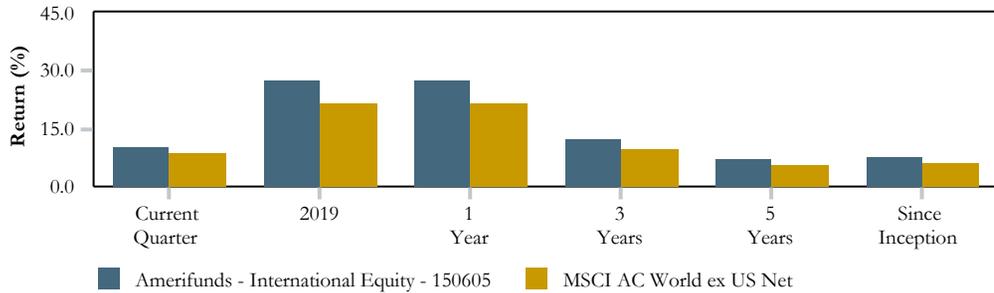
**Portfolio Characteristics vs. S&P 600 SC Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Small Cap 600 ETF - 077128	1.00	0.30	1.00	0.49	05/04/2017

**Risk/Return Analysis Since 05/17**

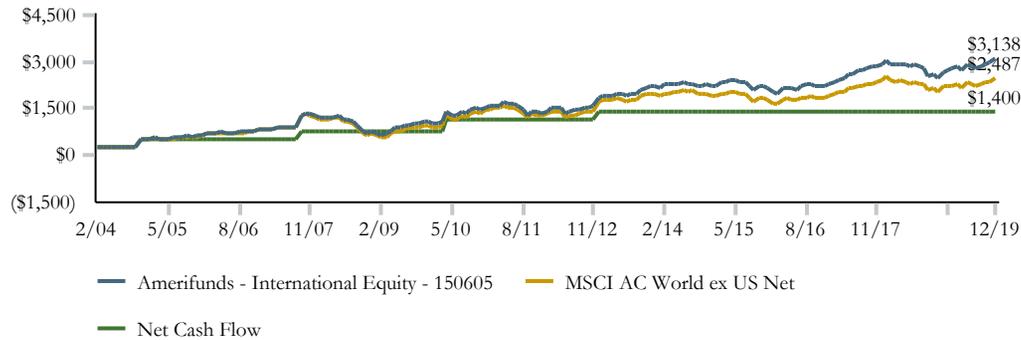


**Portfolio Performance (%)**



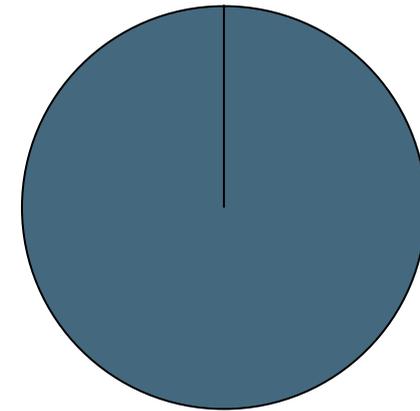
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Amerifunds - International Equity - 150605	10.09	27.40	27.40	12.41	7.37	7.70	03/01/2004
MSCI AC World ex US Net	8.92	21.51	21.51	9.87	5.51	5.96	03/01/2004

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Amerifunds - International Equity - 150605							03/01/2004
Beginning Market Value	2,850	2,463	2,463	2,209	2,198	250	
Net Contributions	-	1	1	4	4	1,154	
Fees/Expenses	-	-1	-1	-4	-4	-4	
Income	91	96	96	392	498	941	
Gain/Loss	196	579	579	537	441	797	
Ending Market Value	3,138	3,138	3,138	3,138	3,138	3,138	



**Asset Allocation (\$000)**

December 31, 2019 : \$3,138

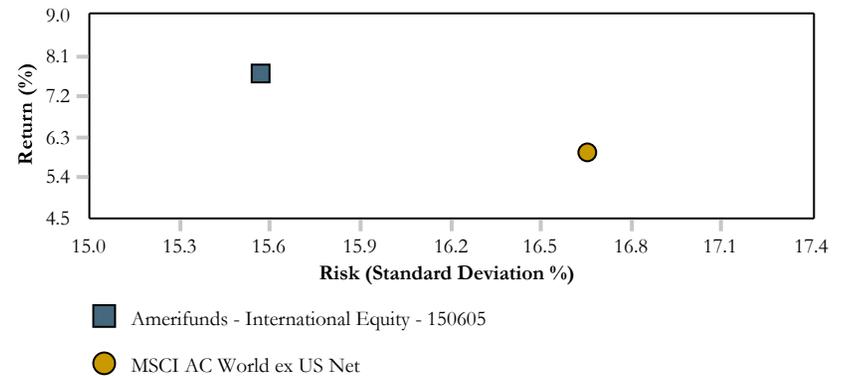


Segments	Market Value (\$000)	Allocation (%)
International Equity	3,137.52	100.00

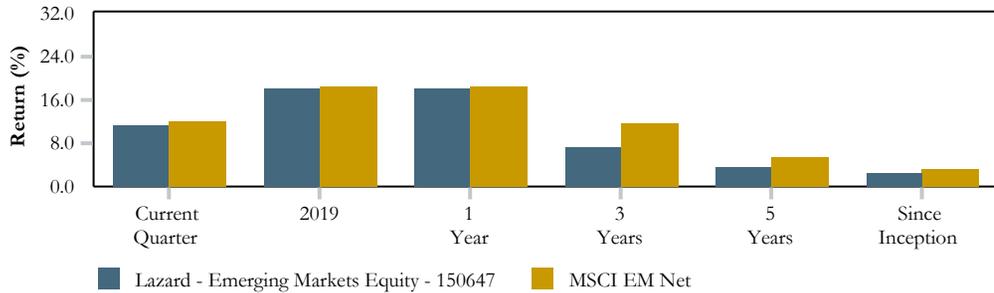
**Portfolio Characteristics vs. MSCI AC World ex US Net Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Amerifunds - International Equity - 150605	0.91	2.09	0.96	0.47	03/01/2004

**Risk/Return Analysis Since 03/04**

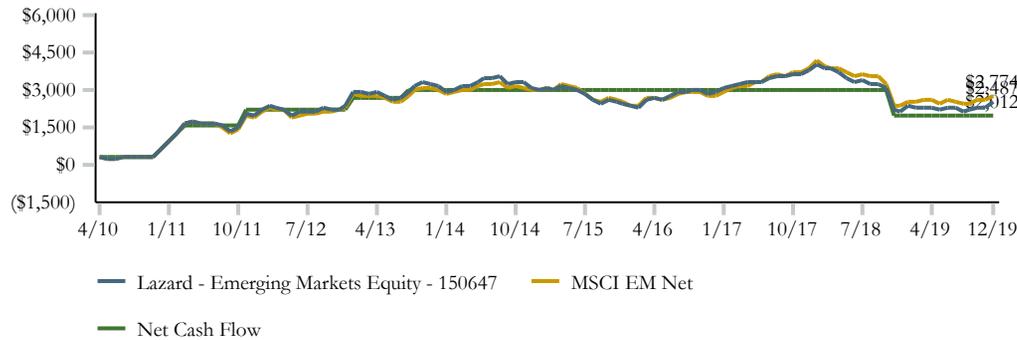


Portfolio Performance (%)



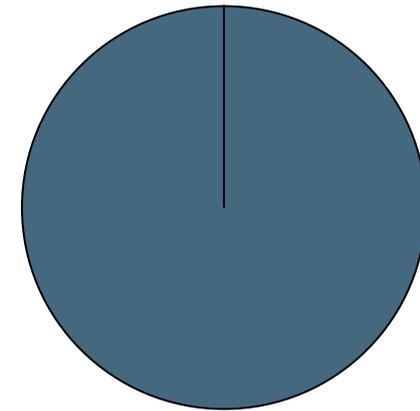
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Lazard - Emerging Markets Equity - 150647	11.15	18.04	18.04	7.33	3.54	2.56	05/01/2010
MSCI EM Net	11.84	18.42	18.42	11.57	5.61	3.42	05/01/2010

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Lazard - Emerging Markets Equity - 150647							05/01/2010
Beginning Market Value	2,237	2,107	2,107	2,931	3,046	296	
Net Contributions	-	1	1	-965	-965	1,720	
Fees/Expenses	-	-1	-1	-4	-4	-4	
Income	40	60	60	180	274	759	
Gain/Loss	210	320	320	345	136	-284	
Ending Market Value	2,487	2,487	2,487	2,487	2,487	2,487	



Asset Allocation (\$000)

December 31, 2019 : \$2,487

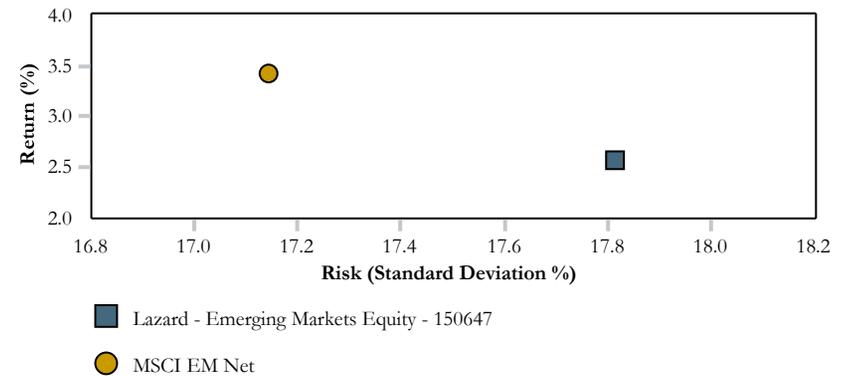


Segments	Market Value (\$000)	Allocation (%)
International Equity	2,486.91	100.00

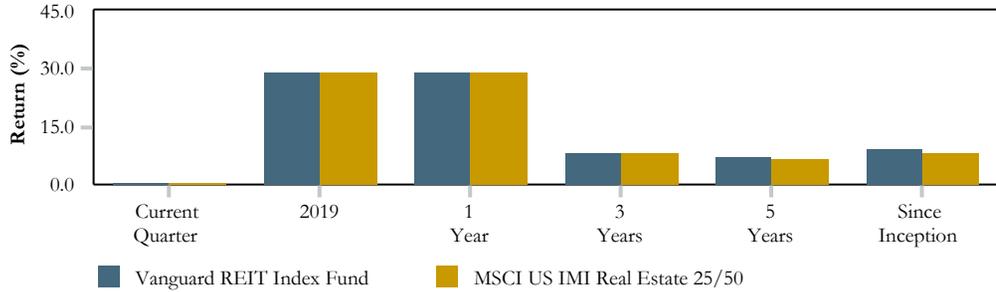
Portfolio Characteristics vs. MSCI EM Net Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Lazard - Emerging Markets Equity - 150647	0.99	-0.70	0.92	0.20	05/01/2010

Risk/Return Analysis Since 05/10

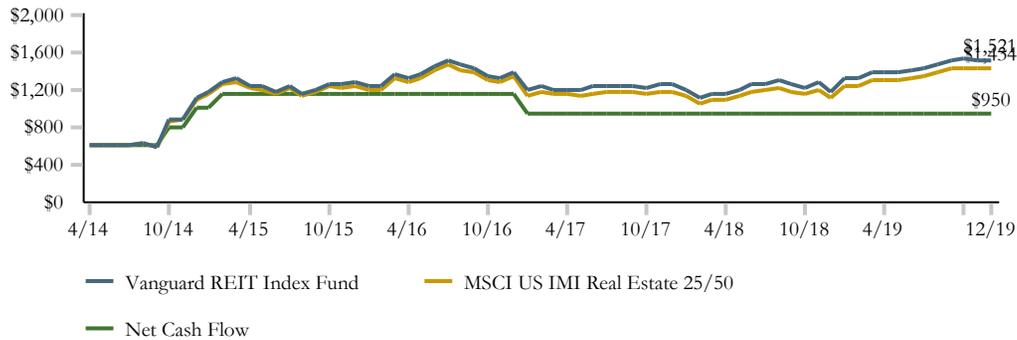


Portfolio Performance (%)



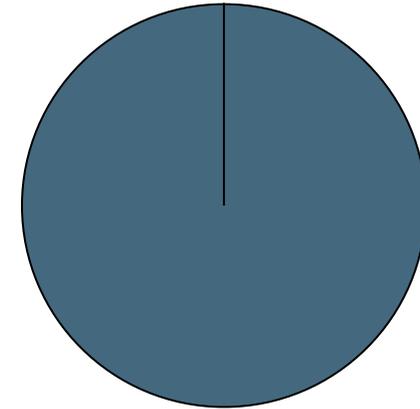
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Vanguard REIT Index Fund	0.62	28.94	28.94	8.36	7.19	9.19	05/01/2014
MSCI US IMI Real Estate 25/50	0.65	29.02	29.02	7.93	6.41	8.06	05/01/2014

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Vanguard REIT Index Fund							05/01/2014
Beginning Market Value	1,512	1,180	1,180	1,396	1,113	600	
Net Contributions	-	-	-	-200	-50	350	
Fees/Expenses	-	-	-	-	-	-	
Income	16	50	50	156	271	297	
Gain/Loss	-6	291	291	169	188	274	
Ending Market Value	1,521	1,521	1,521	1,521	1,521	1,521	



Asset Allocation (\$000)

December 31, 2019 : \$1,521

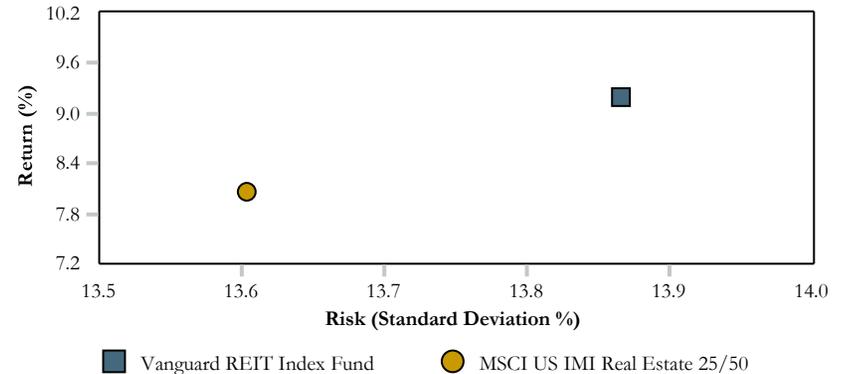


Segments	Market Value (\$000)	Allocation (%)
REITS	1,521.33	100.00

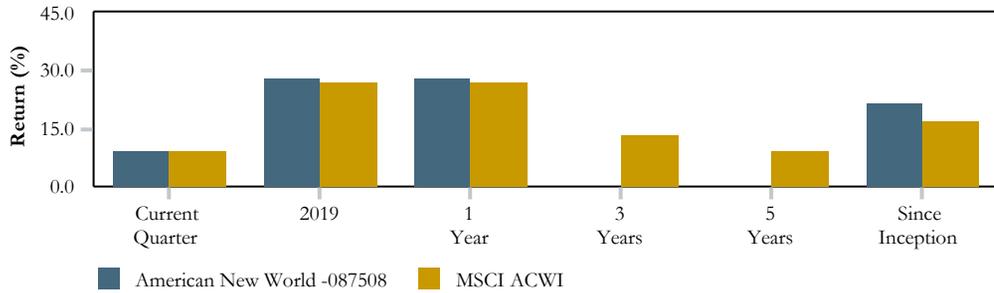
Portfolio Characteristics vs. MSCI US IMI Real Estate 25/50 Since

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Vanguard REIT Index Fund	1.01	0.97	0.99	0.64	05/01/2014

Risk/Return Analysis Since 05/14

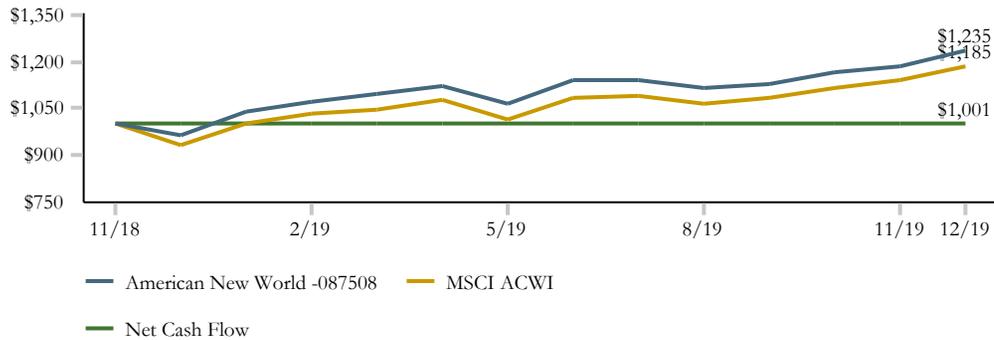


**Portfolio Performance (%)**



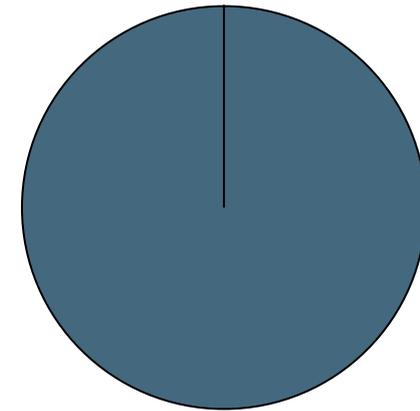
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
American New World -087508	9.08	28.03	28.03	N/A	N/A	21.40	12/01/2018
MSCI ACWI	9.07	27.30	27.30	13.05	9.00	16.85	12/01/2018

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
American New World -087508							12/01/2018
Beginning Market Value	1,132	964	964	-	-	1,001	
Net Contributions	-	-	-	-	-	-	
Fees/Expenses	-	-	-	-	-	-	
Income	48	48	48	-	-	73	
Gain/Loss	55	222	222	-	-	161	
Ending Market Value	1,235	1,235	1,235	-	-	1,235	



**Asset Allocation (\$000)**

December 31, 2019 : \$1,235

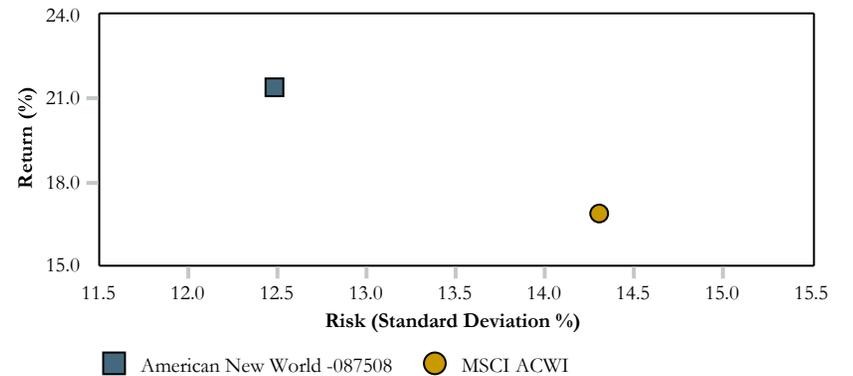


Segments	Market Value (\$000)	Allocation (%)
International Equity	1,234.66	100.00

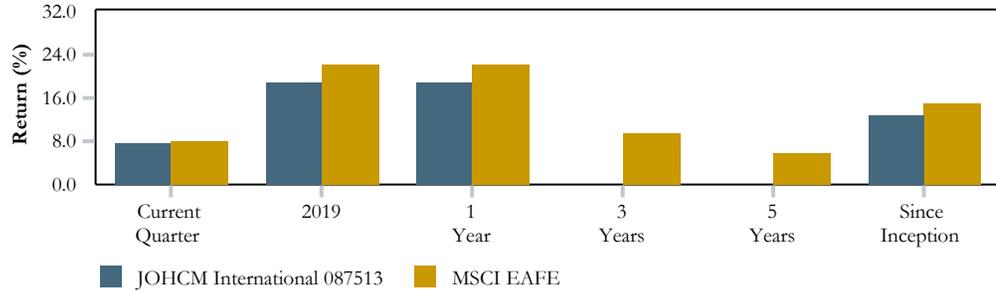
**Portfolio Characteristics vs. MSCI ACWI Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
American New World -087508	0.85	6.35	0.94	1.45	12/01/2018

**Risk/Return Analysis Since 12/18**

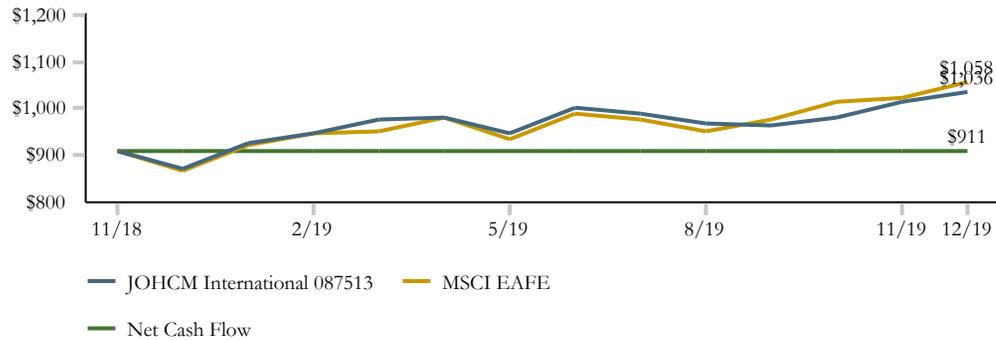


**Portfolio Performance (%)**



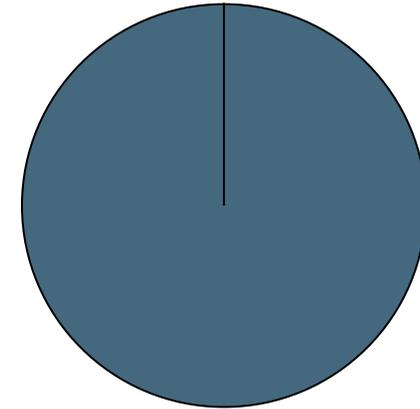
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
JOHCM International 087513	7.58	19.04	19.04	N/A	N/A	12.57	12/01/2018
MSCI EAFE	8.17	22.01	22.01	9.56	5.67	14.77	12/01/2018

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
JOHCM International 087513							12/01/2018
Beginning Market Value	963	870	870	-	-	911	
Net Contributions	-	-	-	-	-	-	
Fees/Expenses	-	-	-	-	-	-	
Income	10	10	10	-	-	23	
Gain/Loss	63	156	156	-	-	102	
Ending Market Value	1,036	1,036	1,036	-	-	1,036	



**Asset Allocation (\$000)**

December 31, 2019 : \$1,036

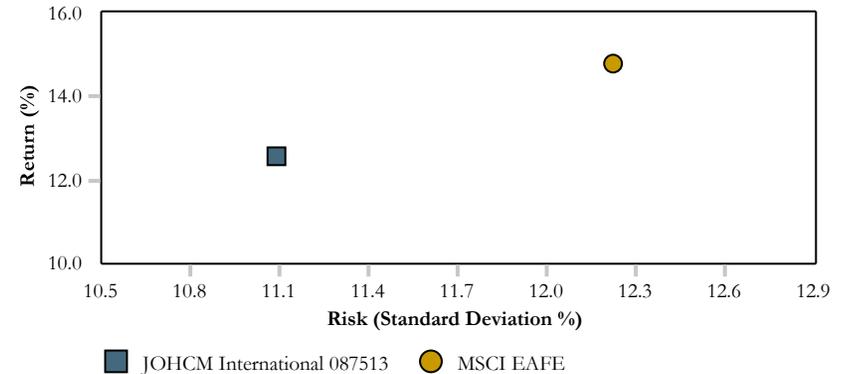


Segments	Market Value (\$000)	Allocation (%)
International Equity	1,035.56	100.00

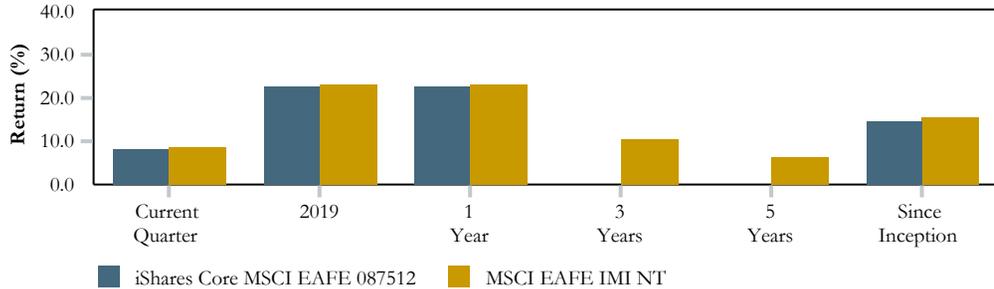
**Portfolio Characteristics vs. MSCI EAFE Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
JOHCM International 087513	0.80	0.77	0.79	0.92	12/01/2018

**Risk/Return Analysis Since 12/18**

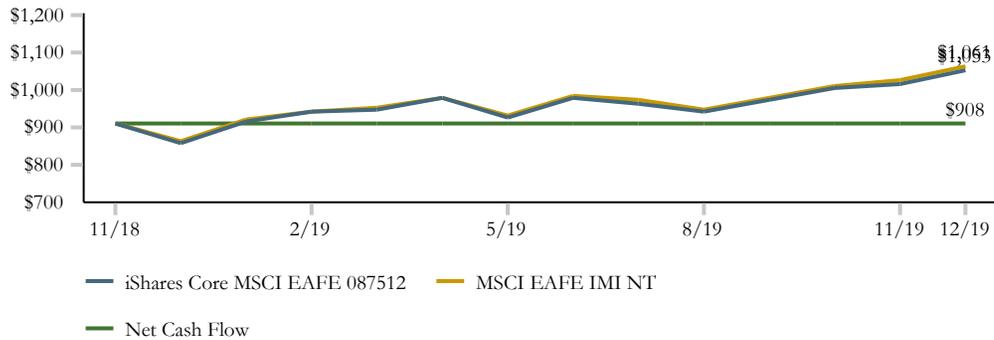


**Portfolio Performance (%)**



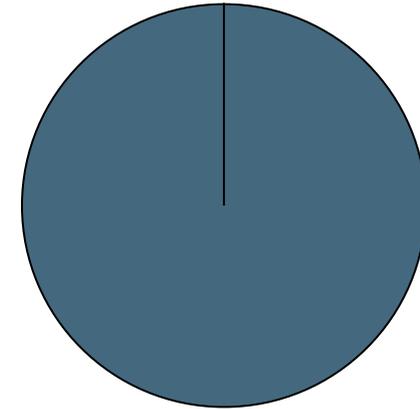
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
iShares Core MSCI EAFE 087512	8.28	22.57	22.57	N/A	N/A	14.58	12/01/2018
MSCI EAFE IMI NT	8.69	23.06	23.06	10.28	6.59	15.43	12/01/2018

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
iShares Core MSCI EAFE 087512							12/01/2018
Beginning Market Value	972	859	859	-	-	909	
Net Contributions	-	-	-	-	-	-	
Fees/Expenses	-	-	-	-	-	-	
Income	14	33	33	-	-	44	
Gain/Loss	66	161	161	-	-	100	
Ending Market Value	1,053	1,053	1,053	-	-	1,053	



**Asset Allocation (\$000)**

December 31, 2019 : \$1,053

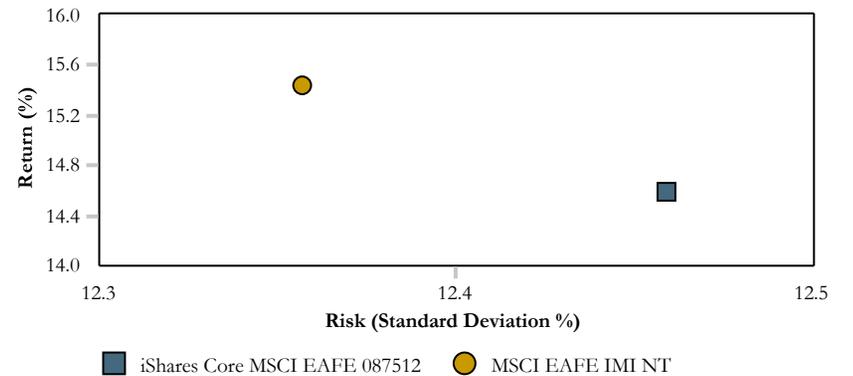


Segments	Market Value (\$000)	Allocation (%)
International Equity	1,052.78	100.00

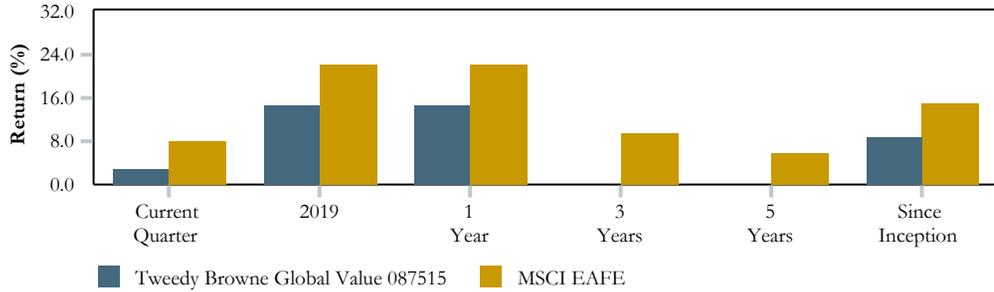
**Portfolio Characteristics vs. MSCI EAFE IMI NT Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
iShares Core MSCI EAFE 087512	1.00	-0.79	0.99	0.98	12/01/2018

**Risk/Return Analysis Since 12/18**

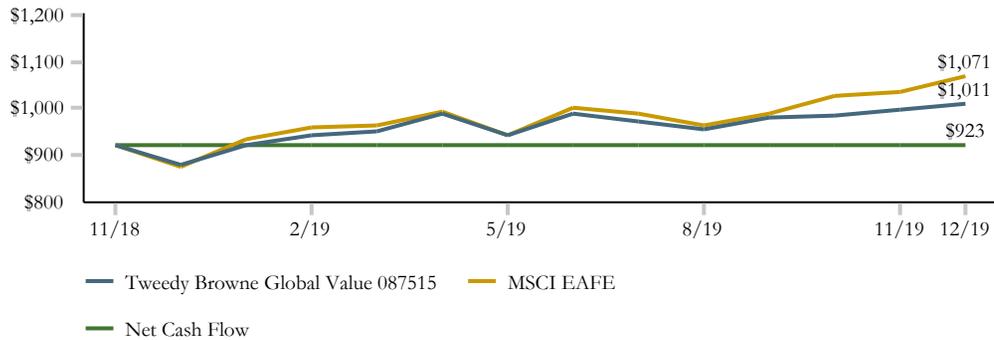


**Portfolio Performance (%)**



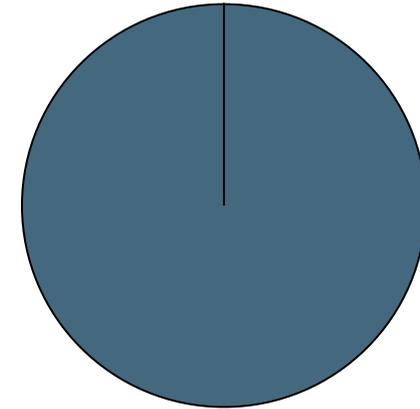
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Tweedy Browne Global Value 087515	3.07	14.63	14.63	N/A	N/A	8.76	12/01/2018
MSCI EAFE	8.17	22.01	22.01	9.56	5.67	14.77	12/01/2018

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Tweedy Browne Global Value 087515							12/01/2018
Beginning Market Value	980	882	882	-	-	923	
Net Contributions	-	-	-	-	-	-	
Fees/Expenses	-	-	-	-	-	-	
Income	19	19	19	-	-	74	
Gain/Loss	12	110	110	-	-	14	
Ending Market Value	1,011	1,011	1,011	-	-	1,011	



**Asset Allocation (\$000)**

December 31, 2019 : \$1,011

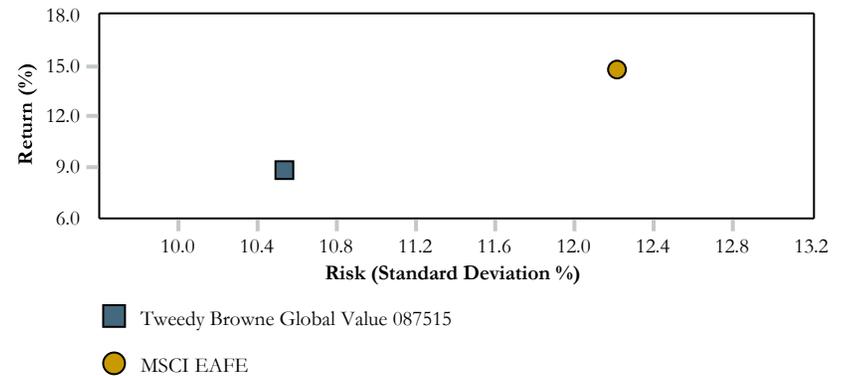


Segments	Market Value (\$000)	Allocation (%)
International Equity	1,010.51	100.00

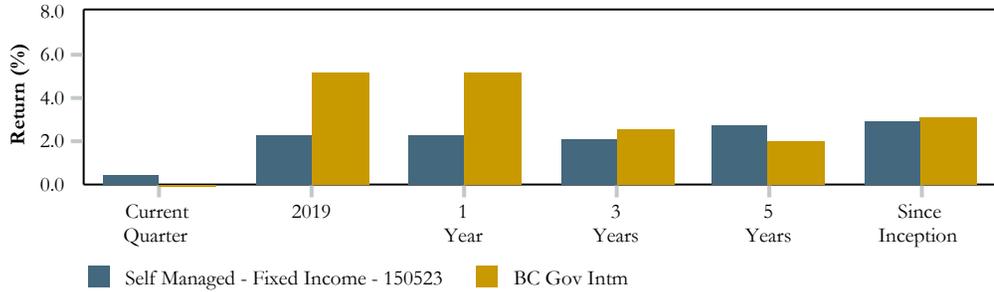
**Portfolio Characteristics vs. MSCI EAFE Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Tweedy Browne Global Value 087515	0.82	-2.98	0.91	0.64	12/01/2018

**Risk/Return Analysis Since 12/18**

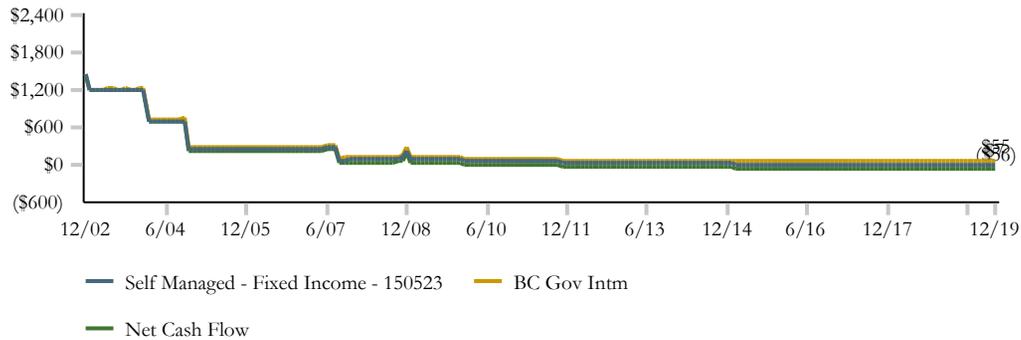


Portfolio Performance (%)



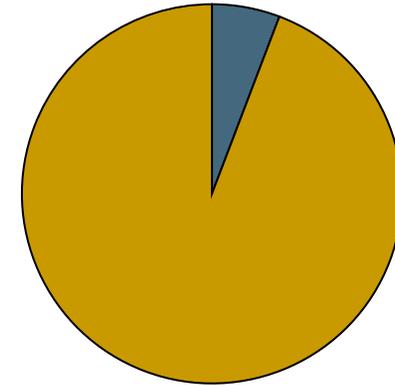
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Self Managed - Fixed Income - 150523	0.44	2.28	2.28	2.08	2.76	2.91	01/01/2003
BC Gov Intm	0.02	5.20	5.20	2.57	1.99	3.06	01/01/2003

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Self Managed - Fixed Income - 150523							01/01/2003
Beginning Market Value	6	6	6	6	24	1,441	
Net Contributions	1	1	1	1	-17	-1,496	
Fees/Expenses	-	-	-	-	-	-	
Income	-	-	-	-	1	161	
Gain/Loss	-	-	-	-	-	-98	
Ending Market Value	7	7	7	7	7	7	



Asset Allocation (\$000)

December 31, 2019 : \$7

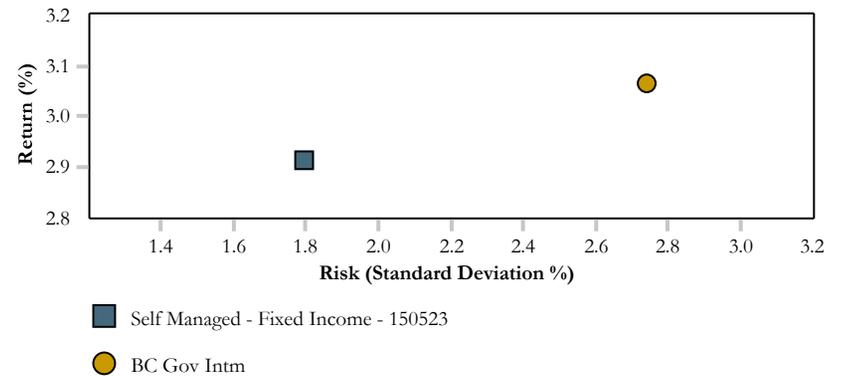


Segments	Market Value (\$000)	Allocation (%)
Domestic Fixed Income	0.42	5.77
Cash Equivalent	6.89	94.23

Portfolio Characteristics vs. BC Gov Intm Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Self Managed - Fixed Income - 150523	0.06	2.74	0.01	0.89	01/01/2003

Risk/Return Analysis Since 01/03



**Wilmette Fire Pension Fund**  
**Wilmette Firemens Pension Fund**  
**Since Inception Ending December 31, 2019**

	January	February	March	April	May	June	July	August	September	October	November	December	Year
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.00	N/A
2003	-1.03	0.43	0.22	3.53	3.74	0.34	-1.05	1.26	0.91	2.00	0.58	2.63	14.28
2004	1.35	1.28	-0.20	-2.30	0.54	1.16	-1.35	1.09	0.83	1.22	1.78	2.20	7.78
2005	-0.98	0.68	-0.89	-0.33	1.84	0.83	1.45	0.02	0.47	-1.27	1.68	1.14	4.66
2006	1.70	-0.51	1.08	0.78	-2.74	0.84	0.74	1.11	2.34	1.97	0.73	1.31	9.66
2007	0.81	-0.03	0.70	2.47	1.43	-0.28	-0.91	1.37	2.27	1.56	-0.50	-0.17	9.01
2008	-1.59	-0.51	0.08	1.28	0.07	-3.35	-0.21	0.85	-4.37	-8.74	0.05	3.13	-13.01
2009	-4.86	-4.61	5.28	3.42	2.84	-0.17	4.54	2.04	2.55	-0.81	3.78	-0.10	14.11
2010	-1.42	1.50	2.93	1.09	-3.90	-1.20	4.11	-1.23	4.46	2.02	-0.84	2.57	10.18
2011	0.82	1.61	0.56	2.42	-0.33	-0.82	-0.22	-2.20	-4.18	5.19	-0.38	0.35	2.54
2012	3.26	2.35	0.41	0.28	-3.57	2.20	1.36	0.82	1.55	-0.30	0.69	0.78	10.08
2013	2.06	0.61	1.41	1.46	-0.05	-2.02	2.92	-1.98	3.10	2.67	1.30	1.13	13.18
2014	-2.50	2.83	0.87	0.35	1.84	1.43	-1.26	2.37	-2.55	1.35	1.56	-1.16	5.06
2015	-0.44	3.33	-0.30	0.74	0.02	-1.55	0.28	-4.45	-2.05	4.81	-0.34	-1.86	-2.12
2016	-2.83	0.02	5.61	0.76	0.51	0.63	3.16	-0.12	0.00	-1.88	1.03	1.41	8.34
2017	1.74	2.16	0.55	0.86	0.59	0.88	1.40	0.14	1.36	0.87	1.64	1.10	14.11
2018	3.46	-3.50	-0.54	-0.40	0.82	-0.15	1.94	0.49	-0.50	-5.26	1.37	-5.23	-7.63
2019	6.34	1.92	1.08	2.35	-3.66	4.78	0.61	-0.87	1.14	1.57	1.86	1.98	20.47

As of December 31, 2019

Passive Portfolios	Weight (%)	Passive Portfolios	Weight (%)
<b>Custom Benchmark : Dec-2001</b>		<b>Custom Benchmark - SKBA Flex : Dec-2002</b>	
BC Gov	50.00	BC Gov	100.00
90-Day T-Bills	5.00		
Russell 3000	40.00	<b>Custom Benchmark - SKBA Flex : Jul-2011</b>	
MSCI EAFE Net	5.00	Barclays Govt/Credit Bond	100.00
<b>Custom Benchmark : Apr-2004</b>			
BC Gov	50.00		
90-Day T-Bills	5.00		
Russell 3000	40.00		
MSCI AC World ex US Net	5.00		
<b>Custom Benchmark : Jul-2011</b>			
Barclays Govt/Credit Bond	48.00		
90-Day T-Bills	2.00		
S&P 500 Total Return	17.00		
S&P 400 Midcap TR	3.00		
Russell 2000	3.00		
FTSE NAREIT All Equity REITS	3.00		
MSCI AC World ex US Net	16.00		
MSCI EM Net	8.00		
<b>Custom Benchmark : Apr-2013</b>			
Barclays Govt/Credit Bond	35.00		
S&P 500 Total Return	25.00		
S&P 400 Midcap TR	10.00		
Russell 2000	7.00		
FTSE NAREIT All Equity REITS	3.00		
MSCI AC World ex US Net	12.00		
MSCI EM Net	8.00		

## As of December 31, 2019

Passive Portfolios	Weight (%)
<b>Apr-2013</b>	
S&P 500 Total Return	56.00
S&P 400 Midcap TR	22.00
Russell 2000	15.00
FTSE NAREIT All Equity REITS	7.00

As of December 31, 2019

Passive Portfolios	Weight (%)
<b>Jun-2011</b>	
60 BC CORP GOV 40 BC GOV	100.00
<b>Jul-2013</b>	
BC Corp Intm	60.00
BC Gov Intm	40.00

# Performance Appendix

Performance Data below is net of fees. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Account Name	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
American New World -087508	9.07	27.97	27.97	--	--	--	21.36	12/01/2018
Amerifunds - International Equity - 150605	10.08	27.34	27.34	12.37	7.34	6.62	7.59	04/01/2004
Columbia Acorn Fund 090764	8.48	--	--	--	--	--	10.55	06/01/2019
JOHCM International 087513	7.57	18.99	18.99	--	--	--	12.52	12/01/2018
Lazard - Emerging Markets Equity - 150647	11.14	17.99	17.99	7.28	3.51	--	2.55	05/01/2010
London - Small Cap Core - 150666	4.81	26.96	26.96	6.84	4.52	--	8.84	01/01/2011
Self Managed - Fixed Income - 150523	0.49	2.49	2.49	2.21	2.84	2.19	2.93	01/01/2003
Small Cap 600 ETF - 077128	8.24	22.75	22.75	--	--	--	8.91	05/04/2017
Spare - Flex Fixed Income - 150602	0.05	8.20	8.20	3.50	2.51	3.35	3.81	01/01/2003
Spare - Max Flex Fixed Income - 150603	0.33	4.07	4.07	2.04	1.29	1.79	1.86	08/01/2009
Tweedy Browne Global Value 087515	3.06	14.58	14.58	--	--	--	8.71	12/01/2018
Vanguard - S&P 500 Inst. Index(02/23/2015)	9.32	31.78	31.78	15.44	11.82	13.59	10.36	01/01/2003
Vanguard REIT Index Fund	0.62	28.94	28.94	8.36	7.19	--	9.19	05/01/2014
Weaver - Fixed Income - 150676	0.47	10.36	10.36	4.56	3.26	--	3.69	06/01/2011
iShares Core MSCI EAFE 087512	8.27	22.52	22.52	--	--	--	14.53	12/01/2018
iShares Core S&P Mid-Cap ETF 090765	6.94	--	--	--	--	--	15.09	06/01/2019

All performance above are Time Weighted(TWR) performance

## Glossary of Terms

**Active Contribution Return:** The gain or loss percentage of an investment relative to the performance of the investment benchmark.

**Active Exposure:** The percentage difference in weight of the portfolio compared to its policy benchmark.

**Active Return:** Arithmetic difference between the manager's return and the benchmark's return over a specified time period.

**Actual Correlation:** A measure of the correlation (linear dependence) between two variables X and Y, with a value between +1 and -1 inclusive. This is also referred to as coefficient of correlation.

**Alpha:** A measure of a portfolio's time weighted return in excess of the market's return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market.

**Best Quarter:** The highest quarterly return for a certain time period.

**Beta:** A measure of the sensitivity of a portfolio's time weighted return (net of fees) against that of the market. A beta greater than 1.00 indicates volatility greater than the market.

**Consistency:** The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. The higher the consistency figure, the more value a manager has contributed to the product's performance.

**Core:** Refers to an investment strategy mandate that is blend of growth and value styles without a pronounced tilt toward either style.

**Cumulative Selection Return (Cumulative Return):** Cumulative investment performance over a specified period of time.

**Distribution Rate:** The most recent distribution paid, annualized, and then divided by the current market price. Distribution rate may consist of investment income, short-term capital gains, long-term capital gains, and/or return of capital.

**Down Market Capture:** The ratio of average portfolio returns over the benchmark during periods of

negative benchmark return. Lower values indicate better product performance.

**Downside Risk:** A measure similar to standard deviation, but focuses only on the negative movements of the return series. It is calculated by taking the standard deviation of the negative quarterly set of returns. The higher the value, the more risk the product has.

**Downside Semi Deviation:** A statistical calculation that measures the volatility of returns below a minimum acceptable return. This return measure isolates the negative portion of volatility: the larger the number, the greater the volatility.

**Drawdown:** A drawdown is the peak-to-trough decline during a specific period of an investment, fund or commodity.

**Excess over Benchmark:** The percentage gain or loss of an investment relative to the investment's benchmark.

**Excess Return:** Arithmetic difference between the manager's return and the risk-free return over a specified time period.

**Growth:** A diversified investment strategy which includes investment selections that have capital appreciation as the primary goal, with little or no dividend payouts. These strategies can include reinvestment in expansion, acquisitions, and/or research and development opportunities.

**Growth of Dollar:** The aggregate amount an investment has gained or lost over a certain time period, also referred to as Cumulative Return, stated in terms of the amount to which an initial dollar investment would have grown over the given time period.

**Investment Decision Process (IDP):** A model for structuring the investment process and implementing the correct attribution methodologies. The IDP includes every decision made concerning the division of the assets under management over the various asset categories. To analyze each decision's contribution to the total return, a modeling approach must measure the marginal value of every individual decision. In this respect, the hierarchy of the decisions becomes very important. We therefore use the IDP model, which serves as a proper foundation for registering the decisions and relating them to each other.

**Information Ratio:** Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.

**Jensen's Alpha:** The Jensen's alpha measure is a risk-adjusted performance measure that represents the average return on a portfolio or investment above or below that predicted by the capital asset pricing model (CAPM) given the portfolio's or investment's beta and the average market return. This metric is also commonly referred to as alpha.

**Kurtosis:** A statistical measure that is used to describe the distribution, or skewness, of observed data around the mean, sometimes referred to as the volatility of volatility.

**Maximum Drawdown:** The drawdown is defined as the percent retrenchment from a fund's peak to the fund's trough value. It is in effect from the time the fund's retrenchment begins until a new fund high is reached. The maximum drawdown encompasses both the period from the fund's peak to the fund's valley (length), and the time from the fund's valley to a new fund high (recovery). It measures the largest percentage drawdown that has occurred in any fund's data record.

**Modern Portfolio Theory (MPT):** An investment analysis theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward.

**Mutual Fund (MF):** An investment program funded by shareholders that trade in diversified holdings and is professionally managed.

**Peer Group:** A combination of funds that share the same investment style combined as a group for comparison purposes.

**Peer/ Plan Sponsor Universe:** A combination of asset pools of total plan investments by specific sponsor and plan types for comparison purposes.

**Performance Ineligible Assets:** Performance returns are not calculated for certain assets because accurate valuations and transaction data for these assets are not processed or maintained by us. Common examples of these include life insurance, some annuities and some assets held externally.

**Performance Statistics:** A generic term for various measures of investment performance measurement terms.

**Portfolio Characteristics:** A generic term for various measures of investment portfolio characteristics.

**Preferred Return:** A term used in the private equity (PE) world, and also referred to as a "Hurdle Rate." It refers to the threshold return that the limited partners of a private equity fund must receive, prior to the PE firm receiving its carried interest or "carry."

**Ratio of Cumulative Wealth:** A defined ratio of the Cumulative Return of the portfolio divided by the Cumulative Return of the benchmark for a certain time period.

**Regression Based Analysis:** A statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables

**Residual Correlation:** Within returns-based style analysis, residual correlation refers to the portion of a strategy's return pattern that cannot be explained by its correlation to the asset-class benchmarks to which it is being compared.

**Return:** A rate of investment performance for the specified period.

**Rolling Percentile Ranking:** A measure of an investment portfolio's ranking versus a peer group for a specific rolling time period (i.e. Last 3 Years, Last 5 years, etc.).

**R-Squared:** The percentage of a portfolio's performance explained by the behavior of the appropriate benchmark. High R-Squared means a higher correlation of the portfolio's performance to the appropriate benchmark.

**SA/CF (Separate Account/Comingled Fund):** Represents an acronym for Separate Account and Comingled Fund investment vehicles.

**Sector Benchmark:** A market index that serves as a proxy for a sector within an asset class.

**Sharpe Ratio:** Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is the absolute rate of return per unit of risk. The higher the value, the better the product's historical risk-adjusted performance results in.

**Standard Deviation:** A statistical measure of the range of a portfolio's performance; the variability of a return around its average return over a specified time period.

**Total Fund Benchmark:** The policy benchmark for a complete asset pool that could consist of multiple investment mandates.

**Total Fund Composite:** The aggregate of multiple portfolios within an asset pool or household.

**Tracking Error:** A measure of standard deviation for a portfolio's investment performance, relative to the performance of an appropriate market benchmark.

**Treynor Ratio:** A ratio that divides the excess return (above the risk free rate) by the portfolio's beta to arrive at a unified measure of risk adjusted return. It is generally used to rank portfolios, funds and benchmarks. A higher ratio is indicative of higher returns per unit of market risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing market risk.

**Up Market Capture:** The ratio of average portfolio returns over the benchmark during periods of positive benchmark return. Higher values indicate better product performance.

**Upside Semi Deviation:** A statistical calculation that measures the volatility of returns above an acceptable return. This return measure isolates the positive portion of volatility: the larger the number, the greater the volatility.

**Value:** A diversified investment strategy that includes investment selections which tend to trade at a lower price relative to its dividends, earnings, and sales. Common attributes are stocks that include high dividend, low price-to-book ratio, and/or low price-to-earnings ratio.

**Worst Quarter:** The lowest rolling quarterly return for a certain time period.

## Information Disclosures

*Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, and dividends, interest and income. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Past performance is not a guarantee of future results.*

*Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.*

*Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance.*

*The performance data shown reflects past performance, which does not guarantee future results. Investment return and principal will fluctuate so that an investor's shares when redeemed may be worth more or less than original cost. Please note, current performance may be higher or lower than the performance data shown. For up to date month-end performance information, please contact your Financial Advisor or visit the funds' company website.*

*Investors should carefully consider the fund's investment objectives, risks, charges and expenses before*

*investing. The prospectus and, if available the summary prospectus, contains this and other information that should be read carefully before investing. Investors should review the information in the prospectus carefully. To obtain a prospectus, please contact your Financial Advisor or visit the funds' company website.*

Past performance is no guarantee of future results.

Investing involves market risk, including possible loss of principal. **Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. **Small and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than those of larger, more established companies. **Bond funds** and bond holdings have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the funds. The return of principal in bond funds, and in funds with significant bond holdings, is not guaranteed. **International securities'** prices may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in emerging markets. **Alternative investments**, including private equity funds, real estate funds, hedge funds, managed futures funds, and funds of hedge funds, private equity, and managed futures funds, are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds and risks associated with the operations, personnel and processes of the advisor. **Master Limited Partnerships** (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk; and MLP interests in the real estate sector are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general and economic conditions. Because of their narrow focus, MLPs maintain exposure to price volatility of commodities and/or underlying assets and tend to be more volatile than investments that diversify across many sectors and companies. MLPs are also subject to additional risks including: investors having limited control and rights to vote on matters affecting the MLP, limited access to capital, cash flow risk, lack of liquidity, dilution risk, conflict of interests, and limited call rights related to acquisitions.

**Mortgage backed securities** also involve prepayment risk, in that faster or slower prepayments than expected on underlying mortgage loans can dramatically alter the yield-to-maturity of a mortgage-backed security and prepayment risk includes the possibility that a fund may invest the proceeds at generally lower interest rates.

**Tax managed funds** may not meet their objective of being tax-efficient.

**Real estate** investments are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general and economic conditions. **High yield** fixed income securities, also known as "junk bonds", are considered speculative, involve greater risk of default and tend to be more volatile than

investment grade fixed income securities.

Credit quality is a measure of a bond issuer's creditworthiness, or ability to repay interest and principal to bondholders in a timely manner. The credit ratings shown are based on security rating as provided by Standard & Poor's, Moody's and/or Fitch, as applicable. Credit ratings are issued by the rating agencies for the underlying securities in the fund and not the fund itself, and the credit quality of the securities in the fund does not represent the stability or safety of the fund. Credit ratings shown range from AAA, being the highest, to D, being the lowest based on S&P and Fitch's classification (the equivalent of Aaa and C, respectively, by Moody's). Ratings of BBB or higher by S&P and Fitch (Baa or higher by Moody's) are considered to be investment grade-quality securities. If two or more of the agencies have assigned different ratings to a security, the highest rating is applied. Securities that are not rated by all three agencies are listed as "NR".

"Alpha tilt strategies comprise a core holding of stocks that mimic a benchmark type index such as the S&P 500 to which additional securities are added to help tilt the fund toward potentially outperforming the market in an effort to enhance overall investment returns. Tilt strategies are subject to significant timing risk and could potentially expose investors to extended periods of underperformance."

**Custom Account Index:** The Custom Account Index is an investment benchmark based on your historical target allocations and/or manager selection that you may use to evaluate the performance of your account. The Custom Account index does take into consideration certain changes that may have occurred in your portfolio since the inception of your account, i.e., asset class and/or manager changes. However, in some circumstances, it may not be an appropriate benchmark for use with your specific account composition. For detailed report of the historical composition of this blend please contact your Financial Advisor.

### Peer Groups

Peer Groups are a collection of similar investment strategies that essentially group investment products that share the same investment approach. Peer Groups are used for comparison purposes to compare and illustrate a client's investment portfolio versus its peer across various quantitative metrics like performance and risk. Peer Group comparison is conceptually another form of benchmark comparison whereby the actual investment can be ranked versus its peer across various quantitative metrics.

All Peer Group data are provided by Investment Metrics, LLC.

The URL below provides all the definitions and methodology about the various Peer Groups

<https://www.invmetrics.com/style-peer-groups>

### Peer Group Ranking Methodology

A percentile rank denotes the value of a product in which a certain percent of observations fall within a peer group. The range of percentile rankings is between 1 and 100, where 1 represents a high statistical value and 100 represents a low statistical value.

The 30th percentile, for example, is the value in which 30% of the highest observations may be found, the 65th percentile is the value in which 65% of the highest observations may be found, and so on.

Percentile rankings are calculated based on a normalized distribution ranging from 1 to 100 for all products in each peer group, where a ranking of 1 denotes a high statistical value and a ranking of 100 denotes a low statistical value. It is important to note that the same ranking methodology applies to all statistics, implying

that a ranking of 1 will always mean highest value across all statistics.

For example, consider a risk/return assessment using standard deviation as a measure of risk. A percentile ranking equal to 1 for return denotes highest return, whereas a percentile ranking of 1 for standard deviation denotes highest risk among peers.

In addition, values may be used to demonstrate quartile rankings. For example, the third quartile is also known as the 75th percentile, and the median is the 50th percentile.

### Alternatives

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assets. Such valuation may not be the most recent provided by the fund in which you are invested. No representation is made that the valuation is a market value or that the interest could be liquidated at this value. We are not required to take any action with respect to your investment unless valid instructions are received from you in a timely manner. Some positions reflected herein may not represent interests in the fund, but rather redemption proceeds withheld by the issuer pending final valuations which are not subject to the investment performance of the fund and may or may not accrue interest for the length of the withholding. Morgan Stanley does not engage in an independent valuation of your alternative investment assets. Morgan Stanley provides periodic information to you including the market value of an alternative investment vehicle based on information received from the management entity of the alternative investment vehicle or another service provider.

Traditional alternative investment vehicles often are speculative and include a high degree of risk. . Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: • Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; • Lack of liquidity in that there may be no secondary market for a fund; • Volatility of returns; • Restrictions on transferring interests in a fund; • Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; • Absence of information regarding valuations and pricing; • Complex tax structures and delays in tax reporting; • Less regulation and higher fees than mutual funds; and • Risks associated with the operations, personnel, and processes of the manager. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund.

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For most investment advisory clients, the program account will be charged an asset-based wrap fee every quarter ("the Fee"). In general, the Fee covers investment advisory services and reporting. In addition to the Fee, clients will pay the fees and expenses of any funds in which their account is invested. Fund fees and expenses are charged directly to the pool of assets the fund invests in and impact the valuations. Clients must understand that these fees and expenses are an additional cost and will not be included in the Fee amount in the account statements.

As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, for an account with an initial value of \$100,000 and a 2.5% annual fee, if the gross performance is 5% per year over a three year period, the compounding effect of the fees will result in a net annual compound rate of return of approximately 2.40% per year over a three year period, and the total value of the client's portfolio at the end of the three year period would be approximately \$115,762.50 without the fees and \$107,372.63 with the fees. Please see the applicable Morgan Stanley Smith Barney LLC Form ADV Part 2A for more information including a description of the fee schedule. It is available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) <<http://www.morganstanley.com/ADV>> or from your Financial Advisor/Private Wealth Advisor.

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### Money Market Funds

You could lose money in Money Market Funds. Although MMFs classified as government funds (i.e., MMFs that invest 99.5% of total assets in cash and/or securities backed by the U.S government) and retail funds (i.e., MMFs open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee they will do so. The price of other MMFs will fluctuate and when you sell shares they may be worth more or less than originally paid. MMFs may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. A MMF investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency.

# Wilmette Police Pension Fund

Quarterly Performance Report  
December 31, 2019

## Wilmette Police Pension Fund

	Target Allocation (%)	Asset Allocation (%)	Differences (%)	Asset Allocation (\$)	Target Rebalance (\$)
Fixed Income	35.00	33.25	-1.75	16,553,545.13	871,072.56
Equity	65.00	66.75	1.75	33,231,076.83	-871,072.56
Wilmette Police Pension Fund	100.00	100.00	0.00	49,784,621.96	-

	Target Allocation (%)	Asset Allocation (%)	Differences (%)	Asset Allocation (\$)	Target Rebalance (\$)
Real Estate	3.00	2.80	-0.20	1,393,848.52	99,690.14
Small Cap Equity	7.00	7.44	0.44	3,705,457.72	-220,534.18
Emerging Markets	8.00	7.14	-0.86	3,556,045.55	426,724.21
Mid Cap Equity	10.00	10.99	0.99	5,472,297.61	-493,835.41
International Equity	12.00	12.79	0.79	6,369,661.06	-395,506.42
Large Cap Equity	25.00	25.58	0.58	12,733,766.37	-287,610.88
Fixed Income	35.00	33.25	-1.75	16,553,545.13	871,072.56
Wilmette Police Pension Fund	100.00	100.00	0.00	49,784,621.96	-

## Wilmette Police Pension Fund

As of December 31, 2019

	Total Fund		Domestic Equity		International Equity		REITS		Domestic Fixed Income		Alternative Investment		Cash Equivalent	
	(\$)	%	(\$)	%	(\$)	%	(\$)	%	(\$)	%	(\$)	%	(\$)	%
<b>Wilmette Police Pension Fund</b>	<b>49,784,622</b>	<b>100.00</b>	<b>21,150,372</b>	<b>42.48</b>	<b>10,271,032</b>	<b>20.63</b>	<b>1,393,849</b>	<b>2.80</b>	<b>16,205,984</b>	<b>32.55</b>	<b>291,606</b>	<b>0.59</b>	<b>471,779</b>	<b>0.95</b>
<b>Large Cap Equity</b>	<b>12,733,766</b>	<b>25.58</b>	<b>12,733,766</b>	<b>100.00</b>	-	-	-	-	-	-	-	-	-	-
Vanguard - S&P 500 Inst. Index(02/23/2015)	12,733,766	25.58	12,733,766	100.00	-	-	-	-	-	-	-	-	-	-
<b>Mid Cap Equity</b>	<b>5,472,298</b>	<b>10.99</b>	<b>5,472,205</b>	<b>100.00</b>	-	-	-	-	-	-	-	-	<b>92</b>	<b>0.00</b>
iShares S&P MidCap 090767	1,877,171	3.77	1,877,078	100.00	-	-	-	-	-	-	-	-	92	0.00
Columbia Acorn 090766	3,595,127	7.22	3,595,127	100.00	-	-	-	-	-	-	-	-	-	-
<b>Small Cap Equity</b>	<b>3,705,458</b>	<b>7.44</b>	<b>2,944,400</b>	<b>79.46</b>	<b>345,326</b>	<b>9.32</b>	-	-	-	-	<b>291,606</b>	<b>7.87</b>	<b>124,126</b>	<b>3.35</b>
London - Small Cap Core - 150665	3,705,458	7.44	2,944,400	79.46	345,326	9.32	-	-	-	-	291,606	7.87	124,126	3.35
<b>Real Estate</b>	<b>1,393,849</b>	<b>2.80</b>	-	-	-	-	<b>1,393,849</b>	<b>100.00</b>	-	-	-	-	-	-
Vanguard REIT Index Fund Admiral Shares	1,393,849	2.80	-	-	-	-	1,393,849	100.00	-	-	-	-	-	-
<b>International Equity</b>	<b>6,369,661</b>	<b>12.79</b>	-	-	<b>6,369,661</b>	<b>100.00</b>	-	-	-	-	-	-	-	-
Amerifunds - International Equity - 150607	3,034,832	6.10	-	-	3,034,832	100.00	-	-	-	-	-	-	-	-
iShares Core MSCI EAFE 087516	999,999	2.01	-	-	999,999	100.00	-	-	-	-	-	-	-	-
Tweedy Browne Global Value 087517	1,349,560	2.71	-	-	1,349,560	100.00	-	-	-	-	-	-	-	-
JOHCM International 087514	985,270	1.98	-	-	985,270	100.00	-	-	-	-	-	-	-	-
<b>Emerging Markets</b>	<b>3,556,046</b>	<b>7.14</b>	-	-	<b>3,556,046</b>	<b>100.00</b>	-	-	-	-	-	-	-	-
American New World 087509	1,234,659	2.48	-	-	1,234,659	100.00	-	-	-	-	-	-	-	-
Lazard - Emerging Markets Equity - 150648	2,321,387	4.66	-	-	2,321,387	100.00	-	-	-	-	-	-	-	-
<b>Fixed Income</b>	<b>16,553,545</b>	<b>33.25</b>	-	-	-	-	-	-	<b>16,205,984</b>	<b>97.90</b>	-	-	<b>347,561</b>	<b>2.10</b>
Spare - Max Flex Fixed Income - 150601	4,459,663	8.96	-	-	-	-	-	-	4,319,471	96.86	-	-	140,193	3.14
Spare - Flex Fixed Income - 150604	4,604,336	9.25	-	-	-	-	-	-	4,450,190	96.65	-	-	154,146	3.35
Weaver - Fixed Income - 150677	7,477,829	15.02	-	-	-	-	-	-	7,434,716	99.42	-	-	43,113	0.58
Self Managed - Fixed Income - 150522	11,717	0.02	-	-	-	-	-	-	1,608	13.72	-	-	10,109	86.28

As of December 31, 2019

	1 Month	Quarter To Date	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>Wilmette Police Pension Fund</b>	<b>1.88</b>	<b>5.41</b>	<b>20.21</b>	<b>20.21</b>	<b>8.17</b>	<b>6.08</b>	<b>6.95</b>	<b>7.13</b>	<b>6.78</b>	<b>01/01/2003</b>
Custom Benchmark	2.30	5.64	20.69	20.69	9.52	7.17	7.80	7.69	6.84	
<b>US Equity</b>	<b>2.27</b>	<b>7.78</b>	<b>29.40</b>	<b>29.40</b>	<b>11.64</b>	<b>9.41</b>	-	-	<b>10.97</b>	<b>05/01/2013</b>
Custom Benchmark - US Equity	2.78	8.12	29.35	29.35	12.66	10.47	-	-	12.17	
<b>International Equity</b>	<b>3.22</b>	<b>7.86</b>	<b>22.41</b>	<b>22.41</b>	<b>9.12</b>	<b>5.01</b>	-	-	<b>4.69</b>	<b>05/01/2013</b>
MSCI AC World ex US Net	4.33	8.92	21.51	21.51	9.87	5.51	-	-	4.65	
<b>Emerging Markets</b>	<b>6.08</b>	<b>10.42</b>	<b>21.34</b>	<b>21.34</b>	<b>8.41</b>	<b>4.16</b>	-	-	<b>2.31</b>	<b>05/01/2013</b>
MSCI EM Net	7.46	11.84	18.42	18.42	11.57	5.61	-	-	3.56	
<b>Fixed Income</b>	<b>-0.02</b>	<b>0.35</b>	<b>8.20</b>	<b>8.20</b>	<b>3.80</b>	<b>2.75</b>	-	-	<b>2.40</b>	<b>05/01/2013</b>
Barclays Govt/Credit Bond	-0.20	-0.01	9.71	9.71	4.35	3.23	-	-	2.78	

Returns for periods greater than one year are annualized.  
Returns are expressed as percentages.

As of December 31, 2019

	1 Month	Quarter To Date	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>Wilmette Police Pension Fund</b>	<b>1.88</b>	<b>5.41</b>	<b>20.21</b>	<b>20.21</b>	<b>8.17</b>	<b>6.08</b>	<b>6.95</b>	<b>7.13</b>	<b>6.78</b>	<b>01/01/2003</b>
Custom Benchmark	2.30	5.64	20.69	20.69	9.52	7.17	7.80	7.69	6.84	
<b>Vanguard - S&amp;P 500 Inst. Index(02/23/2015)</b>	<b>3.16</b>	<b>9.29</b>	<b>31.74</b>	<b>31.74</b>	<b>15.42</b>	<b>11.80</b>	<b>14.70</b>	<b>13.59</b>	<b>10.47</b>	<b>01/01/2003</b>
S&P 500 Total Return	3.02	9.07	31.49	31.49	15.27	11.70	14.73	13.56	10.17	
<b>iShares S&amp;P MidCap 090767</b>	<b>2.80</b>	<b>6.99</b>	-	-	-	-	-	-	<b>15.16</b>	<b>06/01/2019</b>
S&P 400 MidCap Net	2.76	6.92	-	-	-	-	-	-	14.79	
<b>Columbia Acorn 090766</b>	<b>0.98</b>	<b>8.50</b>	-	-	-	-	-	-	<b>10.58</b>	<b>06/01/2019</b>
Russell 2500 GR	0.93	10.57	-	-	-	-	-	-	15.38	
<b>London - Small Cap Core - 150665</b>	<b>0.65</b>	<b>4.91</b>	<b>27.90</b>	<b>27.90</b>	<b>7.59</b>	<b>5.24</b>	<b>8.05</b>	-	<b>9.44</b>	<b>01/01/2011</b>
Russell 2000	2.88	9.94	25.53	25.53	8.59	8.23	11.65	-	10.26	
<b>Vanguard REIT Index Fund Admiral Shares</b>	<b>0.81</b>	<b>0.62</b>	<b>28.94</b>	<b>28.94</b>	<b>8.35</b>	<b>7.19</b>	-	-	<b>9.19</b>	<b>05/01/2014</b>
MSCI US IMI Real Estate 25/50	0.82	0.65	29.02	29.02	7.93	6.41	-	-	8.06	
<b>Amerifunds - International Equity - 150607</b>	<b>4.30</b>	<b>10.09</b>	<b>27.40</b>	<b>27.40</b>	<b>12.41</b>	<b>7.37</b>	<b>7.73</b>	<b>6.63</b>	<b>7.59</b>	<b>04/01/2004</b>
MSCI AC World ex US Net	4.33	8.92	21.51	21.51	9.87	5.51	5.44	4.97	5.95	
<b>iShares Core MSCI EAFE 087516</b>	<b>3.62</b>	<b>8.28</b>	<b>22.58</b>	<b>22.58</b>	-	-	-	-	<b>14.58</b>	<b>12/01/2018</b>
MSCI EAFE IMI NT	3.43	8.69	23.06	23.06	-	-	-	-	15.43	
<b>Tweedy Browne Global Value 087517</b>	<b>1.35</b>	<b>3.07</b>	<b>14.80</b>	<b>14.80</b>	-	-	-	-	<b>8.90</b>	<b>12/01/2018</b>
MSCI EAFE	3.25	8.17	22.01	22.01	-	-	-	-	14.77	
<b>JOHCM International 087514</b>	<b>2.19</b>	<b>7.58</b>	<b>19.04</b>	<b>19.04</b>	-	-	-	-	<b>12.57</b>	<b>12/01/2018</b>
MSCI EAFE	3.25	8.17	22.01	22.01	-	-	-	-	14.77	
<b>American New World 087509</b>	<b>4.02</b>	<b>9.08</b>	<b>28.03</b>	<b>28.03</b>	-	-	-	-	<b>21.40</b>	<b>12/01/2018</b>
MSCI ACWI	3.56	9.07	27.30	27.30	-	-	-	-	16.85	
<b>Lazard - Emerging Markets Equity - 150648</b>	<b>7.22</b>	<b>11.15</b>	<b>18.04</b>	<b>18.04</b>	<b>7.33</b>	<b>3.53</b>	<b>1.76</b>	-	<b>2.56</b>	<b>05/01/2010</b>
MSCI EM Net	7.46	11.84	18.42	18.42	11.57	5.61	3.26	-	3.42	
<b>Spare - Max Flex Fixed Income - 150601</b>	<b>0.07</b>	<b>0.40</b>	<b>4.27</b>	<b>4.27</b>	<b>2.30</b>	<b>1.55</b>	<b>1.40</b>	<b>2.15</b>	<b>2.22</b>	<b>08/01/2009</b>
BC Gov 1-3 Yr	0.21	0.51	3.59	3.59	1.86	1.40	1.15	1.25	1.27	

Returns for periods greater than one year are annualized.  
Returns are expressed as percentages.

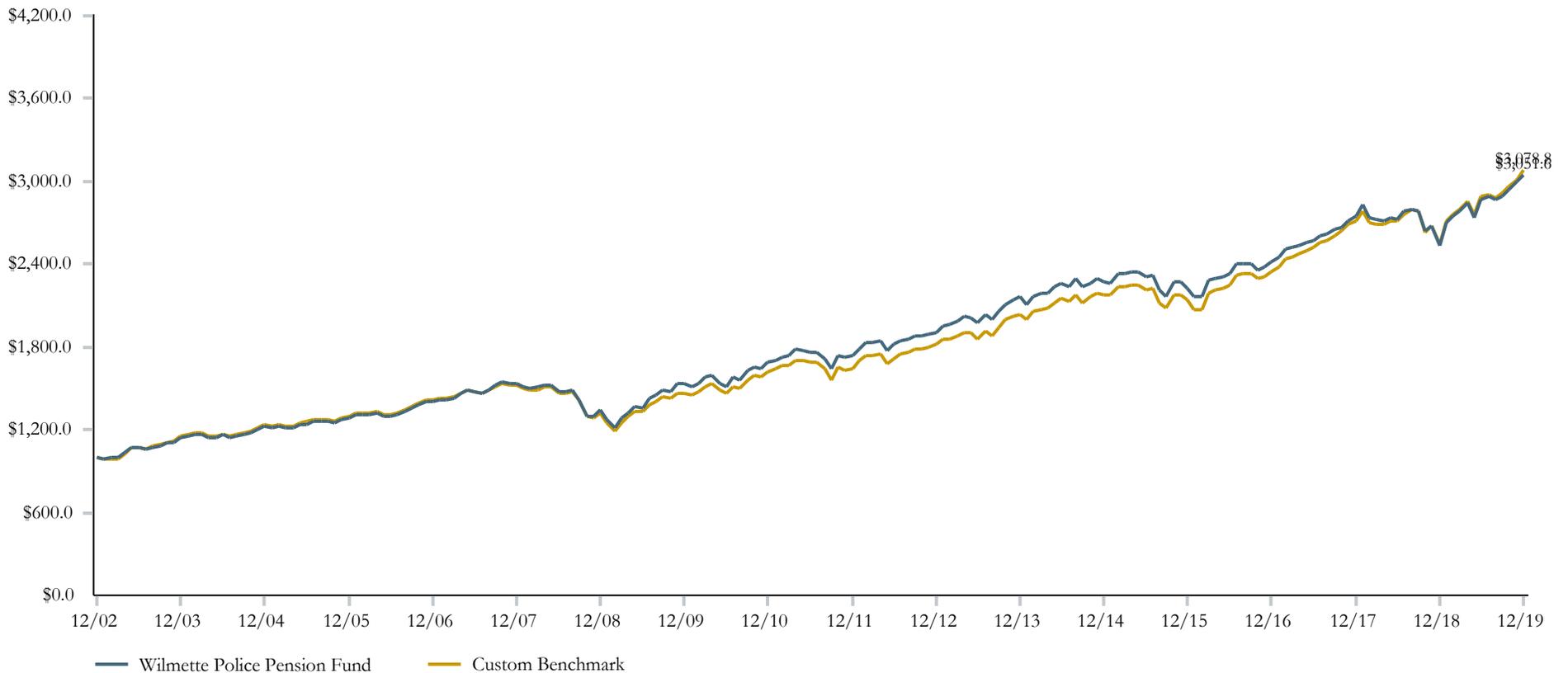
As of December 31, 2019

	1 Month	Quarter To Date	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>Spare - Flex Fixed Income - 150604</b>	<b>-0.07</b>	<b>0.10</b>	<b>8.50</b>	<b>8.50</b>	<b>3.82</b>	<b>2.85</b>	<b>2.54</b>	<b>3.72</b>	<b>4.01</b>	<b>01/01/2003</b>
Custom Benchmark - SKBA Flex	-0.20	-0.01	9.71	9.71	4.35	3.23	2.81	3.81	4.01	
<b>Weaver - Fixed Income - 150677</b>	<b>-0.05</b>	<b>0.47</b>	<b>10.49</b>	<b>10.49</b>	<b>4.73</b>	<b>3.46</b>	<b>2.98</b>	<b>-</b>	<b>3.93</b>	<b>06/01/2011</b>
Weaver Custom Benchmark	0.25	0.67	8.14	8.14	3.74	3.03	2.49	-	3.14	
<b>Self Managed - Fixed Income - 150522</b>	<b>0.19</b>	<b>0.57</b>	<b>2.80</b>	<b>2.80</b>	<b>2.48</b>	<b>3.31</b>	<b>2.69</b>	<b>2.59</b>	<b>3.44</b>	<b>01/01/2003</b>
BC Gov Intm	-0.03	0.02	5.20	5.20	2.57	1.99	1.60	2.38	3.06	

Returns for periods greater than one year are annualized.  
Returns are expressed as percentages.

As of December 31, 2019

	Performance(%)										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2003
Wilmette Police Pension Fund	-7.46	13.77	8.33	-2.03	5.12	13.34	10.08	2.61	10.20	14.23	14.09
Custom Benchmark	-5.89	15.65	9.48	-1.69	7.04	11.76	11.00	1.16	10.44	11.50	14.97
Wilmette Police - Acturial Assumption	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.30	7.35	7.40	7.50



Please refer to definitions page at the back of this book for benchmark descriptions

As of December 31, 2019

	1 Month	Current Quarter	YTD	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Wilmette Police Pension Fund	1.88	5.41	20.22	20.22	8.16	6.00	6.91	7.15	12/15/2002

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Wilmette Police Pension Fund	-7.47	13.77	8.24	-2.03	5.13	13.33	10.08	2.56	10.19	13.83

Please refer to definitions page at the back of this book for benchmark descriptions

As of December 31, 2019

	Dec-2019	Nov-2019	Oct-2019	Sep-2019	Aug-2019	Jul-2019	Jun-2019	May-2019	Apr-2019	Mar-2019	Feb-2019	Jan-2019
<b>Wilmette Police Pension Fund</b>												
Beginning Market Value	50,352,235	49,401,702	49,352,679	48,862,072	49,251,234	48,941,466	46,738,997	48,463,066	47,335,757	46,798,276	46,172,756	43,463,681
Net Contributions	-1,499,810	117	-707,181	88	149	-7,000	384	5,731	-12,339	148	-249,887	-6,822
Income	667,499	77,803	16,603	125,090	73,550	35,329	282,514	79,601	20,370	160,693	55,792	42,773
Gain/Loss	264,699	872,613	739,600	365,428	-462,861	281,440	1,919,570	-1,809,400	1,119,277	376,641	819,615	2,673,124
Ending Market Value	49,784,622	50,352,235	49,401,702	49,352,679	48,862,072	49,251,234	48,941,466	46,738,997	48,463,066	47,335,757	46,798,276	46,172,756
<b>Vanguard - S&amp;P 500 Inst. Index(02/23/2015)</b>												
Beginning Market Value	13,822,161	13,338,432	13,739,012	13,487,184	13,704,319	13,510,521	12,621,406	13,477,857	12,953,881	12,705,892	12,310,696	11,726,521
Net Contributions	-1,500,000	-	-700,000	-	-	-	-	-	-	-	-	-350,010
Income	152,807	-	-	74,105	-	-	53,358	-	-	111,572	-	-
Gain/Loss	258,798	483,730	299,420	177,723	-217,134	193,797	835,757	-856,451	523,976	136,417	395,196	934,185
Ending Market Value	12,733,766	13,822,161	13,338,432	13,739,012	13,487,184	13,704,319	13,510,521	12,621,406	13,477,857	12,953,881	12,705,892	12,310,696
<b>Sterling Capital Mgmt - Mid Cap Value - 021535</b>												
Beginning Market Value	-	-	-	-	-	-	-	5,312,506	5,037,281	5,125,712	4,977,329	4,391,335
Net Contributions	-	-	-	-	-	-	-	-5,254,221	-5,562	18	14	-
Income	-	-	-	-	-	-	-	745	4,179	7,814	3,948	4,019
Gain/Loss	-	-	-	-	-	-	-	-59,030	276,608	-96,263	144,421	581,974
Ending Market Value	-	-	-	-	-	-	-	-	5,312,506	5,037,281	5,125,712	4,977,329
<b>iShares S&amp;P MidCap 090767</b>												
Beginning Market Value	1,825,988	1,773,415	1,754,839	1,701,340	1,774,473	1,756,393	1,630,261	1,781,489	-	-	-	-
Net Contributions	-	-	-311	-	-	-	125	-	-	-	-	-
Income	8,264	-	-	7,759	-	-	7,891	1	-	-	-	-
Gain/Loss	42,919	52,573	18,886	45,741	-73,134	18,080	118,115	-151,229	-	-	-	-
Ending Market Value	1,877,171	1,825,988	1,773,415	1,754,839	1,701,340	1,774,473	1,756,393	1,630,261	-	-	-	-
<b>Columbia Acorn 090766</b>												
Beginning Market Value	3,560,345	3,349,971	3,313,524	3,388,984	3,507,891	3,441,577	3,251,032	3,478,340	-	-	-	-
Net Contributions	-	-	-140	-	-	-	125	-	-	-	-	-
Income	231,338	-	-	-	-	-	146,182	14	-	-	-	-
Gain/Loss	-196,555	210,374	36,587	-75,460	-118,907	66,313	44,238	-227,322	-	-	-	-
Ending Market Value	3,595,127	3,560,345	3,349,971	3,313,524	3,388,984	3,507,891	3,441,577	3,251,032	-	-	-	-
<b>London - Small Cap Core - 150665</b>												
Beginning Market Value	3,681,475	3,596,408	3,531,855	3,395,907	3,558,924	3,467,041	3,196,122	3,448,169	3,350,432	3,398,733	3,175,107	2,897,144
Net Contributions	60	23	11	11	11	10	15	17	12	10	10	-
Income	5,976	2,412	2,760	6,167	3,336	2,574	6,296	2,798	2,652	6,140	2,169	2,805
Gain/Loss	17,948	82,632	61,783	129,769	-166,363	89,298	264,609	-254,863	95,074	-54,451	221,447	275,157
Ending Market Value	3,705,458	3,681,475	3,596,408	3,531,855	3,395,907	3,558,924	3,467,041	3,196,122	3,448,169	3,350,432	3,398,733	3,175,107

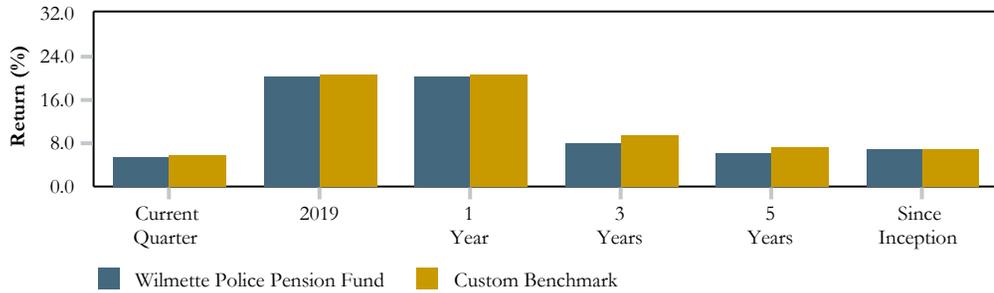
## As of December 31, 2019

	Dec-2019	Nov-2019	Oct-2019	Sep-2019	Aug-2019	Jul-2019	Jun-2019	May-2019	Apr-2019	Mar-2019	Feb-2019	Jan-2019
<b>Vanguard REIT Index Fund Admiral Shares</b>												
Beginning Market Value	1,382,616	1,400,118	1,385,236	1,359,672	1,310,388	1,289,801	1,268,034	1,266,695	1,267,828	1,216,910	1,208,014	1,081,016
Net Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Income	14,215	-	-	10,953	-	-	12,083	-	-	8,924	-	-
Gain/Loss	-2,982	-17,503	14,883	14,611	49,284	20,587	9,685	1,339	-1,133	41,994	8,896	126,998
Ending Market Value	1,393,849	1,382,616	1,400,118	1,385,236	1,359,672	1,310,388	1,289,801	1,268,034	1,266,695	1,267,828	1,216,910	1,208,014
<b>Amerifunds - International Equity - 150607</b>												
Beginning Market Value	2,909,854	2,851,519	2,756,592	2,707,272	2,777,804	2,801,138	2,626,798	2,777,703	2,696,691	2,642,153	2,577,026	2,382,174
Net Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Income	88,324	-	-	-	-	-	4,247	-	-	-	-	-
Gain/Loss	36,654	58,335	94,927	49,320	-70,532	-23,334	170,094	-150,905	81,012	54,537	65,127	194,852
Ending Market Value	3,034,832	2,909,854	2,851,519	2,756,592	2,707,272	2,777,804	2,801,138	2,626,798	2,777,703	2,696,691	2,642,153	2,577,026
<b>Tweedy Browne Global Value 087517</b>												
Beginning Market Value	1,331,556	1,316,887	1,309,320	1,277,143	1,300,802	1,320,676	1,257,742	1,322,096	1,273,357	1,262,001	1,233,606	838,727
Net Contributions	-	-	-4	-	-	-	-	-	-	-	-	350,000
Income	24,842	-	-	-	-	-	-	-	-	-	4	-
Gain/Loss	-6,838	14,669	7,571	32,177	-23,659	-19,874	62,934	-64,354	48,739	11,357	28,391	44,879
Ending Market Value	1,349,560	1,331,556	1,316,887	1,309,320	1,277,143	1,300,802	1,320,676	1,257,742	1,322,096	1,273,357	1,262,001	1,233,606
<b>iShares Core MSCI EAFE 087516</b>												
Beginning Market Value	965,150	956,227	923,593	897,279	913,007	928,583	881,007	928,031	901,478	894,358	870,475	815,886
Net Contributions	-41	-	-31	-	-	-	-	-	-	-	-	-
Income	13,313	-	-	-	-	-	17,751	-	-	-	-	-
Gain/Loss	21,577	8,923	32,666	26,314	-15,728	-15,577	29,825	-47,024	26,553	7,120	23,883	54,589
Ending Market Value	999,999	965,150	956,227	923,593	897,279	913,007	928,583	881,007	928,031	901,478	894,358	870,475
<b>JOHCM International 087514</b>												
Beginning Market Value	964,186	932,899	915,835	920,710	942,245	953,622	902,833	932,494	929,649	903,239	883,329	827,664
Net Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Income	9,255	-	-	-	-	-	-	-	-	-	-	-
Gain/Loss	11,830	31,286	17,065	-4,876	-21,535	-11,377	50,789	-29,661	2,844	26,410	19,909	55,665
Ending Market Value	985,270	964,186	932,899	915,835	920,710	942,245	953,622	902,833	932,494	929,649	903,239	883,329
<b>Lazard - Emerging Markets Equity - 150648</b>												
Beginning Market Value	2,165,155	2,166,391	2,088,585	2,014,435	2,125,805	2,171,112	2,065,804	2,162,540	2,114,784	2,127,029	2,194,377	1,966,618
Net Contributions	-	-	-51	-	-	-	-	-	-	-	-	-
Income	37,248	-	-	-	18,485	-	-	-	-	-	-	-
Gain/Loss	118,984	-1,236	77,857	74,149	-129,855	-45,307	105,308	-96,737	47,756	-12,245	-67,348	227,759
Ending Market Value	2,321,387	2,165,155	2,166,391	2,088,585	2,014,435	2,125,805	2,171,112	2,065,804	2,162,540	2,114,784	2,127,029	2,194,377

As of December 31, 2019

	Dec-2019	Nov-2019	Oct-2019	Sep-2019	Aug-2019	Jul-2019	Jun-2019	May-2019	Apr-2019	Mar-2019	Feb-2019	Jan-2019
<b>American New World 087509</b>												
Beginning Market Value	1,186,949	1,166,240	1,131,895	1,113,207	1,142,333	1,140,481	1,068,422	1,123,982	1,098,054	1,070,443	1,042,663	964,375
Net Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Income	48,023	-	-	-	-	-	-	-	-	-	-	-
Gain/Loss	-314	20,708	34,346	18,688	-29,127	1,852	72,059	-55,559	25,928	27,611	27,780	78,288
Ending Market Value	1,234,659	1,186,949	1,166,240	1,131,895	1,113,207	1,142,333	1,140,481	1,068,422	1,123,982	1,098,054	1,070,443	1,042,663
<b>Spare - Max Flex Fixed Income - 150601</b>												
Beginning Market Value	4,456,473	4,454,305	4,444,080	4,461,003	4,398,227	4,397,368	4,375,782	4,335,508	4,330,127	4,300,883	4,297,449	4,284,908
Net Contributions	25	25	-2,189	23	30	-2,145	42	39	-2,080	54	59	-2,074
Income	8,007	16,160	960	2,647	19,121	2,191	9,692	16,398	667	3,126	19,335	2,356
Gain/Loss	-4,842	-14,016	11,455	-19,593	43,625	814	11,852	23,836	6,793	26,063	-15,961	12,259
Ending Market Value	4,459,663	4,456,473	4,454,305	4,444,080	4,461,003	4,398,227	4,397,368	4,375,782	4,335,508	4,330,127	4,300,883	4,297,449
<b>Spare - Flex Fixed Income - 150604</b>												
Beginning Market Value	4,607,495	4,611,393	4,601,908	4,625,166	4,509,900	4,509,584	4,446,225	4,370,544	4,371,841	4,295,884	4,545,687	4,498,950
Net Contributions	28	27	-2,264	20	26	-2,204	30	33	-2,145	25	-249,979	-2,216
Income	11,151	15,727	4,923	8,229	18,146	7,162	11,240	20,227	4,005	8,273	15,530	9,378
Gain/Loss	-14,338	-19,652	6,825	-31,508	97,094	-4,642	52,088	55,421	-3,157	67,659	-15,355	39,575
Ending Market Value	4,604,336	4,607,495	4,611,393	4,601,908	4,625,166	4,509,900	4,509,584	4,446,225	4,370,544	4,371,841	4,295,884	4,545,687
<b>Weaver - Fixed Income - 150677</b>												
Beginning Market Value	7,481,185	7,475,869	7,445,343	7,501,732	7,274,138	7,242,619	7,136,609	6,994,051	6,999,493	6,844,205	6,846,191	6,777,585
Net Contributions	73	41	-2,740	32	49	-2,662	45	32	-2,566	38	6	-2,523
Income	14,713	43,482	7,936	15,205	14,435	23,373	13,747	39,389	8,837	14,818	14,778	24,187
Gain/Loss	-18,142	-38,209	25,330	-71,626	213,111	10,809	92,217	103,138	-11,713	140,432	-16,770	46,942
Ending Market Value	7,477,829	7,481,185	7,475,869	7,445,343	7,501,732	7,274,138	7,242,619	7,136,609	6,994,051	6,999,493	6,844,205	6,846,191
<b>Self Managed - Fixed Income - 150522</b>												
Beginning Market Value	11,649	11,626	11,064	11,037	10,979	10,949	10,921	10,891	10,862	10,834	10,807	10,777
Net Contributions	47	2	539	2	33	2	2	2	2	2	2	2
Income	23	21	24	26	25	29	27	28	29	28	27	28
Gain/Loss	-1	-1	-	-1	-	-1	-	-1	-2	-1	-2	-
Ending Market Value	11,717	11,649	11,626	11,064	11,037	10,979	10,949	10,921	10,891	10,862	10,834	10,807

**Portfolio Performance (%)**

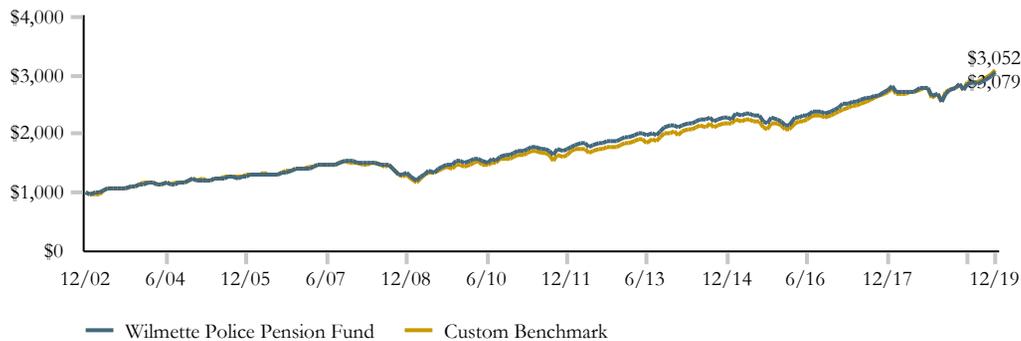


	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Wilmette Police Pension Fund	5.41	20.21	20.21	8.17	6.08	6.78	01/01/2003
Custom Benchmark	5.64	20.69	20.69	9.52	7.17	6.84	01/01/2003

**Asset Growth (\$000)**

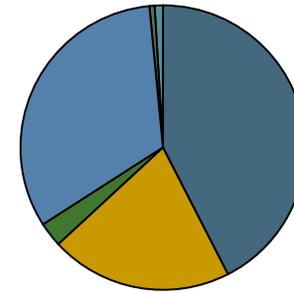
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Wilmette Police Pension Fund							01/01/2003
Beginning Market Value	49,353	43,464	43,464	42,160	41,106	19,649	
Net Contributions	-2,193	-2,391	-2,391	-3,323	-4,691	-6,525	
Fees/Expenses	-14	-85	-85	-283	-418	-793	
Income	762	1,638	1,638	4,064	6,089	16,368	
Gain/Loss	1,877	7,160	7,160	7,166	7,699	21,086	
Ending Market Value	49,785	49,785	49,785	49,785	49,785	49,785	

**Growth of a Dollar (\$000)**



**Asset Allocation (\$000)**

December 31, 2019 : \$49,785



Segments	Market Value (\$000)	Allocation (%)
Domestic Equity	21,150.37	42.48
International Equity	10,271.03	20.63
REITS	1,393.85	2.80
Domestic Fixed Income	16,205.98	32.55
Alternative Investment	291.61	0.59
Cash Equivalent	471.78	0.95

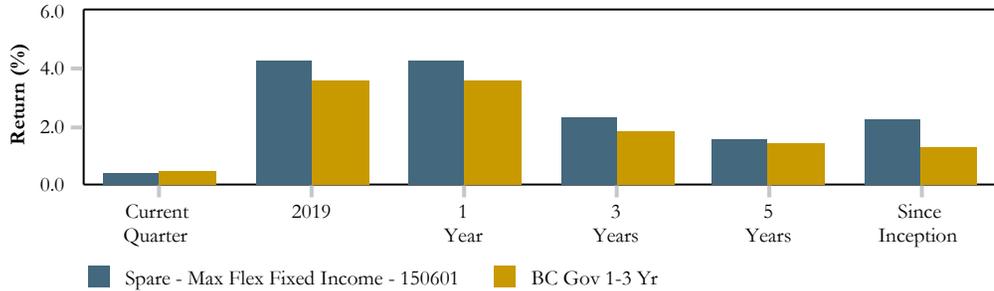
**Portfolio Characteristics vs. Custom Benchmark Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Wilmette Police Pension Fund	0.99	0.02	0.97	0.76	01/01/2003

**Risk/Return Analysis Since 01/01/03**

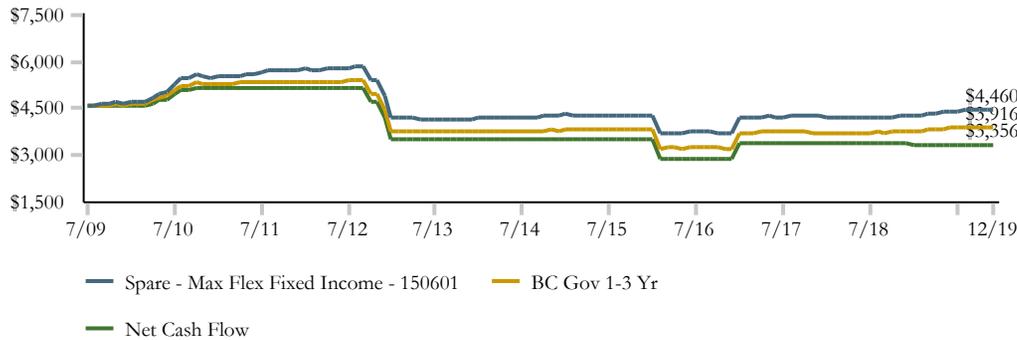


**Portfolio Performance (%)**



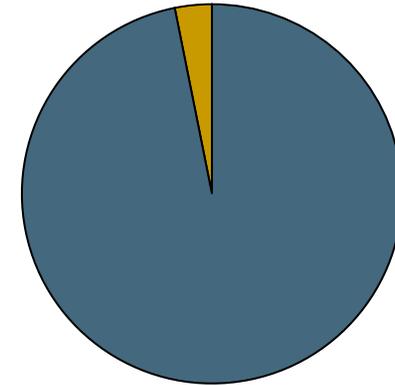
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Spare - Max Flex Fixed Income - 150601	0.40	4.27	4.27	2.30	1.55	2.22	08/01/2009
BC Gov 1-3 Yr	0.51	3.59	3.59	1.86	1.40	1.27	08/01/2009

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Spare - Max Flex Fixed Income - 150601							08/01/2009
Beginning Market Value	4,444	4,285	4,285	3,693	4,272	4,579	
Net Contributions	1	2	2	504	-96	-1,056	
Fees/Expenses	-3	-10	-10	-31	-52	-166	
Income	25	101	101	298	513	1,345	
Gain/Loss	-7	82	82	-5	-177	-242	
Ending Market Value	4,460	4,460	4,460	4,460	4,460	4,460	



**Asset Allocation (\$000)**

December 31, 2019 : \$4,460

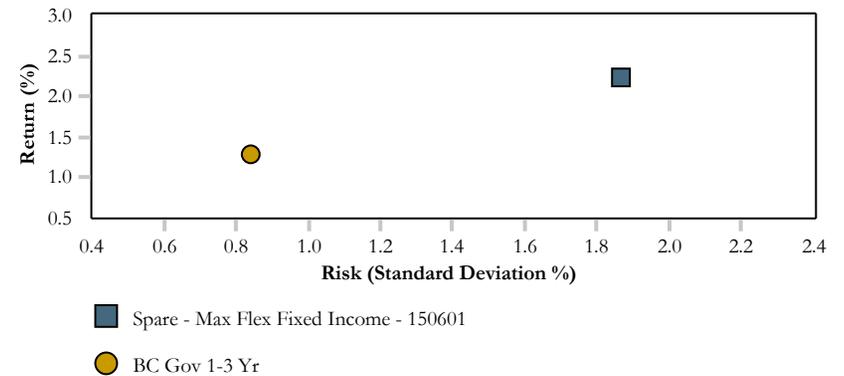


Segments	Market Value (\$000)	Allocation (%)
Domestic Fixed Income	4,319.47	96.86
Cash Equivalent	140.19	3.14

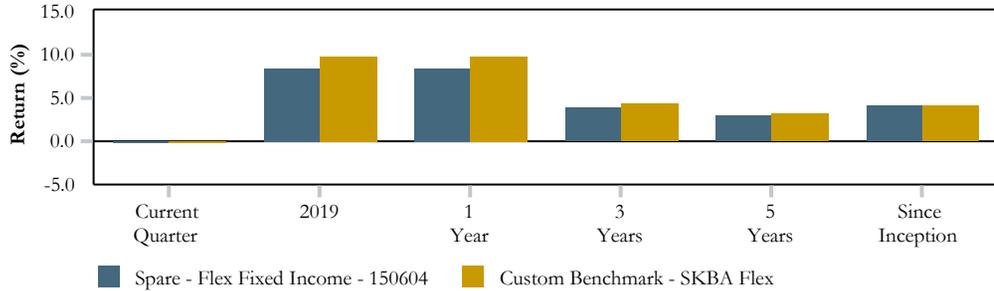
**Portfolio Characteristics vs. BC Gov 1-3 Yr Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Spare - Max Flex Fixed Income - 150601	1.90	-0.20	0.74	0.89	08/01/2009

**Risk/Return Analysis Since 08/09**

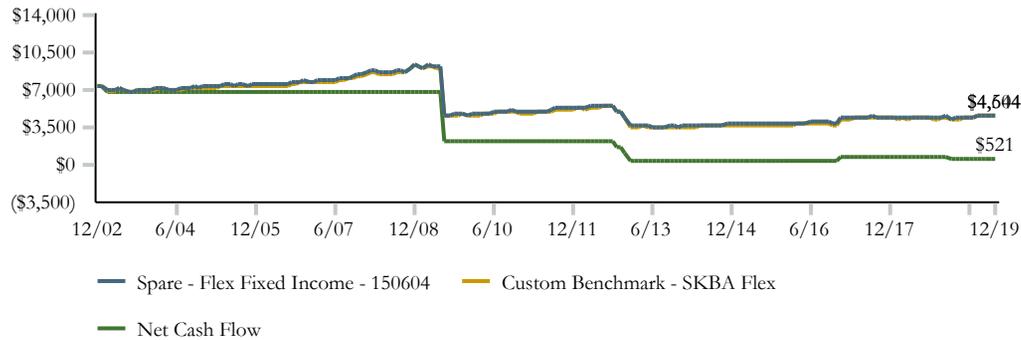


**Portfolio Performance (%)**



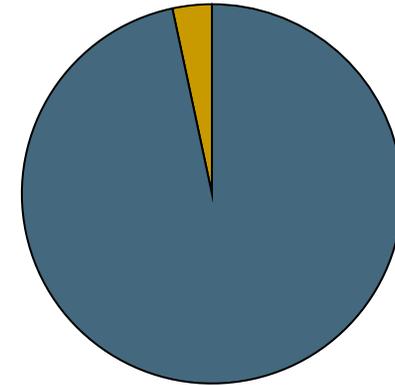
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Spare - Flex Fixed Income - 150604	0.10	8.50	8.50	3.82	2.85	4.01	01/01/2003
Custom Benchmark - SKBA Flex	-0.01	9.71	9.71	4.35	3.23	4.01	01/01/2003

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Spare - Flex Fixed Income - 150604							01/01/2003
Beginning Market Value	4,602	4,499	4,499	3,883	3,794	7,312	
Net Contributions	1	-248	-248	256	256	-6,590	
Fees/Expenses	-3	-11	-11	-35	-55	-201	
Income	32	134	134	440	738	4,162	
Gain/Loss	-27	230	230	61	-129	-79	
Ending Market Value	4,604	4,604	4,604	4,604	4,604	4,604	



**Asset Allocation (\$000)**

December 31, 2019 : \$4,604

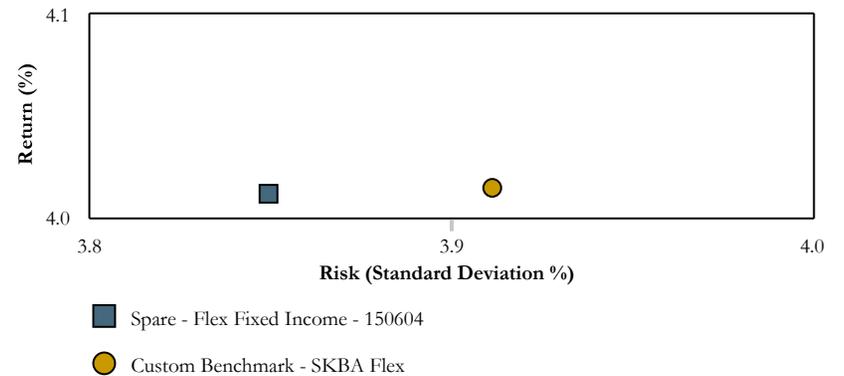


Segments	Market Value (\$000)	Allocation (%)
Domestic Fixed Income	4,450.19	96.65
Cash Equivalent	154.15	3.35

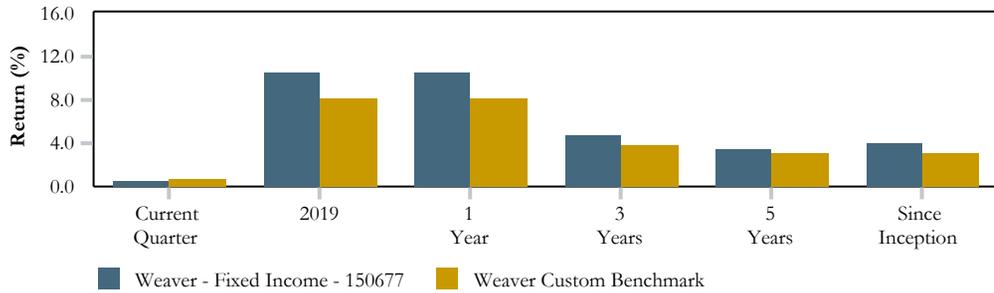
**Portfolio Characteristics vs. Custom Benchmark - SKBA Flex Since**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Spare - Flex Fixed Income - 150604	0.96	0.14	0.96	0.71	01/01/2003

**Risk/Return Analysis Since 01/03**

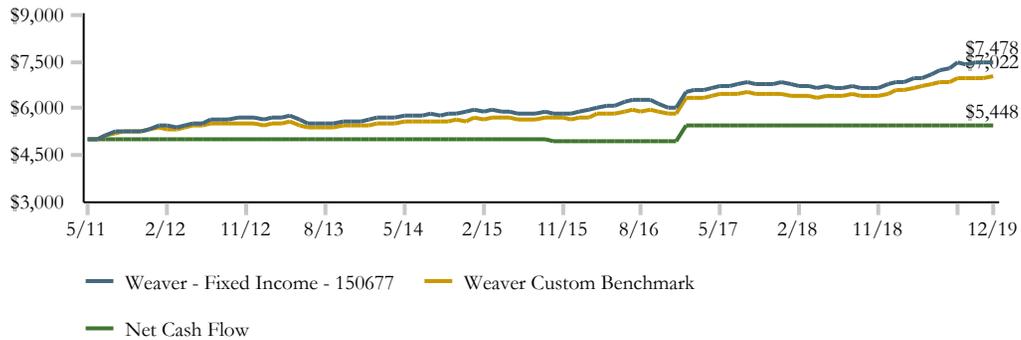


**Portfolio Performance (%)**



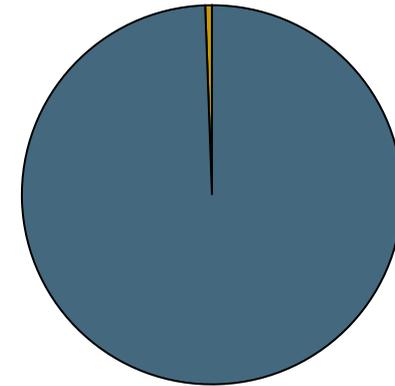
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Weaver - Fixed Income - 150677	0.47	10.49	10.49	4.73	3.46	3.93	06/01/2011
Weaver Custom Benchmark	0.67	8.14	8.14	3.74	3.03	3.14	06/01/2011

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Weaver - Fixed Income - 150677							06/01/2011
Beginning Market Value	7,445	6,778	6,778	6,041	5,878	5,049	
Net Contributions	1	3	3	509	509	517	
Fees/Expenses	-4	-13	-13	-39	-64	-118	
Income	66	235	235	652	987	1,546	
Gain/Loss	-31	476	476	314	167	484	
Ending Market Value	7,478	7,478	7,478	7,478	7,478	7,478	



**Asset Allocation (\$000)**

December 31, 2019 : \$7,478

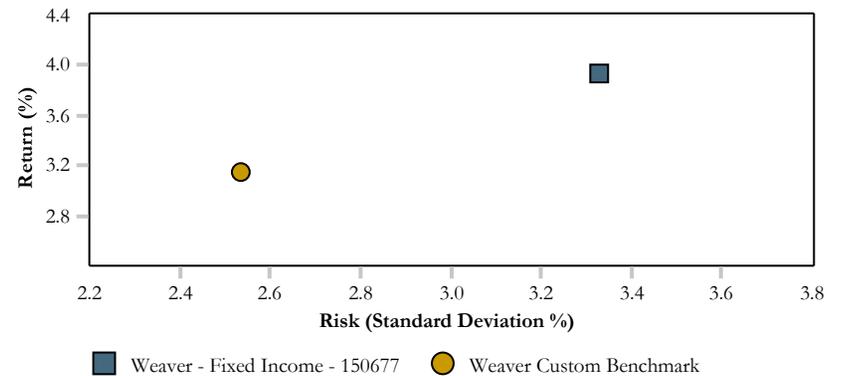


Segments	Market Value (\$000)	Allocation (%)
Domestic Fixed Income	7,434.72	99.42
Cash Equivalent	43.11	0.58

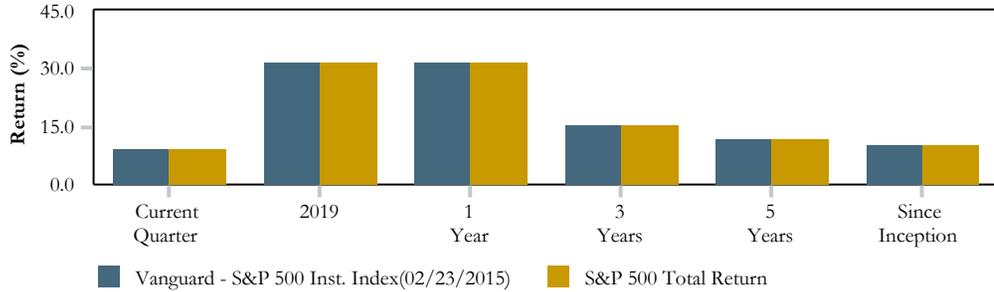
**Portfolio Characteristics vs. Weaver Custom Benchmark Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Weaver - Fixed Income - 150677	1.23	0.06	0.88	0.99	06/01/2011

**Risk/Return Analysis Since 06/11**

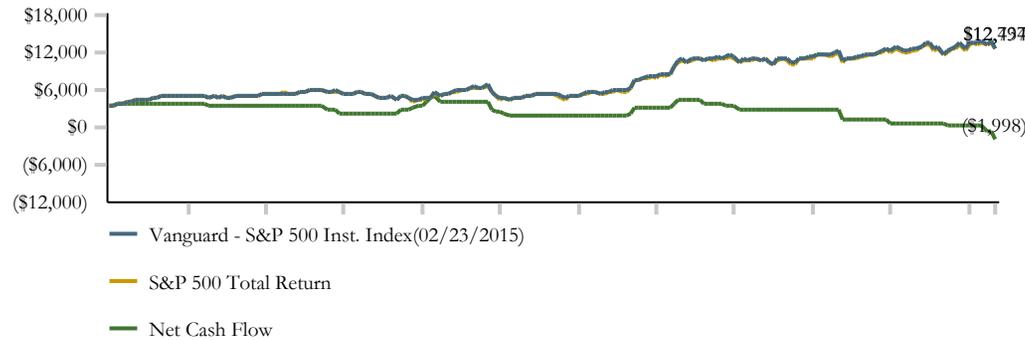


**Portfolio Performance (%)**



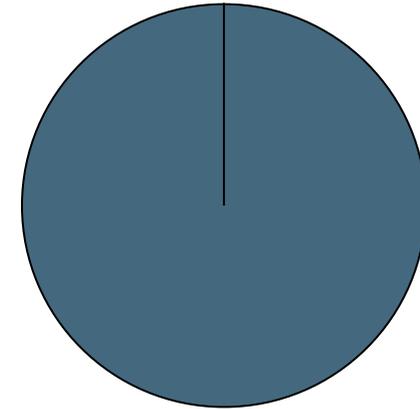
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Vanguard - S&P 500 Inst. Index(02/23/2015)	9.29	31.74	31.74	15.42	11.80	10.47	01/01/2003
S&P 500 Total Return	9.07	31.49	31.49	15.27	11.70	10.17	01/01/2003

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Vanguard - S&P 500 Inst. Index(02/23/2015)							01/01/2003
Beginning Market Value	13,739	11,727	11,727	12,198	11,318	3,438	
Net Contributions	-2,200	-2,550	-2,550	-4,820	-5,387	-5,436	
Fees/Expenses	-	-	-	-	-	-	
Income	153	392	392	866	1,351	2,680	
Gain/Loss	1,042	3,165	3,165	4,490	5,452	12,052	
Ending Market Value	12,734	12,734	12,734	12,734	12,734	12,734	



**Asset Allocation (\$000)**

December 31, 2019 : \$12,734

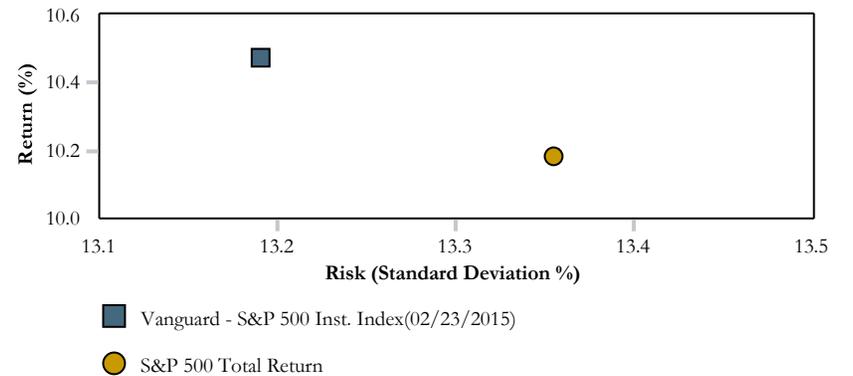


Segments	Market Value (\$000)	Allocation (%)
Domestic Equity	12,733.77	100.00

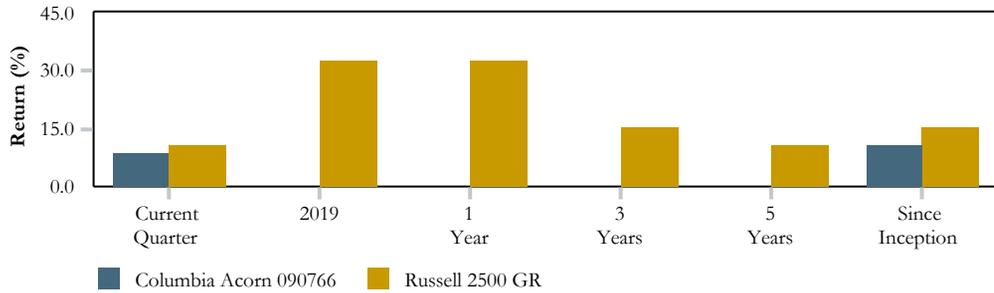
**Portfolio Characteristics vs. S&P 500 Total Return Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Vanguard - S&P 500 Inst. Index(02/23/2015)	0.99	0.39	1.00	0.72	01/01/2003

**Risk/Return Analysis Since 01/03**

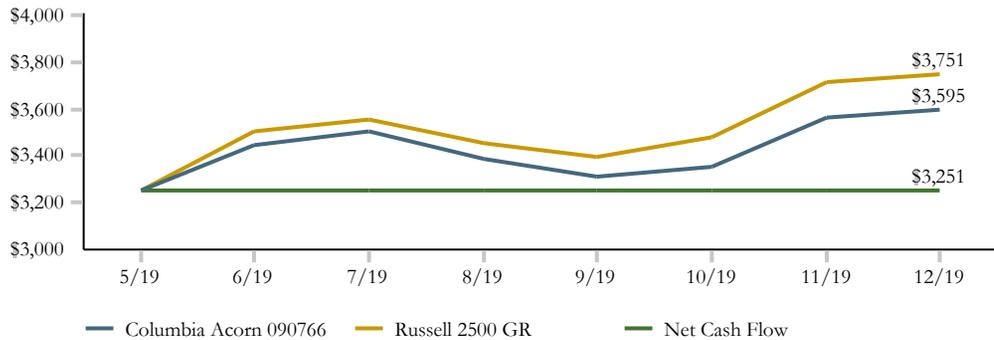


**Portfolio Performance (%)**



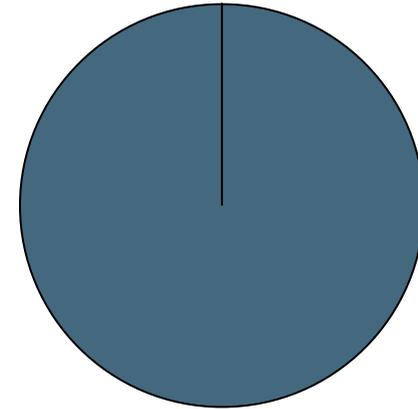
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Columbia Acorn 090766	8.50	N/A	N/A	N/A	N/A	10.58	06/01/2019
Russell 2500 GR	10.57	32.65	32.65	15.17	10.84	15.38	06/01/2019

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Columbia Acorn 090766							06/01/2019
Beginning Market Value	3,314	-	-	-	-	3,251	
Net Contributions	-	-	-	-	-	1	
Fees/Expenses	-1	-	-	-	-	-1	
Income	231	-	-	-	-	378	
Gain/Loss	50	-	-	-	-	-33	
Ending Market Value	3,595	-	-	-	-	3,595	



**Asset Allocation (\$000)**

December 31, 2019 : \$3,595

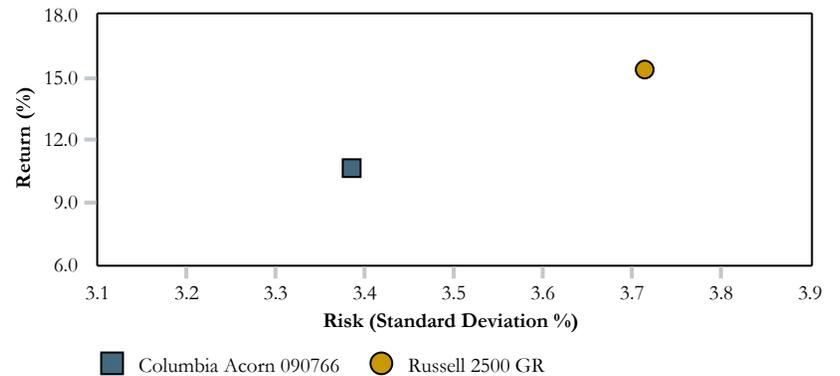


Segments	Market Value (\$000)	Allocation (%)
Domestic Equity	3,595.13	100.00

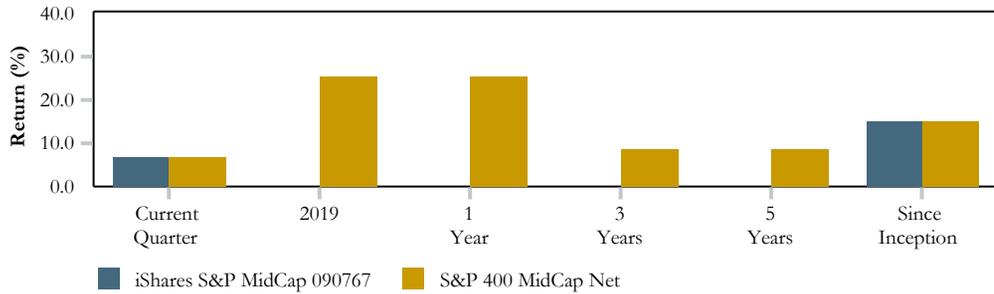
**Portfolio Characteristics vs. Russell 2500 GR Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Columbia Acorn 090766	0.90	-0.40	0.96	0.39	06/01/2019

**Risk/Return Analysis Since 06/19**

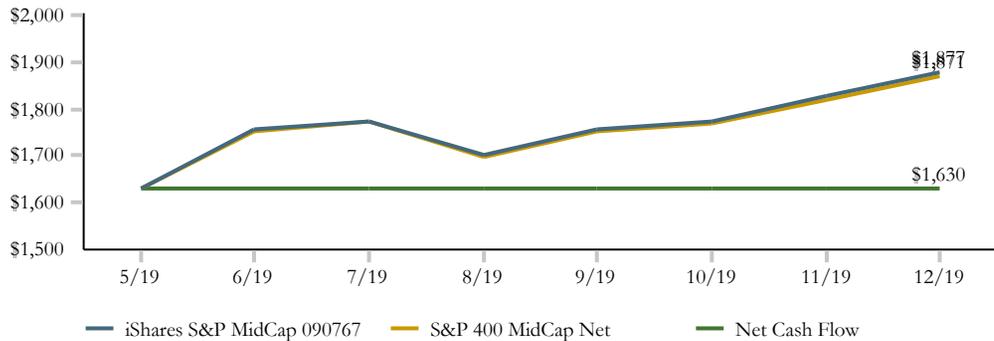


**Portfolio Performance (%)**



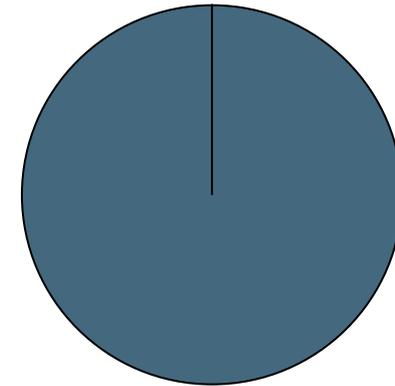
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
iShares S&P MidCap 090767	6.99	N/A	N/A	N/A	N/A	15.16	06/01/2019
S&P 400 MidCap Net	6.92	25.55	25.55	8.73	8.50	14.79	06/01/2019

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
iShares S&P MidCap 090767							06/01/2019
Beginning Market Value	1,755	-	-	-	-	1,630	
Net Contributions	-	-	-	-	-	-	
Fees/Expenses	-	-	-	-	-	-1	
Income	8	-	-	-	-	24	
Gain/Loss	114	-	-	-	-	223	
Ending Market Value	1,877	-	-	-	-	1,877	



**Asset Allocation (\$000)**

December 31, 2019 : \$1,877

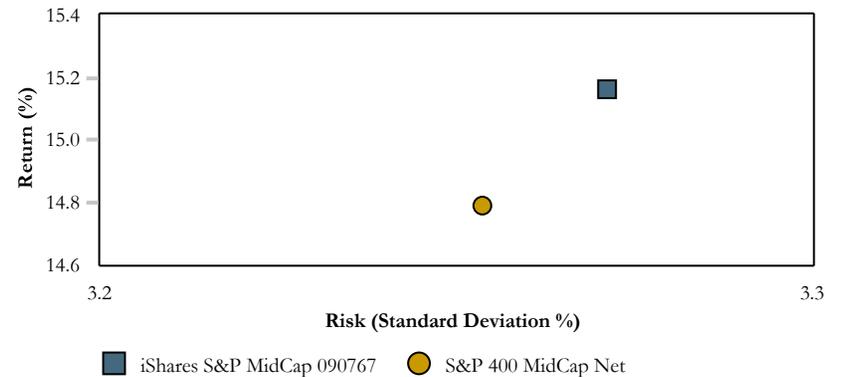


Segments	Market Value (\$000)	Allocation (%)
Domestic Equity	1,877.08	100.00
Cash Equivalent	0.09	0.00

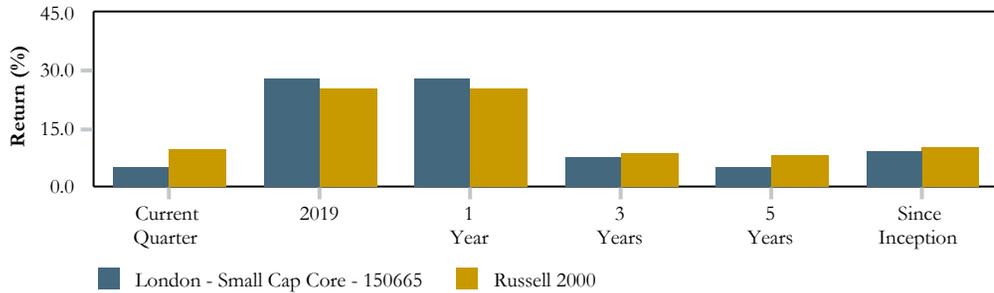
**Portfolio Characteristics vs. S&P 400 MidCap Net Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
iShares S&P MidCap 090767	1.01	0.04	1.00	0.59	06/01/2019

**Risk/Return Analysis Since 06/19**

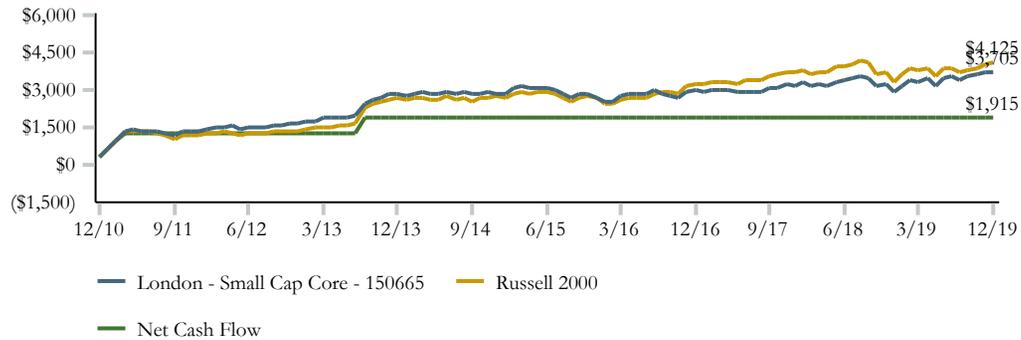


**Portfolio Performance (%)**



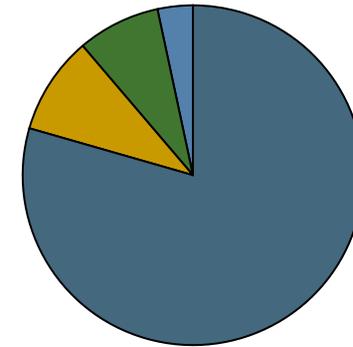
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
London - Small Cap Core - 150665	4.91	27.90	27.90	7.59	5.24	9.44	01/01/2011
Russell 2000	9.94	25.53	25.53	8.59	8.23	10.26	01/01/2011

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
London - Small Cap Core - 150665							01/01/2011
Beginning Market Value	3,532	2,897	2,897	2,975	2,871	314	
Net Contributions	4	25	25	70	97	1,728	
Fees/Expenses	-3	-25	-25	-70	-97	-128	
Income	11	46	46	180	285	406	
Gain/Loss	162	762	762	550	550	1,384	
Ending Market Value	3,705	3,705	3,705	3,705	3,705	3,705	



**Asset Allocation (\$000)**

December 31, 2019 : \$3,705

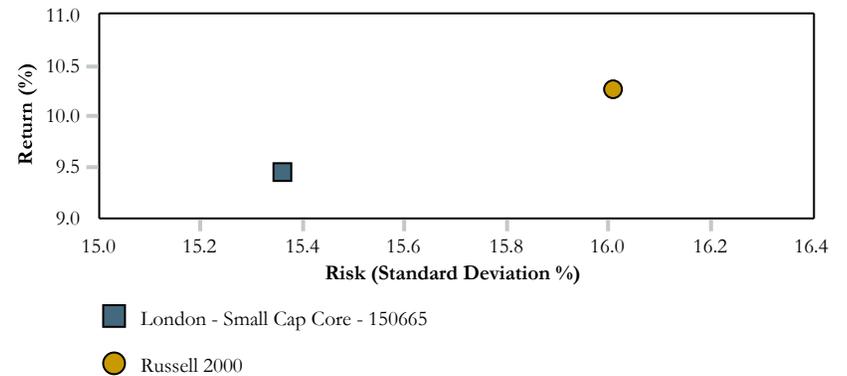


Segments	Market Value (\$000)	Allocation (%)
Domestic Equity	2,944.40	79.46
International Equity	345.33	9.32
Alternative Investment	291.61	7.87
Cash Equivalent	124.13	3.35

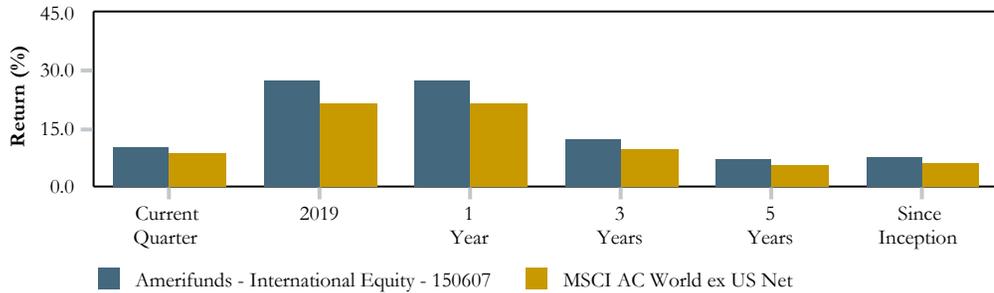
**Portfolio Characteristics vs. Russell 2000 Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
London - Small Cap Core - 150665	0.86	0.64	0.81	0.63	01/01/2011

**Risk/Return Analysis Since 01/11**

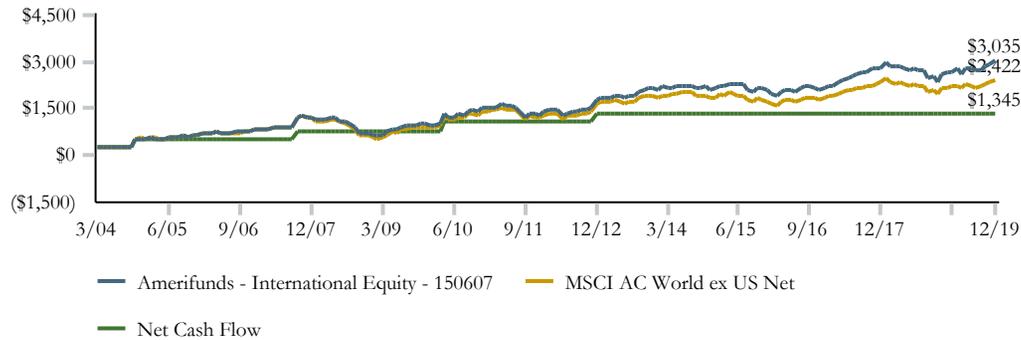


**Portfolio Performance (%)**



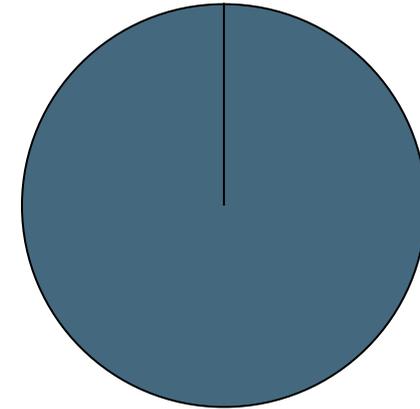
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Amerifunds - International Equity - 150607	10.09	27.40	27.40	12.41	7.37	7.59	04/01/2004
MSCI AC World ex US Net	8.92	21.51	21.51	9.87	5.51	5.95	04/01/2004

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Amerifunds - International Equity - 150607							04/01/2004
Beginning Market Value	2,757	2,382	2,382	2,136	2,127	255	
Net Contributions	-	1	1	4	4	1,094	
Fees/Expenses	-	-1	-1	-4	-4	-4	
Income	88	93	93	379	482	910	
Gain/Loss	190	560	560	519	426	780	
Ending Market Value	3,035	3,035	3,035	3,035	3,035	3,035	



**Asset Allocation (\$000)**

December 31, 2019 : \$3,035

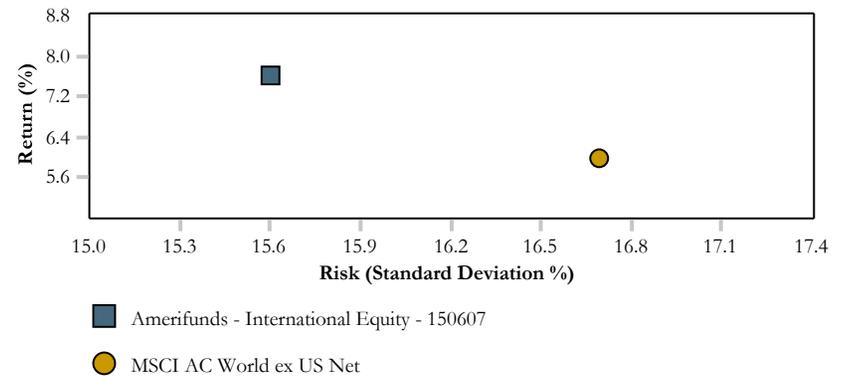


Segments	Market Value (\$000)	Allocation (%)
International Equity	3,034.83	100.00

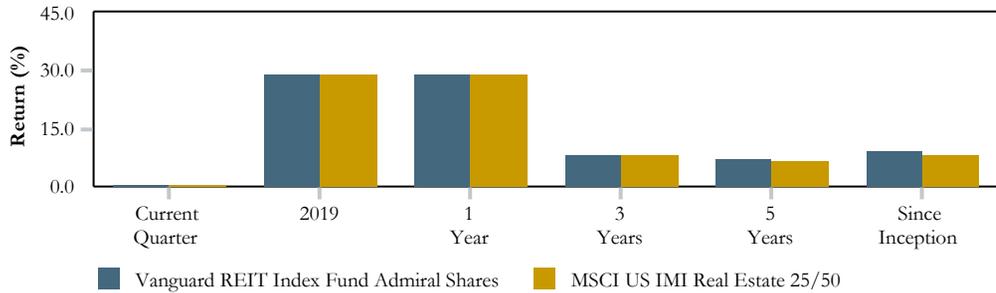
**Portfolio Characteristics vs. MSCI AC World ex US Net Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Amerifunds - International Equity - 150607	0.91	1.99	0.96	0.47	04/01/2004

**Risk/Return Analysis Since 04/04**

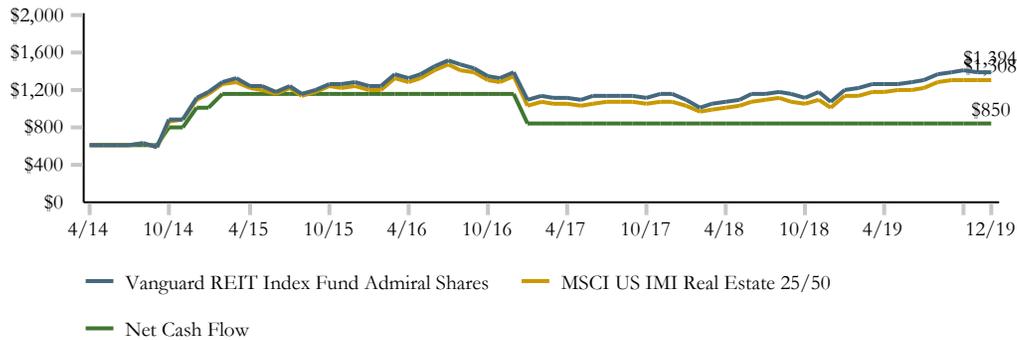


**Portfolio Performance (%)**



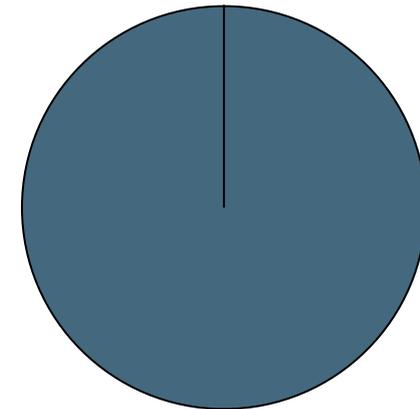
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Vanguard REIT Index Fund Admiral Shares	0.62	28.94	28.94	8.35	7.19	9.19	05/01/2014
MSCI US IMI Real Estate 25/50	0.65	29.02	29.02	7.93	6.41	8.06	05/01/2014

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Vanguard REIT Index Fund Admiral Shares							05/01/2014
Beginning Market Value	1,385	1,081	1,081	1,396	1,113	600	
Net Contributions	-	-	-	-300	-150	250	
Fees/Expenses	-	-	-	-	-	-	
Income	14	46	46	143	250	276	
Gain/Loss	-6	267	267	155	181	268	
Ending Market Value	1,394	1,394	1,394	1,394	1,394	1,394	



**Asset Allocation (\$000)**

December 31, 2019 : \$1,394

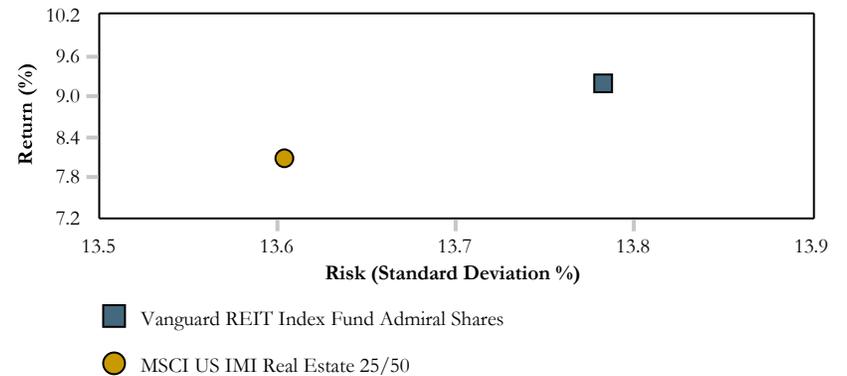


Segments	Market Value (\$000)	Allocation (%)
REITS	1,393.85	100.00

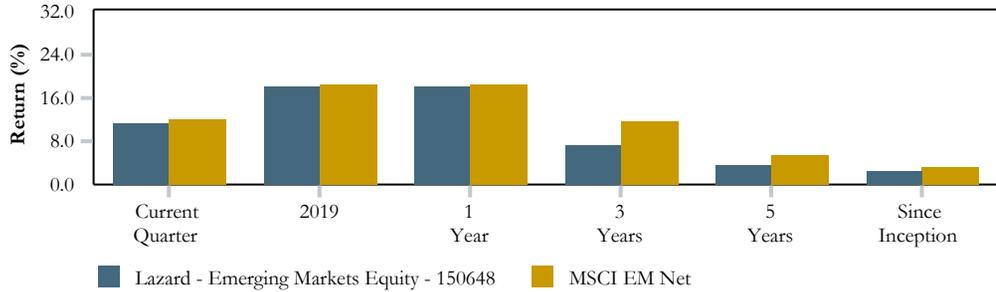
**Portfolio Characteristics vs. MSCI US IMI Real Estate 25/50 Since**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Vanguard REIT Index Fund Admiral Shares	1.01	0.99	0.99	0.64	05/01/2014

**Risk/Return Analysis Since 05/14**

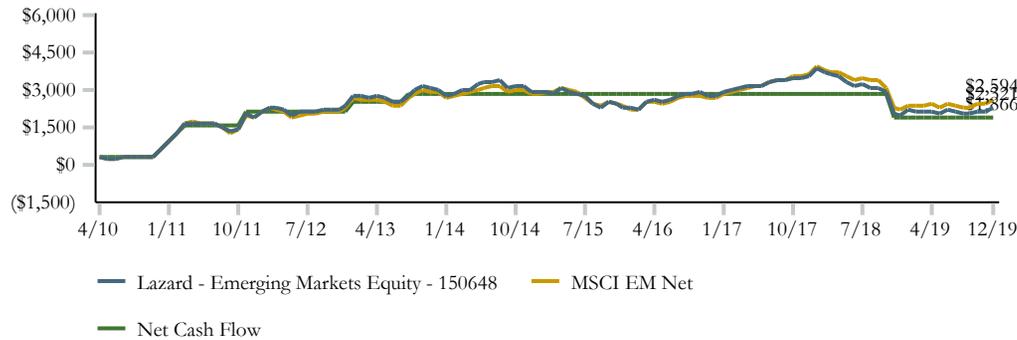


**Portfolio Performance (%)**



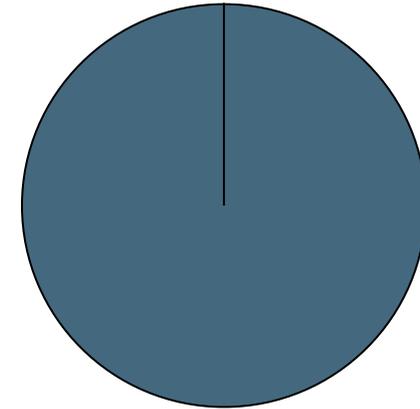
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Lazard - Emerging Markets Equity - 150648	11.15	18.04	18.04	7.33	3.53	2.56	05/01/2010
MSCI EM Net	11.84	18.42	18.42	11.57	5.61	3.42	05/01/2010

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Lazard - Emerging Markets Equity - 150648							05/01/2010
Beginning Market Value	2,089	1,967	1,967	2,797	2,907	296	
Net Contributions	-	1	1	-965	-965	1,574	
Fees/Expenses	-	-1	-1	-4	-4	-4	
Income	37	56	56	170	260	731	
Gain/Loss	196	299	299	323	124	-275	
Ending Market Value	2,321	2,321	2,321	2,321	2,321	2,321	



**Asset Allocation (\$000)**

December 31, 2019 : \$2,321

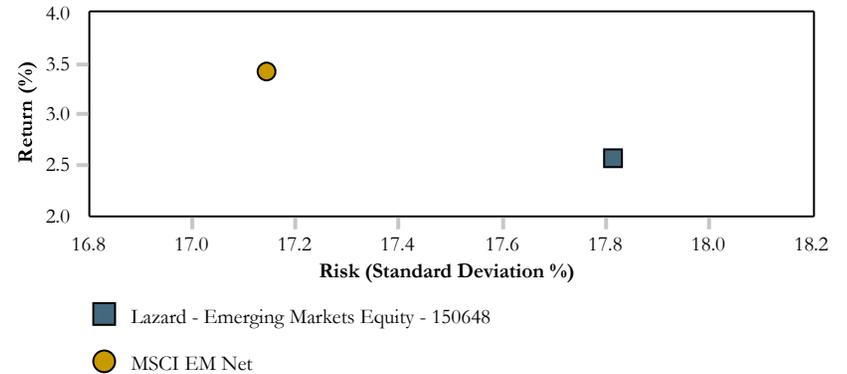


Segments	Market Value (\$000)	Allocation (%)
International Equity	2,321.39	100.00

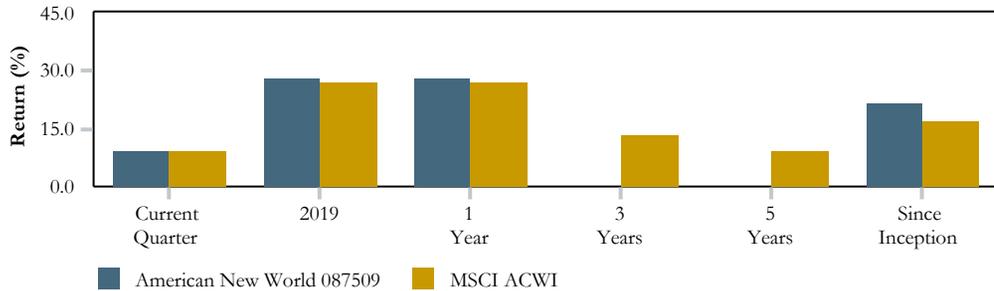
**Portfolio Characteristics vs. MSCI EM Net Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Lazard - Emerging Markets Equity - 150648	0.99	-0.70	0.92	0.20	05/01/2010

**Risk/Return Analysis Since 05/10**

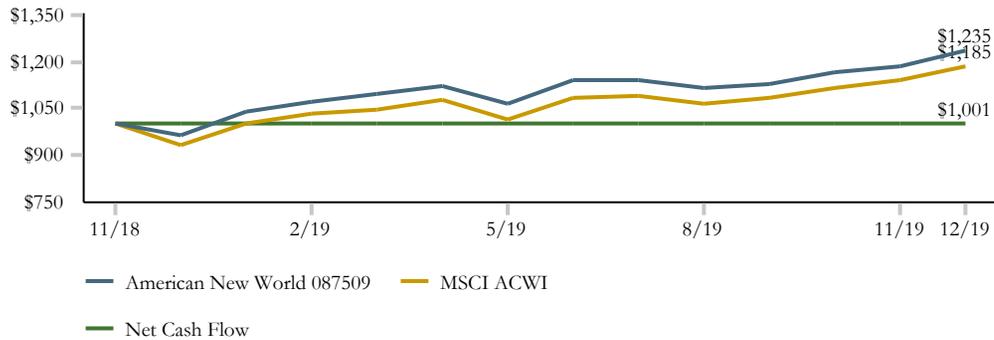


**Portfolio Performance (%)**



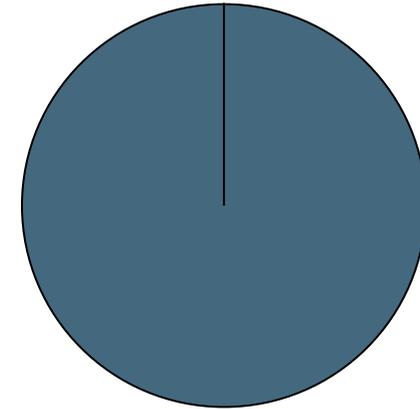
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
American New World 087509	9.08	28.03	28.03	N/A	N/A	21.40	12/01/2018
MSCI ACWI	9.07	27.30	27.30	13.05	9.00	16.85	12/01/2018

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
American New World 087509							12/01/2018
Beginning Market Value	1,132	964	964	-	-	1,001	
Net Contributions	-	-	-	-	-	-	
Fees/Expenses	-	-	-	-	-	-	
Income	48	48	48	-	-	73	
Gain/Loss	55	222	222	-	-	161	
Ending Market Value	1,235	1,235	1,235	-	-	1,235	



**Asset Allocation (\$000)**

December 31, 2019 : \$1,235

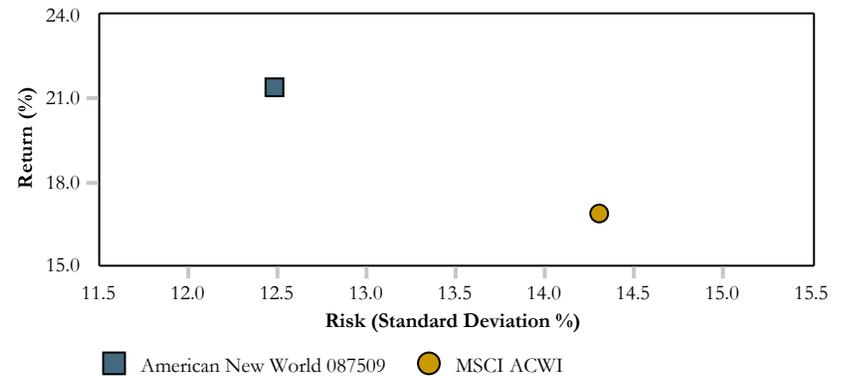


Segments	Market Value (\$000)	Allocation (%)
International Equity	1,234.66	100.00

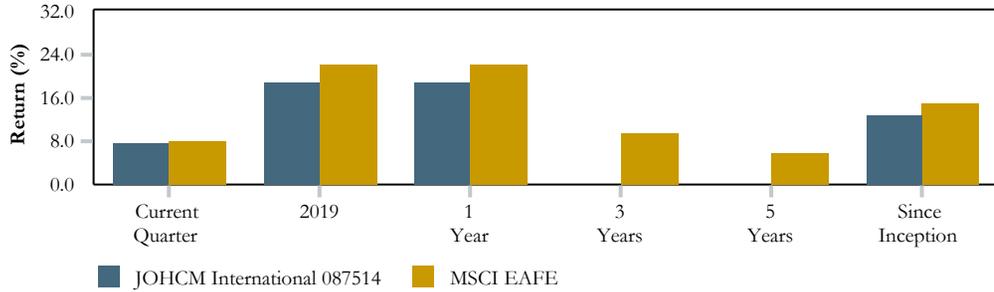
**Portfolio Characteristics vs. MSCI ACWI Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
American New World 087509	0.85	6.35	0.94	1.45	12/01/2018

**Risk/Return Analysis Since 12/18**

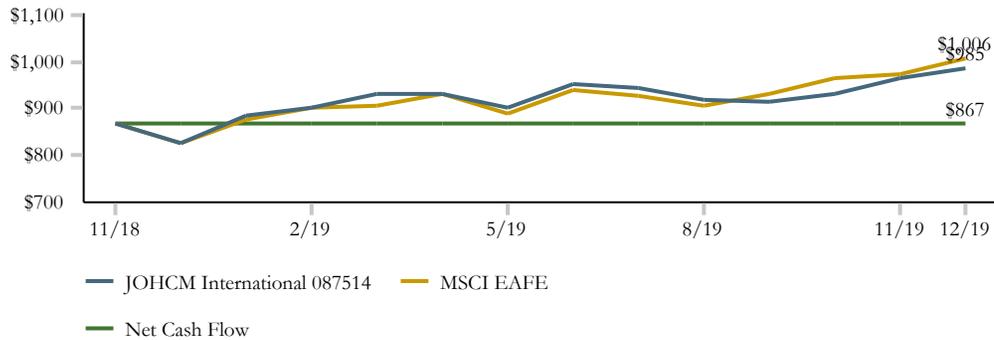


**Portfolio Performance (%)**



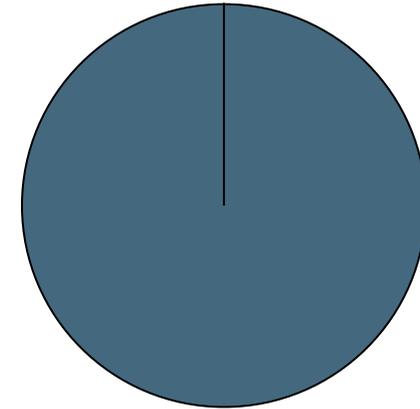
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
JOHCM International 087514	7.58	19.04	19.04	N/A	N/A	12.57	12/01/2018
MSCI EAFE	8.17	22.01	22.01	9.56	5.67	14.77	12/01/2018

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
JOHCM International 087514							12/01/2018
Beginning Market Value	916	828	828	-	-	867	
Net Contributions	-	-	-	-	-	-	
Fees/Expenses	-	-	-	-	-	-	
Income	9	9	9	-	-	22	
Gain/Loss	60	148	148	-	-	97	
Ending Market Value	985	985	985	-	-	985	



**Asset Allocation (\$000)**

December 31, 2019 : \$985

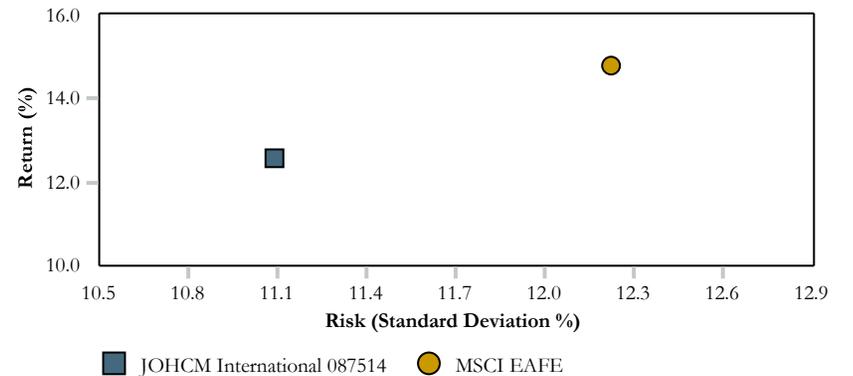


Segments	Market Value (\$000)	Allocation (%)
International Equity	985.27	100.00

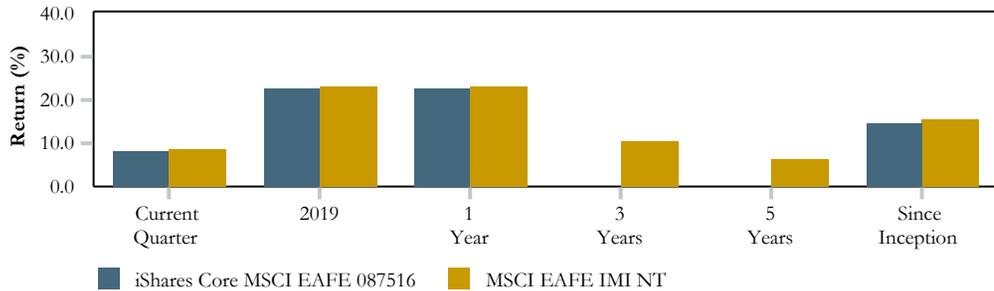
**Portfolio Characteristics vs. MSCI EAFE Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
JOHCM International 087514	0.80	0.77	0.79	0.92	12/01/2018

**Risk/Return Analysis Since 12/18**

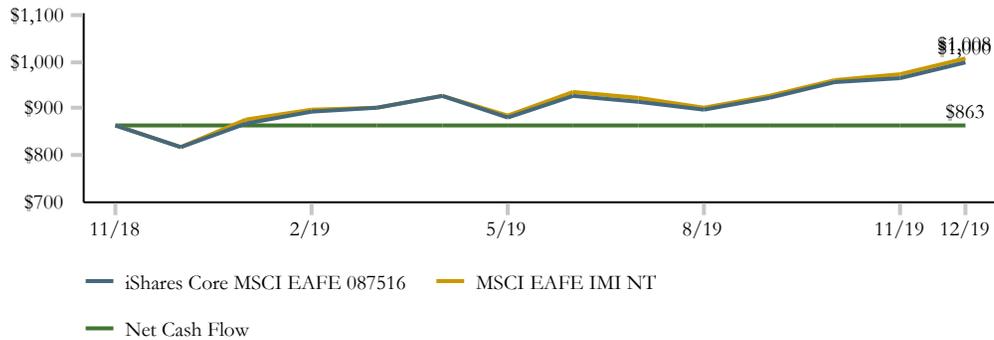


**Portfolio Performance (%)**



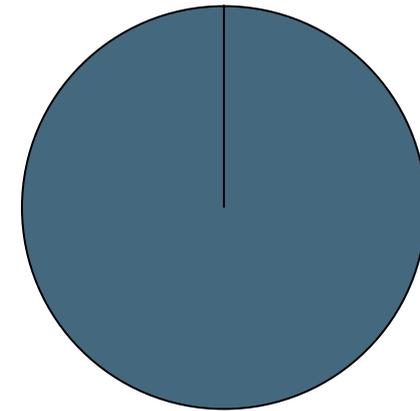
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
iShares Core MSCI EAFE 087516	8.28	22.58	22.58	N/A	N/A	14.58	12/01/2018
MSCI EAFE IMI NT	8.69	23.06	23.06	10.28	6.59	15.43	12/01/2018

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
iShares Core MSCI EAFE 087516							12/01/2018
Beginning Market Value	924	816	816	-	-	863	
Net Contributions	-	-	-	-	-	-	
Fees/Expenses	-	-	-	-	-	-	
Income	13	31	31	-	-	42	
Gain/Loss	63	153	153	-	-	95	
Ending Market Value	1,000	1,000	1,000	-	-	1,000	



**Asset Allocation (\$000)**

December 31, 2019 : \$1,000

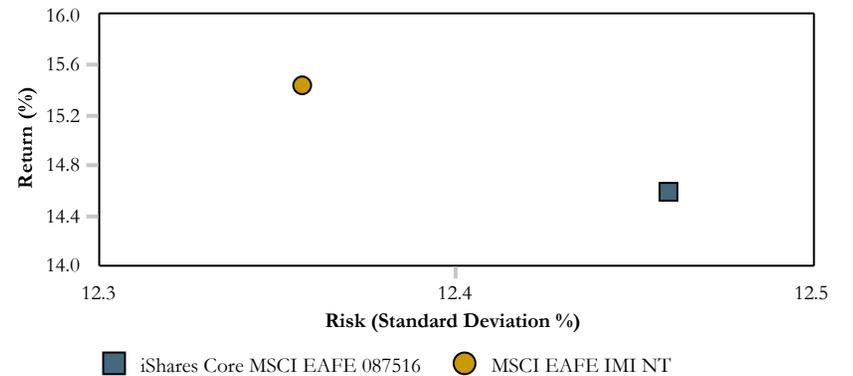


Segments	Market Value (\$000)	Allocation (%)
International Equity	1,000.00	100.00

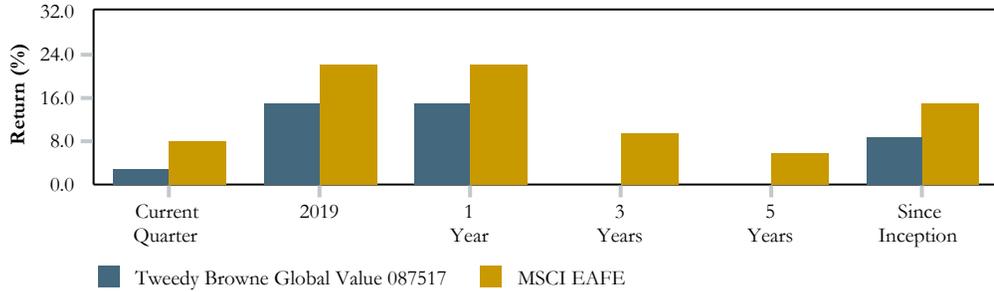
**Portfolio Characteristics vs. MSCI EAFE IMI NT Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
iShares Core MSCI EAFE 087516	1.00	-0.79	0.99	0.98	12/01/2018

**Risk/Return Analysis Since 12/18**

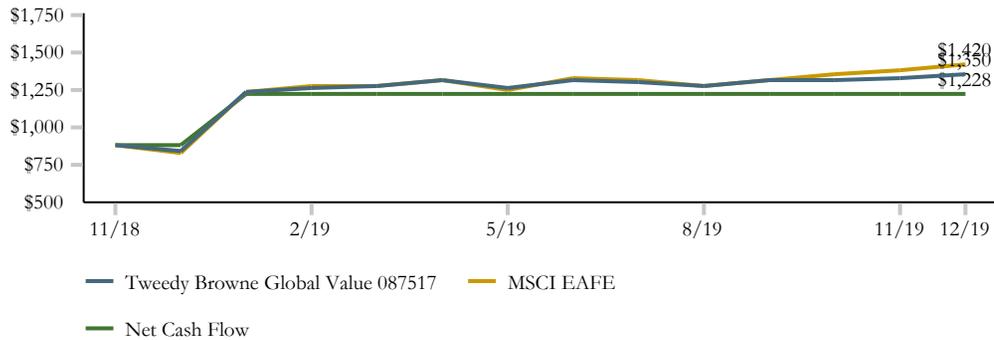


**Portfolio Performance (%)**



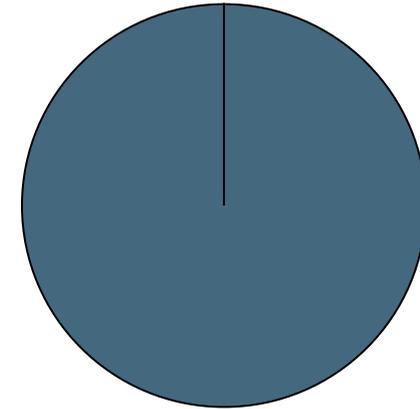
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Tweedy Browne Global Value 087517	3.07	14.80	14.80	N/A	N/A	8.90	12/01/2018
MSCI EAFE	8.17	22.01	22.01	9.56	5.67	14.77	12/01/2018

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Tweedy Browne Global Value 087517							12/01/2018
Beginning Market Value	1,309	839	839	-	-	878	
Net Contributions	-	351	351	-	-	351	
Fees/Expenses	-	-1	-1	-	-	-1	
Income	25	25	25	-	-	78	
Gain/Loss	15	136	136	-	-	44	
Ending Market Value	1,350	1,350	1,350	-	-	1,350	



**Asset Allocation (\$000)**

December 31, 2019 : \$1,350

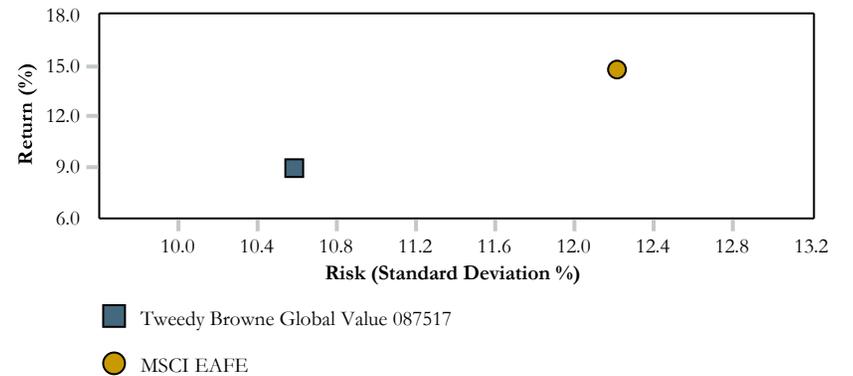


Segments	Market Value (\$000)	Allocation (%)
International Equity	1,349.56	100.00

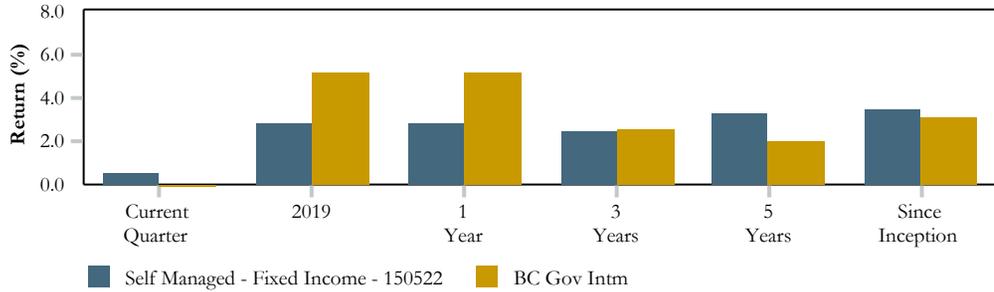
**Portfolio Characteristics vs. MSCI EAFE Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Tweedy Browne Global Value 087517	0.83	-2.91	0.91	0.65	12/01/2018

**Risk/Return Analysis Since 12/18**

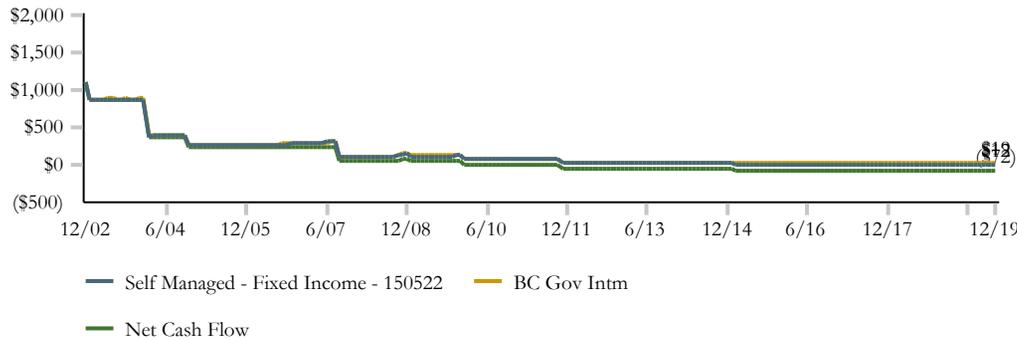


**Portfolio Performance (%)**



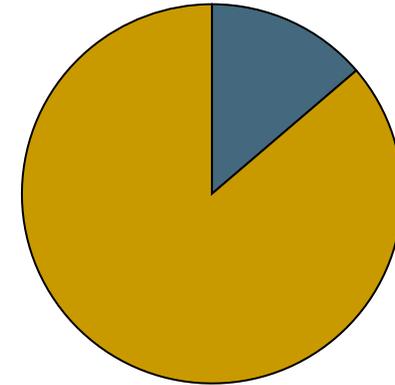
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Self Managed - Fixed Income - 150522	0.57	2.80	2.80	2.48	3.31	3.44	01/01/2003
BC Gov Intm	0.02	5.20	5.20	2.57	1.99	3.06	01/01/2003

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Self Managed - Fixed Income - 150522							01/01/2003
Beginning Market Value	11	11	11	10	30	1,113	
Net Contributions	1	1	1	1	-20	-1,185	
Fees/Expenses	-	-	-	-	-	-	
Income	-	-	-	1	2	157	
Gain/Loss	-	-	-	-	-1	-73	
Ending Market Value	12	12	12	12	12	12	



**Asset Allocation (\$000)**

December 31, 2019 : \$12

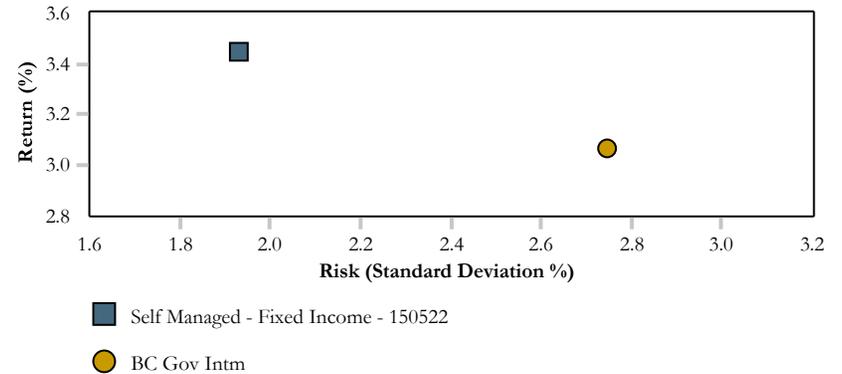


Segments	Market Value (\$000)	Allocation (%)
Domestic Fixed Income	1.61	13.72
Cash Equivalent	10.11	86.28

**Portfolio Characteristics vs. BC Gov Intm Since Inception**

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Self Managed - Fixed Income - 150522	0.05	3.29	0.01	1.09	01/01/2003

**Risk/Return Analysis Since 01/03**



**Wilmette Police Pension Fund**  
**Wilmette Police Pension Fund**  
**Since Inception Ending December 31, 2019**

	January	February	March	April	May	June	July	August	September	October	November	December	Year
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.00	N/A
2003	-1.00	0.48	0.20	3.49	3.76	0.30	-1.17	1.27	0.92	1.95	0.59	2.61	14.09
2004	1.35	1.29	-0.18	-2.34	0.54	1.13	-1.31	1.12	0.80	1.23	1.72	2.16	7.67
2005	-0.96	0.84	-1.08	-0.31	2.09	0.56	1.41	0.39	0.08	-1.26	2.14	0.67	4.60
2006	1.68	0.08	0.46	0.77	-1.99	0.16	0.75	1.89	1.53	1.95	1.64	0.38	9.65
2007	0.80	0.00	0.70	2.44	1.40	-0.60	-0.55	1.36	2.24	1.54	-0.44	-0.16	9.01
2008	-1.52	-0.48	0.09	1.23	0.05	-3.27	-0.14	0.82	-4.36	-8.49	0.03	3.11	-12.66
2009	-4.83	-4.63	5.28	3.44	2.84	-0.17	4.59	2.02	2.55	-0.83	3.80	-0.08	14.23
2010	-1.43	1.51	2.94	1.09	-3.91	-1.21	4.11	-1.24	4.47	2.03	-0.84	2.58	10.20
2011	0.83	1.61	0.56	2.42	-0.32	-0.82	-0.22	-2.18	-4.15	5.16	-0.37	0.35	2.61
2012	3.24	2.33	0.41	0.28	-3.55	2.19	1.36	0.82	1.54	-0.31	0.69	0.81	10.08
2013	2.14	0.62	1.43	1.47	-0.04	-2.02	2.94	-1.65	2.72	2.67	1.32	1.14	13.34
2014	-2.49	2.83	0.87	0.35	1.83	1.44	-1.26	2.39	-2.54	1.36	1.57	-1.14	5.12
2015	-0.47	3.33	-0.29	0.70	0.03	-1.53	0.31	-4.43	-2.03	4.80	-0.32	-1.84	-2.03
2016	-2.82	0.03	5.56	0.75	0.53	0.64	3.13	-0.12	0.01	-1.88	1.04	1.41	8.33
2017	1.69	2.15	0.52	0.83	0.57	0.86	1.36	0.15	1.29	0.85	1.62	1.09	13.77
2018	3.43	-3.45	-0.57	-0.42	0.81	-0.17	1.95	0.50	-0.47	-5.14	1.34	-5.15	-7.46
2019	6.23	1.90	1.11	2.35	-3.57	4.71	0.63	-0.81	1.00	1.53	1.91	1.88	20.21

As of December 31, 2019

Passive Portfolios	Weight (%)
<b>Dec-2001</b>	
BC Gov	50.00
90-Day T-Bills	5.00
Russell 3000	40.00
MSCI EAFE Net	5.00
<b>Apr-2004</b>	
BC Gov	50.00
90-Day T-Bills	5.00
Russell 3000	40.00
MSCI EAFE Net	5.00
<b>Jul-2011</b>	
Barclays Govt/Credit Bond	48.00
90-Day T-Bills	2.00
S&P 500 Total Return	17.00
S&P 400 Midcap TR	3.00
Russell 2000	3.00
FTSE NAREIT All Equity REITS	3.00
MSCI AC World ex US Net	16.00
MSCI EM Net	8.00
<b>Apr-2013</b>	
Barclays Govt/Credit Bond	35.00
S&P 500 Total Return	25.00
S&P 400 Midcap TR	10.00
Russell 2000	7.00
FTSE NAREIT All Equity REITS	3.00
MSCI AC World ex US Net	12.00
MSCI EM Net	8.00

## As of December 31, 2019

Passive Portfolios	Weight (%)
<b>Mar-2013</b>	
S&P 500 Total Return	56.00
S&P 400 Midcap TR	22.00
Russell 2000	15.00
FTSE NAREIT All Equity REITS	7.00

As of December 31, 2019

Passive Portfolios	Weight (%)
<b>Dec-2002</b>	
BC Gov	100.00
<b>Jul-2011</b>	
Barclays Govt/Credit Bond	100.00

As of December 31, 2019

Passive Portfolios	Weight (%)
<b>Jun-2011</b>	
60 BC CORP GOV 40 BC GOV	100.00
<b>Jul-2013</b>	
BC Corp Intm	60.00
BC Gov Intm	40.00

# Performance Appendix

Performance Data below is net of fees. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Account Name	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
American New World 087509	9.07	27.97	27.97	--	--	--	21.36	12/01/2018
Amerifunds - International Equity - 150607	10.08	27.34	27.34	12.37	7.34	6.62	7.58	04/01/2004
Columbia Acorn 090766	8.48	--	--	--	--	--	10.55	06/01/2019
JOHCM International 087514	7.57	18.99	18.99	--	--	--	12.52	12/01/2018
Lazard - Emerging Markets Equity - 150648	11.14	17.99	17.99	7.28	3.51	--	2.55	05/01/2010
London - Small Cap Core - 150665	4.81	26.97	26.97	6.82	4.59	--	8.89	01/01/2011
Self Managed - Fixed Income - 150522	0.62	2.98	2.98	2.58	3.37	2.62	3.46	01/01/2003
Spare - Flex Fixed Income - 150604	0.04	8.24	8.24	3.54	2.58	3.38	3.77	01/01/2003
Spare - Max Flex Fixed Income - 150601	0.34	4.03	4.03	2.05	1.29	1.79	1.88	08/01/2009
Tweedy Browne Global Value 087517	3.06	14.75	14.75	--	--	--	8.86	12/01/2018
Vanguard - S&P 500 Inst. Index(02/23/2015)	9.29	31.74	31.74	15.42	11.80	13.59	10.47	01/01/2003
Vanguard REIT Index Fund Admiral Shares	0.62	28.94	28.94	8.35	7.19	--	9.19	05/01/2014
Weaver - Fixed Income - 150677	0.43	10.28	10.28	4.53	3.26	--	3.69	06/01/2011
iShares Core MSCI EAFE 087516	8.27	22.52	22.52	--	--	--	14.53	12/01/2018
iShares S&P MidCap 090767	6.97	--	--	--	--	--	15.12	06/01/2019

All performance above are Time Weighted(TWR) performance

## Glossary of Terms

**Active Contribution Return:** The gain or loss percentage of an investment relative to the performance of the investment benchmark.

**Active Exposure:** The percentage difference in weight of the portfolio compared to its policy benchmark.

**Active Return:** Arithmetic difference between the manager's return and the benchmark's return over a specified time period.

**Actual Correlation:** A measure of the correlation (linear dependence) between two variables X and Y, with a value between +1 and -1 inclusive. This is also referred to as coefficient of correlation.

**Alpha:** A measure of a portfolio's time weighted return in excess of the market's return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market.

**Best Quarter:** The highest quarterly return for a certain time period.

**Beta:** A measure of the sensitivity of a portfolio's time weighted return (net of fees) against that of the

market. A beta greater than 1.00 indicates volatility greater than the market.

**Consistency:** The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. The higher the consistency figure, the more value a manager has contributed to the product's performance.

**Core:** Refers to an investment strategy mandate that is blend of growth and value styles without a pronounced tilt toward either style.

**Cumulative Selection Return (Cumulative Return):** Cumulative investment performance over a specified period of time.

**Distribution Rate:** The most recent distribution paid, annualized, and then divided by the current market price. Distribution rate may consist of investment income, short-term capital gains, long-term capital gains, and/or return of capital.

**Down Market Capture:** The ratio of average portfolio returns over the benchmark during periods of negative benchmark return. Lower values indicate better product performance.

**Downside Risk:** A measure similar to standard deviation, but focuses only on the negative movements of

the return series. It is calculated by taking the standard deviation of the negative quarterly set of returns. The higher the value, the more risk the product has.

**Downside Semi Deviation:** A statistical calculation that measures the volatility of returns below a minimum acceptable return. This return measure isolates the negative portion of volatility: the larger the number, the greater the volatility.

**Drawdown:** A drawdown is the peak-to-trough decline during a specific period of an investment, fund or commodity.

**Excess over Benchmark:** The percentage gain or loss of an investment relative to the investment's benchmark.

**Excess Return:** Arithmetic difference between the manager's return and the risk-free return over a specified time period.

**Growth:** A diversified investment strategy which includes investment selections that have capital appreciation as the primary goal, with little or no dividend payouts. These strategies can include reinvestment in expansion, acquisitions, and/or research and development opportunities.

**Growth of Dollar:** The aggregate amount an investment has gained or lost over a certain time period, also referred to as Cumulative Return, stated in terms of the amount to which an initial dollar investment would have grown over the given time period.

**Investment Decision Process (IDP):** A model for structuring the investment process and implementing the correct attribution methodologies. The IDP includes every decision made concerning the division of the assets under management over the various asset categories. To analyze each decision's contribution to the total return, a modeling approach must measure the marginal value of every individual decision. In this respect, the hierarchy of the decisions becomes very important. We therefore use the IDP model, which serves as a proper foundation for registering the decisions and relating them to each other.

**Information Ratio:** Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.

**Jensen's Alpha:** The Jensen's alpha measure is a risk-adjusted performance measure that represents the average return on a portfolio or investment above or below that predicted by the capital asset pricing model (CAPM) given the portfolio's or investment's beta and the average market return. This metric is also commonly referred to as alpha.

**Kurtosis:** A statistical measure that is used to describe the distribution, or skewness, of observed data around the mean, sometimes referred to as the volatility of volatility.

**Maximum Drawdown:** The drawdown is defined as the percent retrenchment from a fund's peak to the fund's trough value. It is in effect from the time the fund's retrenchment begins until a new fund high is reached. The maximum drawdown encompasses both the period from the fund's peak to the fund's valley (length), and the time from the fund's valley to a new fund high (recovery). It measures the largest percentage drawdown that has occurred in any fund's data record.

**Modern Portfolio Theory (MPT):** An investment analysis theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward.

**Mutual Fund (MF):** An investment program funded by shareholders that trade in diversified holdings and is professionally managed.

**Peer Group:** A combination of funds that share the same investment style combined as a group for comparison purposes.

**Peer/ Plan Sponsor Universe:** A combination of asset pools of total plan investments by specific sponsor and plan types for comparison purposes.

**Performance Ineligible Assets:** Performance returns are not calculated for certain assets because accurate valuations and transaction data for these assets are not processed or maintained by us. Common examples of these include life insurance, some annuities and some assets held externally.

**Performance Statistics:** A generic term for various measures of investment performance measurement terms.

**Portfolio Characteristics:** A generic term for various measures of investment portfolio characteristics.

**Preferred Return:** A term used in the private equity (PE) world, and also referred to as a "Hurdle Rate." It refers to the threshold return that the limited partners of a private equity fund must receive, prior to the PE firm receiving its carried interest or "carry."

**Ratio of Cumulative Wealth:** A defined ratio of the Cumulative Return of the portfolio divided by the Cumulative Return of the benchmark for a certain time period.

**Regression Based Analysis:** A statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables

**Residual Correlation:** Within returns-based style analysis, residual correlation refers to the portion of a strategy's return pattern that cannot be explained by its correlation to the asset-class benchmarks to which it is being compared.

**Return:** A rate of investment performance for the specified period.

**Rolling Percentile Ranking:** A measure of an investment portfolio's ranking versus a peer group for a specific rolling time period (i.e. Last 3 Years, Last 5 years, etc.).

**R-Squared:** The percentage of a portfolio's performance explained by the behavior of the appropriate benchmark. High R-Squared means a higher correlation of the portfolio's performance to the appropriate benchmark.

**SA/CF (Separate Account/Comingled Fund):** Represents an acronym for Separate Account and Comingled Fund investment vehicles.

**Sector Benchmark:** A market index that serves as a proxy for a sector within an asset class.

**Sharpe Ratio:** Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is the absolute rate of return per unit of risk. The higher the value, the better the product's historical risk-adjusted performance results in.

**Standard Deviation:** A statistical measure of the range of a portfolio's performance; the variability of a return around its average return over a specified time period.

**Total Fund Benchmark:** The policy benchmark for a complete asset pool that could consist of multiple investment mandates.

**Total Fund Composite:** The aggregate of multiple portfolios within an asset pool or household.

**Tracking Error:** A measure of standard deviation for a portfolio's investment performance, relative to the performance of an appropriate market benchmark.

**Treynor Ratio:** A ratio that divides the excess return (above the risk free rate) by the portfolio's beta to arrive at a unified measure of risk adjusted return. It is generally used to rank portfolios, funds and benchmarks. A higher ratio is indicative of higher returns per unit of market risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing market risk.

**Up Market Capture:** The ratio of average portfolio returns over the benchmark during periods of positive benchmark return. Higher values indicate better product performance.

**Upside Semi Deviation:** A statistical calculation that measures the volatility of returns above an acceptable return. This return measure isolates the positive portion of volatility: the larger the number, the greater the volatility.

**Value:** A diversified investment strategy that includes investment selections which tend to trade at a lower price relative to its dividends, earnings, and sales. Common attributes are stocks that include high dividend, low price-to-book ratio, and/or low price-to-earnings ratio.

**Worst Quarter:** The lowest rolling quarterly return for a certain time period.

#### Information Disclosures

*Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, and dividends, interest and income. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Past performance is not a guarantee of future results.*

*Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.*

*Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance.*

*The performance data shown reflects past performance, which does not guarantee future results. Investment return and principal will fluctuate so that an investor's shares when redeemed may be worth more or less than original cost. Please note, current performance may be higher or lower than the performance data shown. For up to date month-end performance information, please contact your Financial Advisor or visit the funds' company website.*

*Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. The prospectus and, if available the summary prospectus, contains this and other information that should be read carefully before investing. Investors should review the information in the prospectus carefully. To obtain a prospectus, please contact your Financial Advisor or visit the funds' company*

*website.*

Past performance is no guarantee of future results.

Investing involves market risk, including possible loss of principal. **Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. **Small and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than those of larger, more established companies. **Bond funds** and bond holdings have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the funds. The return of principal in bond funds, and in funds with significant bond holdings, is not guaranteed. **International securities'** prices may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in emerging markets. **Alternative investments**, including private equity funds, real estate funds, hedge funds, managed futures funds, and funds of hedge funds, private equity, and managed futures funds, are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds and risks associated with the operations, personnel and processes of the advisor. **Master Limited Partnerships** (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk; and MLP interests in the real estate sector are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general and economic conditions. Because of their narrow focus, MLPs maintain exposure to price volatility of commodities and/or underlying assets and tend to be more volatile than investments that diversify across many sectors and companies. MLPs are also subject to additional risks including: investors having limited control and rights to vote on matters affecting the MLP, limited access to capital, cash flow risk, lack of liquidity, dilution risk, conflict of interests, and limited call rights related to acquisitions.

**Mortgage backed securities** also involve prepayment risk, in that faster or slower prepayments than expected on underlying mortgage loans can dramatically alter the yield-to-maturity of a mortgage-backed security and prepayment risk includes the possibility that a fund may invest the proceeds at generally lower interest rates.

**Tax managed funds** may not meet their objective of being tax-efficient.

**Real estate** investments are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general and economic conditions. **High yield** fixed income securities, also known as "junk bonds", are considered speculative, involve greater risk of default and tend to be more volatile than investment grade fixed income securities.

Credit quality is a measure of a bond issuer's creditworthiness, or ability to repay interest and principal to bondholders in a timely manner. The credit ratings shown are based on security rating as provided by

Standard & Poor's, Moody's and/or Fitch, as applicable. Credit ratings are issued by the rating agencies for the underlying securities in the fund and not the fund itself, and the credit quality of the securities in the fund does not represent the stability or safety of the fund. Credit ratings shown range from AAA, being the highest, to D, being the lowest based on S&P and Fitch's classification (the equivalent of Aaa and C, respectively, by Moody's). Ratings of BBB or higher by S&P and Fitch (Baa or higher by Moody's) are considered to be investment grade-quality securities. If two or more of the agencies have assigned different ratings to a security, the highest rating is applied. Securities that are not rated by all three agencies are listed as "NR".

"Alpha tilt strategies comprise a core holding of stocks that mimic a benchmark type index such as the S&P 500 to which additional securities are added to help tilt the fund toward potentially outperforming the market in an effort to enhance overall investment returns. Tilt strategies are subject to significant timing risk and could potentially expose investors to extended periods of underperformance."

**Custom Account Index:** The Custom Account Index is an investment benchmark based on your historical target allocations and/or manager selection that you may use to evaluate the performance of your account. The Custom Account index does take into consideration certain changes that may have occurred in your portfolio since the inception of your account, i.e., asset class and/or manager changes. However, in some circumstances, it may not be an appropriate benchmark for use with your specific account composition. For detailed report of the historical composition of this blend please contact your Financial Advisor.

### Peer Groups

Peer Groups are a collection of similar investment strategies that essentially group investment products that share the same investment approach. Peer Groups are used for comparison purposes to compare and illustrate a client's investment portfolio versus its peer across various quantitative metrics like performance and risk. Peer Group comparison is conceptually another form of benchmark comparison whereby the actual investment can be ranked versus its peer across various quantitative metrics.

All Peer Group data are provided by Investment Metrics, LLC.

The URL below provides all the definitions and methodology about the various Peer Groups

<https://www.invmetrics.com/style-peer-groups>

### Peer Group Ranking Methodology

A percentile rank denotes the value of a product in which a certain percent of observations fall within a peer group. The range of percentile rankings is between 1 and 100, where 1 represents a high statistical value and 100 represents a low statistical value.

The 30th percentile, for example, is the value in which 30% of the highest observations may be found, the 65th percentile is the value in which 65% of the highest observations may be found, and so on.

Percentile rankings are calculated based on a normalized distribution ranging from 1 to 100 for all products in each peer group, where a ranking of 1 denotes a high statistical value and a ranking of 100 denotes a low statistical value. It is important to note that the same ranking methodology applies to all statistics, implying that a ranking of 1 will always mean highest value across all statistics.

For example, consider a risk/return assessment using standard deviation as a measure of risk. A percentile ranking equal to 1 for return denotes highest return, whereas a percentile ranking of 1 for standard deviation

denotes highest risk among peers.

In addition, values may be used to demonstrate quartile rankings. For example, the third quartile is also known as the 75th percentile, and the median is the 50th percentile.

### Alternatives

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Traditional alternative investment vehicles are illiquid and usually are not valued daily. The estimated valuation provided will be as of the most recent date available and will be included in summaries of your assets. Such valuation may not be the most recent provided by the fund in which you are invested. No representation is made that the valuation is a market value or that the interest could be liquidated at this value. We are not required to take any action with respect to your investment unless valid instructions are received from you in a timely manner. Some positions reflected herein may not represent interests in the

fund, but rather redemption proceeds withheld by the issuer pending final valuations which are not subject to the investment performance of the fund and may or may not accrue interest for the length of the withholding. Morgan Stanley does not engage in an independent valuation of your alternative investment assets. Morgan Stanley provides periodic information to you including the market value of an alternative investment vehicle based on information received from the management entity of the alternative investment vehicle or another service provider.

Traditional alternative investment vehicles often are speculative and include a high degree of risk. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: • Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; • Lack of liquidity in that there may be no secondary market for a fund; • Volatility of returns; • Restrictions on transferring interests in a fund; • Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; • Absence of information regarding valuations and pricing; • Complex tax structures and delays in tax reporting; • Less regulation and higher fees than mutual funds; and • Risks associated with the operations, personnel, and processes of the manager. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund.

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For most investment advisory clients, the program account will be charged an asset-based wrap fee every quarter ("the Fee"). In general, the Fee covers investment advisory services and reporting. In addition to the Fee, clients will pay the fees and expenses of any funds in which their account is invested. Fund fees and expenses are charged directly to the pool of assets the fund invests in and impact the valuations. Clients must understand that these fees and expenses are an additional cost and will not be included in the Fee amount in the account statements.

As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, for an account with an initial value of \$100,000 and a 2.5% annual fee, if the gross performance is 5% per year over a three year period, the compounding effect of the fees will result in a net annual compound rate of return of approximately 2.40% per year over a three year period, and the total value of the client's portfolio at the end of the three year period would be approximately \$115,762.50 without the fees and \$107,372.63 with the fees. Please see the applicable Morgan Stanley Smith Barney LLC Form ADV Part 2A for more information including a description of the fee schedule. It is available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) <<http://www.morganstanley.com/ADV>> or from your Financial Advisor/Private Wealth Advisor.

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### Money Market Funds

You could lose money in Money Market Funds. Although MMFs classified as government funds (i.e., MMFs that invest 99.5% of total assets in cash and/or securities backed by the U.S government) and retail funds (i.e., MMFs open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee they will do so. The price of other MMFs will fluctuate and when you sell shares they may be worth more or less than originally paid. MMFs may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. A MMF investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency.

**ETF INDEX ANALYSIS**

9/30/2019

MID CAP EQUITY						
		APPROX	EXPENSE	TOTAL		
	SYMBOL	# OF SECURITIES	RATIO %	ASSETS	3 YEAR	5 YEAR
		IN THE FUND	%	MILLIONS	RETURN	RETURN
I-SHARES CORE S&P MID-CAP ETF	IJH	401	0.07	\$ 47,713	9.32%	8.82%
Vanguard MidCap (MF) Admiral	VIMAX	365	0.05	\$ 105,600	10.67%	9.20%
S&P MIDCAP 400 INDEX		400	-		9.38%	8.88%
SMALL CAP EQUITY						
ISHARES CORE S&P SMALL CAP ETF	IJR	602	0.07	\$ 43,980	9.32%	9.87%
Vanguard Small Cap (MF) Admiral	VSMAX	1382	0.05	\$ 90,200	9.62%	8.62%
S&P SMALL CAP 600 INDEX		600	-		9.33%	9.89%
International Equity MKT						
ISHARES CORE MSCI EAFE ETF	IEFA	2,457	0.07%	\$ 66,595	6.63%	3.82%
Vanguard Total International A (MF)	VTIAX	7,495	0.11%	\$ 384,500	6.06%	3.16%
AMERICAN FUNDS EUROPACIFIC R6	RERGX	290	0.49%	\$ 171,449	7.38%	5.02%
MSCI EAFE Index		923			6.48%	3.27%



# ETFs vs. Mutual Funds: The Same, But (Very) Different

ETFs and mutual funds can accurately be characterized as “sister” investment products because of their many similarities:

- Both are basically baskets of investments and offer a diverse range of investment types and strategies;
- Because a single fund can hold hundreds of individual stocks, bonds or other types of investment instruments, both ETFs and mutual funds can help mitigate investment risk; and
- Both are professionally designed and managed, ensuring investors of a certain level of trustworthiness and credibility.

But the similarities stop there. ETFs and mutual funds sometimes have significant differences in everything from fees and expenses, accessibility and minimum investments, to tax efficiency and trading costs.

Both ETFs and mutual funds can be a viable part of an investor’s strategy. Which is the better choice depends in large part on an investor’s overall goals and approach to investing. To make informed decisions about which product can best meet their needs, investors should understand the key differences between ETFs and mutual funds. We’ve outlined some of the key differences in Exhibit 1, on page 2.

## EXHIBIT 1: KEY DIFFERENCES BETWEEN ETFs AND MUTUAL FUNDS

	ETFs	MUTUAL FUNDS
<b>Trading</b>	Intraday (daily and continuous) pricing; ETFs are traded on the major stock exchanges so share price fluctuates the same as any stock; limit orders can be used to control/execute trades; put and call option trades are available	Forward pricing: Net asset value (NAV) or share price is calculated once each day after market close; limit orders not available; option trades not available
<b>Disclosure</b>	Daily disclosure of portfolio holdings for actively managed ETFs; daily disclosure of a representative sampling of securities that mirror the index being tracked for passive funds; full disclosure of fluctuating NAV during trading hours and number of days traded at premium or discount during previous year	Monthly or quarterly disclosure of portfolio holdings; daily disclosure of NAV
<b>Accessibility</b>	Can be purchased in any brokerage account	Availability depends on distribution agreements with brokers/dealers; in some cases, funds may be purchased directly from fund sponsors
<b>Transaction Costs</b>	Bid-ask spreads affect pricing on each buy/sell order throughout trading day; brokerage commissions may apply	No-load funds purchased directly have no transaction costs; other funds carry front-end or back-end loads (fund commissions), and sometimes broker commissions
<b>Expense Ratios</b>	Generally lower expenses because client services are handled by broker	Generally higher expenses incurred directly by fund sponsor; may include 12b-1 (marketing or distribution) fees
<b>Tax Efficiency</b>	In-kind redemption feature can reduce capital gains tax liability for shareholders	Ability to manage tax liability largely limited due to cash requirements for share creation/redemption; in certain cases, however, in-kind transfers are possible
<b>Trading on Margin</b>	May be bought and sold on margin	Not allowed; however, after an on-shore fund has been held fully paid for 30 days, the shares held have loan value that can extend margin credit for subsequent stock purchases
<b>Automatic Investing</b>	Not available – ETFs trade as if they are single stocks	Generally available; when handled through broker/dealer, transactions MAY carry trade commissions
<b>Minimum Investment</b>	Single shares in an ETF can be bought; price will fluctuate throughout the trading day based on market demand	Minimums vary, usually \$1,000 to \$2,500 but sometimes higher; mutual fund purchases for IRA accounts usually have lower minimums

## INVESTOR DEMAND

At nearly \$16 trillion, assets in U.S. mutual funds dwarf those in ETFs, which were estimated at just under \$2 trillion at the end of 2014. But investments in ETFs are growing at an accelerated pace while mutual funds are just recovering from major outflows during the peak years of the recent financial crisis.

Increased awareness among retail investors and their advisers has played a definite role in ETF growth. In turn, ETF sponsors are beginning to offer more varied funds, including ETFs that invest in particular market sectors, industries or

commodities, as well as actively managed ETFs. Simultaneously, the mutual fund industry is seeing growth in the popularity of index mutual funds, particularly those indexed to the S&P 500 or other traditional domestic and international stock indexes.

What do ETF and mutual fund investors look like demographically? As the table below shows, households that own ETFs have considerably higher income and financial assets than those that own mutual funds. They are also more highly educated with 64% having a four-year college degree or higher.

## EXHIBIT 2: CHARACTERISTICS OF HOUSEHOLDS OWNING ETFs VS. THOSE OWNING MUTUAL FUNDS

	All U.S. households	Households owning ETFs	Households owning mutual funds
<b>MEDIAN</b>			
Age of head of household <sup>1</sup>	51	51	51
Household income <sup>2</sup>	\$50,000	\$110,000	\$85,000
Household financial assets <sup>3</sup>	\$75,500	\$500,000	\$200,000
<b>PERCENTAGE OF HOUSEHOLDS</b>			
<i>Household primary or co-decisionmaker for saving and investing</i>			
Married or living with a partner	58	73	73
Widowed	9	4	5
Four-year college degree or more	32	64	49
Employed (full- or part-time)	60	72	77
Retired from lifetime occupation	28	28	23
<i>Household owns</i>			
Retired from lifetime occupation	34	75	62
Defined contribution retirement plan account(s)	46	74	85

<sup>1</sup> Age is based on the sole or co-decision maker for household saving and investing.

<sup>2</sup> Total reported is household income before taxes in 2013.

<sup>3</sup> Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.

Source: Investment Company Institute, 2015 Investment Company Fact Book

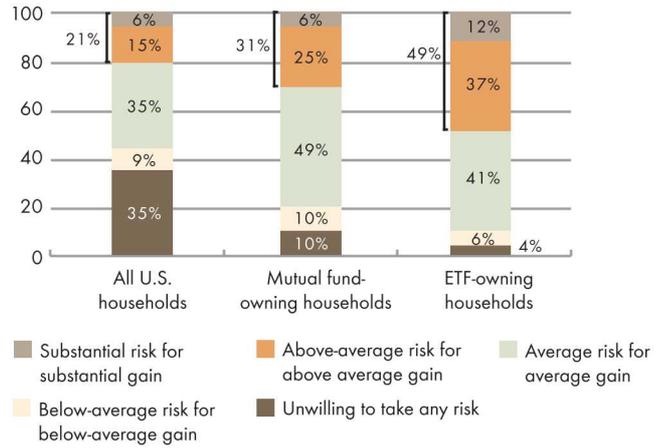
It is interesting to note that ETF-owning households say they are more willing to accept greater investment risk for the possibility of higher return. Nearly half say they would take “substantial” or “above-average” risk for commensurate gains, as opposed to 31% of mutual funds owners and only 21% of all U.S. households.

**WHICH PRODUCT IS RIGHT FOR YOU?**

Selecting an investment depends on your unique goals, investment horizon and personal preference. A financial advisor can help you weigh the pros and cons of each option for your particular situation. Remember that both ETFs and mutual funds can help meet most investment objectives. Consider adding both to any portfolio to maximize exposure to different asset classes and investing strategies.

**ETF-OWNING HOUSEHOLDS ARE WILLING TO TAKE MORE INVESTMENT RISK**

Percentage of all U.S. households, mutual fund-owning households, and ETF-consuming households, mid-2014



Source: Investment Company Institute, 2015 Investment Company Fact Book

**IMPORTANT RISK DISCLOSURE**

An investment in FlexShares is subject to investment risk, including the possible loss of principal amount invested. Funds’ returns may not match the returns of their respective Indexes. The Funds may invest in emerging and foreign markets, derivatives and concentrated sectors. In addition, the Funds may be subject to asset class risk, small cap stock risk, value investing risk, non-diversification risk, fluctuation of yield, income risk, interest rate/maturity risk, currency risk, passive investment risk, inflation protected security risk, market risk and manager risk. For a complete description of risks associated with each Fund, please refer to the prospectus.

*Before investing carefully consider the FlexShares investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by visiting [www.flexshares.com](http://www.flexshares.com). Read the prospectus carefully before you invest. FlexShares ETFs are distributed by Foreside Fund Services, LLC, not affiliated with Northern Trust.*





# WILMETTE POLICE DEPARTMENT *TRAINING BULLETIN*



NUMBER 20-01

JANUARY 2020

## *Police Officer Pension Reform*

Public Act 101-0610, effective January 1, 2020, consolidates 649 downstate and suburban police and firefighter pension funds into two separate statewide funds and makes other amendments to public pension plans under the Illinois Pension Code. This training bulletin summarizes the changes affecting police officer pensions. It is intended to provide timely general information and is not a substitute for legal advice.

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## ***Article 3 Pensions (Municipalities 500,000 and Under)***

### **Definitions.**

*Consolidated fund* means (i) for pension funds established under Article 3 of this Code, the Police Officers' Pension Investment Fund established under Article 22B of this Code; and (ii) for pension funds established under Article 4 of this Code, the Firefighters' Pension Investment Fund established under Article 22C of this Code. 40 ILCS 5/1A-102.

*Department* means the Department of Insurance of the State of Illinois. 40 ILCS 5/1A-102.

*Division* means the Public Pension Division of the Department of Insurance. 40 ILCS 5/1A-102.

*Fund* means the Police Officers' Pension Investment Fund. 40 ILCS 5/22B-103 new.

*Participating pension fund* means any pension fund established pursuant to Article 3 of this Code that has transferred securities, funds, assets, and moneys, and responsibility for custody and control of those securities, funds, assets, and moneys, to the Fund pursuant to 40 ILCS 5/3-132.1. 40 ILCS 5/22B-105 new.

*Transferor pension fund* means any pension fund established pursuant to Article 3 of this Code. 40 ILCS 5/22B-104 new.

*Transition period* means the period immediately following the effective date of this Act during which pension fund assets, and responsibility for custody and control of those assets, will be transferred from the transferor pension funds to the board of trustees, as described in 40 ILCS 5/22B-120. 40 ILCS 5/22B-112 new.

### **Police Officers' Pension Investment Fund established.**

Establishes the Police Officers' Pension Investment Fund to manage the reserves, funds, assets, securities, properties, and moneys of the police pension funds created pursuant to Article 3 of this Code. **40 ILCS 5/22B-101 new**

### **Purpose and governance of the Fund.**

The Fund is established to consolidate the transferor pension funds to streamline investments and eliminate unnecessary and redundant administrative costs, thereby ensuring more money is available to fund pension benefits for the beneficiaries of the transferor pension funds. The transition board trustees and permanent board trustees **40 ILCS 5/22B-114 new**

funds. The transition board trustees and permanent board trustees of the Fund shall be fiduciaries for the participants and beneficiaries **40 ILCS 5/22B-116 new**

**40 ILCS 5/22B-117**

of the participating pension funds and shall discharge their duties with respect to the retirement system or pension fund solely in the interest of the participants and beneficiaries. Further, the transition board trustees and permanent board trustees, acting prudently and as fiduciaries, shall take all reasonable steps to ensure that all of the transferor pension funds are treated equitably and that the financial condition of one participating pension fund, including, but not limited to, pension benefit funding levels and ratios, will have no effect on the financial condition of any other transferor pension fund. Contains provisions for the conduct and administration of elections, terms of office, vacancies of trustees, meetings of the board, operation and administration of the Fund, and adoption of rules to implement and properly administer this Article.

**new**

**40 ILCS 5/22B-118**

**new**

**40 ILCS 5/22B-119**

**new**

### **Board of Trustees of the Fund.**

Transition board of trustees. No later than one month after the effective date of this Act or as soon thereafter as may be practicable, the Governor shall appoint, by and with the advice and consent of the Senate, a transition board of trustees consisting of nine members as follows:

**40 ILCS 5/22B-115**

**new**

1. Three members representing municipalities who are mayors, presidents, chief executive officers, chief financial officers, or other officers, executives, or department heads of municipalities and appointed from among candidates recommended by the Illinois Municipal League;
2. Three members representing participants and who are participants, 2 of whom shall be appointed from among candidates recommended by a statewide fraternal organization representing more than 20,000 active and retired police officers in the State of Illinois, and one of whom shall be appointed from among candidates recommended by a benevolent association representing sworn police officers in the State of Illinois;
3. Two members representing beneficiaries and who are beneficiaries, one of whom shall be appointed from among candidates recommended by a statewide fraternal organization representing more than 20,000 active and retired police officers in the State of Illinois, and one of whom shall be appointed from among candidates recommended by a benevolent association representing sworn police officers in the State of Illinois; and
4. One member who is a representative of the Illinois Municipal League.

The transition board members shall serve until the initial permanent board members are elected and qualified. The transition board of trustees shall select the chairperson of the transition board of trustees from among the trustees for the duration of the transition board's tenure.

Permanent board of trustees. The permanent board of trustees shall consist of nine members as follows:

1. Three members who are mayors, presidents, chief executive officers, chief financial officers, or other officers, executives, or department heads of municipalities that have participating pension funds and are elected by the mayors and presidents of municipalities that have participating pension funds.
2. Three members who are participants of participating pension funds and are elected by the participants of participating pension funds.
3. Two members who are beneficiaries of participating pension funds and are elected by the beneficiaries of participating pension funds.
4. One member recommended by the Illinois Municipal League who shall be appointed by the Governor with the advice and consent of the Senate.

The permanent board of trustees shall select the chairperson of the permanent board of trustees from among the trustees for a term of two years. The holder of the office of chairperson shall alternate between a person elected or appointed under item 1 or 4 above and a person elected under item 2 or 3 above.

Oath of office. Each trustee shall qualify by taking an oath of office before the Secretary of State stating that he or she will diligently and honestly administer the affairs of the board and will not violate or knowingly permit the violation of any provision of this Article.

Salary; reimbursement. Trustees shall receive no salary for service on the board but shall be reimbursed for travel expenses incurred while on business for the board according to the standards in effect for members of the Commission on Government Forecasting and Accountability.

Police officer compensation for service as trustee. A municipality employing a police officer who is an elected or appointed trustee of the board must allow reasonable time off with compensation for the

police officer to conduct official business related to his or her position on the board, including time for travel. The board shall notify the municipality in advance of the dates, times, and locations of this official business. The Fund shall timely reimburse the municipality for the reasonable costs incurred that are due to the police officer's absence.

Interests in investments. No trustee shall have any interest in any brokerage fee, commission, or other profit or gain arising out of any investment directed by the board. This provision does not preclude ownership by any member of any minority interest in any common stock or any corporate obligation in which an investment is directed by the board.

Service on other pension boards. Notwithstanding any provision or interpretation of law to the contrary, (1) any member of the transition board may also be elected or appointed as a member of the permanent board; and (2) any trustee of a fund established under Article 3 of this Code may also be appointed as a member of the transition board or elected or appointed as a member of the permanent board.

**Transition period; transfer of assets to the Fund.**

The transition period shall commence on the effective date of this Act and shall end as determined by the board of trustees, consistent with and in the application of its fiduciary responsibilities, but in no event later than 30 months thereafter. As soon as practicable after the effective date of this Act, the board, in cooperation with the Department, shall audit the investment assets of each transferor pension fund to determine a certified investment asset list for each transferor pension fund. The audit shall be performed by a certified public accountant engaged by the board, and the board shall be responsible for payment of the costs and expenses associated with the audit. Upon completion of the audit for any transferor pension fund, the board and the Department shall provide the certified investment asset list to that transferor pension fund. Upon determination of the certified investment asset list for any transferor pension fund, 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. Further and to maintain accuracy of the certified investment asset list, upon determination of the certified investment asset list for a transferor pension fund, that fund shall not purchase or sell any of its pension fund assets.

**40 ILCS 5/22B-120  
new**

When the Fund is prepared to receive pension fund assets from any transferor pension fund, the executive director shall notify in writing the board of trustees of that transferor pension fund of the Fund's

intent to assume fiduciary control of those pension fund assets, and the date at which it will assume such control and that the transferor pension fund will cease to exercise fiduciary responsibility. This letter shall be transmitted no less than 30 days prior to the transfer date. A copy of the letter shall be transmitted to the Department. Upon receipt of the letter, the transferor pension fund shall promptly notify its custodian, as well as any and all entities with fiduciary control of any portion of the pension assets. Each transferor pension fund shall have sole fiduciary and statutory responsibility for the management of its pension assets until the start of business on the transfer date. At the start of business on the transfer date, statutory and fiduciary responsibility for the investment of pension fund assets shall shift exclusively to the Fund and the Fund shall promptly and prudently transfer all such pension fund assets to the board and terminate the relationship with the local custodian of that transferor pension fund. The Fund shall provide a receipt for the transfer to the transferor pension fund within 30 days of the transfer date.

Contains additional provisions concerning the transition period and transfer of securities, assets, and investment functions.

**Transfer of investment authority to the Fund.**

As soon as practicable after the effective date of this Act, but no later than 30 months after the effective date, each transferor pension fund shall transfer to the Police Officers' Pension Investment Fund for management and investment all of their securities or for which commitments have been made, and all funds, assets, or moneys representing permanent or temporary investments, or cash reserves maintained for the purpose of obtaining income thereon. Upon the transfer of such securities, funds, assets, and moneys, the transferor pension fund shall not manage or control the same and shall no longer exercise any investment authority. Nothing in this section prohibits a fund from maintaining an account, including an interest earning account, for the purposes of benefit payments and other reasonable expenses after the end of the transition period, and funds under this Article are encouraged to consider a local bank or financial institution to provide such accounts and related financial services.

**40 ILCS 5/3-132**

**40 ILCS 5/3-132.1  
new**

**Management and direction of investments by the Fund; custodian; accounting.**

The board of trustees shall have the authority to manage the pension fund assets of the transferor pension funds for the purpose of obtaining a total return on investments for the long term. Contains additional provisions concerning management and direction of investments and the Fund's investment authority. Pension fund assets acquired by the Fund shall be placed in the custody of a custodian who shall provide adequate safe deposit facilities for those assets and hold all such securities, funds, and other assets subject to the order

**40 ILCS 5/22B-121  
new**

**40 ILCS 5/22B-122  
new**

**40 ILCS 5/22B-123  
new**

**40 ILCS 5/22B-124  
new**

**40 ILCS 5/22B-125**

of the Fund. Contains provisions concerning accounting for pension fund assets, audits, and reports. **new**

**Effect of pension fund transfer.**

Upon the transfer of the securities, funds, assets, and moneys of a transferor pension fund to a fund created under Article 22B or 22C, that pension fund shall no longer exercise any investment authority with respect to those securities, funds, assets, and moneys and 40 ILCS 5/1-113.1 through 113.10 shall not apply to those securities, funds, assets, and moneys. **40 ILCS 5/1-113.12(b)**

**Municipal police pension fund authority.**

Subject to 40 ILCS 5/3-141.1 (award of benefits), a municipal police pension fund shall retain the exclusive authority to adjudicate and award disability benefits pursuant to 40 ILCS 5/3-114.1, 3-114.2, and 3-114.3, retirement benefits pursuant to 40 ILCS 5/3-111, survivor benefits under 40 ILCS 5/3-112 and 3-113.1, and to issue refunds pursuant to 40 ILCS 5/3-124. The exclusive method of judicial review of any final administrative decision of the fund shall be made in accordance with 40 ILCS 5/3-148. The Police Officers' Pension Investment Fund shall not have the authority to control, alter, or modify, or the ability to review or intervene in, the proceedings or decisions of a municipal police pension fund. **40 ILCS 5/3-124.3 new**

**Municipal police pension fund financing.**

The municipal police pension fund shall consist of all moneys received from the Police Officers' Pension Investment Fund (in addition to other specified moneys), which shall be set apart by the treasurer of the municipality. **40 ILCS 5/3-125**

**Municipal pension trustee training changes.**

All elected and appointed trustees under Article 3 and 4 of this Code shall participate in a mandatory trustee certification training seminar that consists of at least 16 (previously, 32) hours of initial trustee certification at a training facility accredited and affiliated with a State of Illinois certified college or university. This training must include duties and liabilities of a fiduciary with respect to the administration and payment of pension benefits. Deletes basic accounting and actuarial training from training requirements. Provides that any trustee who has completed the training required under Section 1.05 of the Open Meetings Act (5 ILCS 120/1.05) is not required to participate in the Open Meetings Act training specified in 40 ILCS 5/1-109.3(a). **40 ILCS 5/1-109.3**

In addition to the initial trustee certification training required under 40 ILCS 5/1-109.3(a), all elected and appointed trustees who were elected or appointed on or before the effective date of this Act shall also participate in four hours of training on the changes made by this

Act. For trustees of funds under Article 3, this training shall be conducted at a training facility that is accredited and affiliated with a State of Illinois certified college or university. For trustees of funds under Article 4, this training may be conducted by a fund, the Department, or both a fund and the Department. This training is only required to be completed once by each trustee required to participate.

In addition to the initial trustee certification training required under 40 ILCS 5/1-109.3(a), all elected and appointed trustees under Article 3 and 4 of this Code, including trustees serving on the effective date of this Act shall also participate in a minimum of 8 (previously, 16) hours of continuing trustee education each year after the first year that the trustee is elected or appointed.

**Examinations and investigations of pension funds.**

The Division or the Consolidated Fund, as appropriate, shall examine or investigate each pension fund established under Article 3 or 4 of this Code once every three years. After conclusion of the transition period for pension funds established under Article 3 or 4, the Division may accept and rely upon a report of audit or examination of such pension funds made by an independent certified public accountant retained by the Consolidated Fund. The acceptance of the report of audit or examination does not bar the Division from making a further audit, examination, and investigation if deemed necessary by the Division.

**40 ILCS 5/1A-104**

**Annual statements by pension funds; actuarial statements.**

For pension funds under Article 3 or 4 of this Code, after the conclusion of the transition period, the Consolidated Fund shall furnish directly to the Division specified information for the annual statement by pension funds and shall otherwise cooperate with the pension fund in the preparation of the annual statement. A complete actuarial statement applicable to its plan year shall be included as part of its annual statement.

**40 ILCS 5/1A-109**

**40 ILCS 5/1A-111**

Prior to the conclusion of the transition period, if the actuarial statement is prepared by a person other than the Department, it shall be filed with the Division within nine months after the close of the fiscal year of the pension fund. Any pension fund that fails to file within that time shall be subject to the penalty provisions of 40 ILCS 5/1A-113. The statement shall be prepared by or under the supervision of a qualified actuary, signed by the qualified actuary, and contain such information as the Division may by rule require.

After the conclusion of the transition period, each actuarial statement shall be prepared by or under the supervision of a qualified ac-

tuary retained by the Consolidated Fund and signed by the qualified actuary and shall contain such information as the Division may by rule require. The actuarial statement shall be filed with the Division within nine months after the close of the fiscal year of the pension fund.

Prior to the conclusion of the transition period, the actuarial statements may be prepared utilizing the method for calculating the actuarially required contribution for the pension fund that was in effect prior to the effective date of this Act. After the conclusion of the transition period, the actuarial statements shall be prepared by or under the supervision of a qualified actuary retained by the Consolidated Fund, and if a change occurs in an actuarial or investment assumption that increases or decreases the actuarially required contribution for the pension fund, that change shall be implemented in equal annual amounts over the 3-year period beginning in the fiscal year of the pension fund in which such change first occurs. The actuarially required contribution as described in this provision shall determine the annual required employer contribution.

**Annual compliance fee.**

After the conclusion of the transition period, the annual compliance fee (previously paid to the Department by every pension fund that is required to file an annual statement) shall be \$8,000 and shall be paid by the Consolidated Fund.

**40 ILCS 5/1A-112**

**Police officer pension changes.**

Amends pension provisions for a person who is not a participant in the self-managed plan under 40 ILCS 5/3-109.3 and who first becomes a police officer on or after January 1, 2011. Redefines “final average salary” to mean the greater of: (i) the average monthly salary obtained by dividing the total salary of the police officer during the 48 (previously, 96) consecutive months of service within the last 60 (previously, 120) months of service in which the total salary was the highest by the number of months of service in that period; or (ii) the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period.

**40 ILCS 5/3-111**

Beginning on January 1, 2011, for all purposes under this Code (including without limitation the calculation of benefits and employee contributions), the annual salary based on the plan year of a member or participant to whom this section applies shall not exceed \$106,800; however, that amount shall annually thereafter be increased by the lesser of (i) 3% of that amount, including all previous adjustments, or (ii) the annual unadjusted percentage increase (pre-

viously, one-half the annual unadjusted percentage increase) (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, including all previous adjustments. Nothing in this Act shall cause or otherwise result in any retroactive adjustment of any employee contributions.

**Pension to police officer survivors.**

For a person who first becomes a police officer on or after January 1, 2011, the pension to which the surviving spouse, children, or parents are entitled (a) shall be in an amount equal to the greater of (i) 54% of the police officer's monthly salary at the date of death, or (ii) 66 2/3% of the police officer's earned pension at the date of death, and, if there is a surviving spouse, 12% of such monthly salary shall be granted to the guardian of any minor child or children, including a child. Upon the death of the surviving spouse leaving one or more minor children, or upon the death of a police officer leaving one or more minor children but no surviving spouse, a monthly pension of 20% of the monthly salary shall be granted to the duly appointed guardian of each such child for the support and maintenance of each such child until the child reaches age 18. The total pension provided under this paragraph shall not exceed 75% of the monthly salary of the deceased police officer when paid (1) to the survivor of a police officer who has attained 20 or more years of service credit and who receives or is eligible to receive a retirement pension under this Article; (2) to the survivor of a police officer who dies as a result of illness or accident; (3) to the survivor of a police officer who dies from any cause while in receipt of a disability pension under this Article; or (4) to the survivor of a deferred pensioner who has been conceived but not yet born, for each such child until attainment of age 18. Notwithstanding 40 ILCS 5/1-103.1, the changes made to this provision apply without regard to whether the deceased police officer was in service on or after the effective date of this Act.

**40 ILCS 5/3-112**

***Article 7 Pensions (Illinois Municipal Retirement Fund)***

**IMRF annuity reestablishment by surviving spouse.**

Any surviving spouse of an Illinois Municipal Retirement Fund annuitant may reestablish rights to a surviving spouse annuity under 40 ILCS 5/7-154 through 7-158 (notwithstanding the eligibility requirements of 40 ILCS 5/7-154(1)(a)) if the annuitant (1) retired prior to June 1, 2011, (2) was not married on the date the retirement annuity began, (3) received a refund of survivor credits under 40 ILCS 5/7-159(a), and (4) died prior to the implementation of Public Act 99-682 on December 29, 2016. The surviving spouse must make

**40 ILCS 5/7-159(d)**

an election to re-establish such rights within one year beginning five months after the effective date of this Act and must pay to the Fund: (i) the total amount of the refund received for survivor credits; and (ii) interest thereon at the actuarially assumed rate of return from the date of the refund to the date of payment. The surviving spouse must also provide documentation proving he or she was married to the annuitant or a party to a civil union with the annuitant at the time of death and has not subsequently remarried. This proof must include a marriage certificate or a certificate for a civil union and any other supporting documents deemed necessary by the Fund.

### ***Article 14 Pensions (State Employees' Retirement System)***

#### **Certain officers eligible for credit for past service.**

Subject to the limitation in 40 ILCS 5/14-110(i) (which limits creditable service to 12 years) a conservation police officer, investigator for the Secretary of State, Commerce Commission police officer, investigator for the Department of Revenue or the Illinois Gaming Board, or arson investigator subject to 40 ILCS 5/1-160(g) (this section applies to Tier 2 officers) may elect to convert up to eight years of service credit established before the effective date of this Act as a conservation police officer, investigator for the Secretary of State, Commerce Commission police officer, investigator for the Department of Revenue or the Illinois Gaming Board, or arson investigator under this Article into eligible creditable service by filing a written election with the board of trustees no later than one year after the effective date of this Act. The election must be accompanied by payment of an amount to be determined by the board of trustees equal to (i) the difference between the amount of the employee contributions actually paid for that service and the amount of the employee contributions that would have been paid had the employee contributions been made as a noncovered employee serving in a position in which eligible creditable service, as defined in this section, may be earned, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

**40 ILCS 5/14-110  
(o)**

#### **State Policeman may elect to establish up to five years of eligible creditable service.**

Subject to the limitation in 40 ILCS 5/14-110(i) (which limits creditable service to 12 years), a State policeman may elect to establish eligible creditable service for up to five years of service as a full-time law enforcement officer employed by the federal government or by a state or local government located outside of Illinois for which credit is not held in any other public employee pension fund or retirement system. To obtain this credit, the applicant must file a written appli-

**40 ILCS 5/14-110  
(1-5)**

cation with the board of trustees no later than three years after the effective date of this Act. The application must be accompanied by evidence of eligibility acceptable to the board and payment of an amount to be determined by the board, equal to (1) employee contributions for the credit being established, based upon the applicant's salary on the first day as an alternative formula employee after the employment for which credit is being established and the rates then applicable to alternative formula employees, plus (2) an amount determined by the board to be the employer's normal cost of the benefits accrued for the credit being established, plus (3) regular interest on the amounts in items (1) and (2) from the first day as an alternative formula employee after the employment for which credit is being established to the date of payment.

## ***Article 15 Pensions (State Universities Retirement System)***

### **Board of Trustees changes.**

Deletes provision stating that the Chairperson of the Board of Higher Education shall act as the chairperson of the Board of Trustees of the State Universities Retirement System. Provides that the chairperson of the Board of Trustees shall be appointed by the Governor from among the trustees. **40 ILCS 5/15-159**

### **Retirement annuity of certain Tier 2 members with at least 10 years of service.**

The retirement annuity of a Tier 2 member who is retiring under Rule 1 or 3<sup>1</sup> after attaining age 62 with at least 10 years of service credit shall be reduced by ½ of 1% for each full month that the member's age is under age 67. The changes made to this provision apply retroactively to January 1, 2011. **40 ILCS 5/15-136 (b-5)**  
**40 ILCS 5/15-136 (i)**

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<sup>1</sup> Rule 1 states the following: The retirement annuity shall be 1.67% of final rate of earnings for each of the first 10 years of service, 1.90% for each of the next 10 years of service, 2.10% for each year of service in excess of 20 but not exceeding 30, and 2.30% for each year in excess of 30; or for persons who retire on or after January 1, 1998, 2.2% of the final rate of earnings for each year of service. **40 ILCS 5/15-136(a).**

Rule 3 states the following: The retirement annuity of a participant who is employed at least one-half time during the period on which his or her final rate of earnings is based, shall be equal to the participant's years of service not to exceed 30, multiplied by (1) \$96 if the participant's final rate of earnings is less than \$3,500, (2) \$108 if the final rate of earnings is at least \$3,500 but less than \$4,500, (3) \$120 if the final rate of earnings is at least \$4,500 but less than \$5,500, (4) \$132 if the final rate of earnings is at least \$5,500 but less than \$6,500, (5) \$144 if the final rate of earnings is at least \$6,500 but less than \$7,500, (6) \$156 if the final rate of earnings is at least \$7,500 but less than \$8,500, (7) \$168 if the final rate of earnings is at least \$8,500 but less than \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or more, except that the annuity for those persons having made an election under Section 15-154(a-1) shall be calculated and payable under the portable retirement benefit program pursuant to the provisions of Section 15-136.4. **40 ILCS 5/15-136(a).**

**Retirement annuity of certain Tier 2 members with at least 20 years of service.**

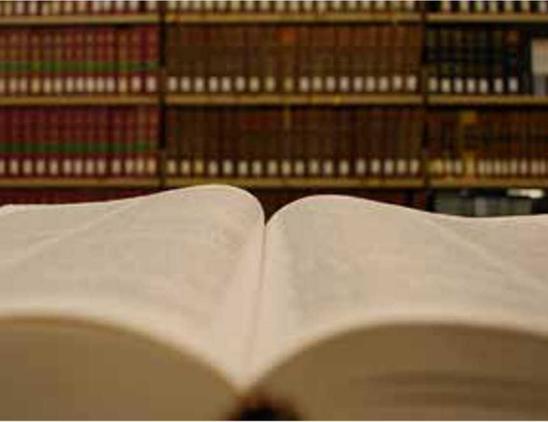
A Tier 2 member who has at least 20 years of service in this system as a police officer or firefighter is entitled to a retirement annuity upon written application on or after the attainment of age 60 if Rule 4 of Section 15-136<sup>2</sup> applies to the participant. The changes made to this provision apply retroactively to January 1, 2011.

**40 ILCS 5/15-135  
(a-10)**

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<sup>2</sup> Effective January 1, 2020, Rule 4 states the following: A participant who is at least age 50 and has 25 or more years of service as a police officer or firefighter, and a participant who is age 55 or over and has at least 20 but less than 25 years of service as a police officer or firefighter, shall be entitled to a retirement annuity of 2 ¼% of the final rate of earnings for each of the first 10 years of service as a police officer or firefighter, 2 ½% for each of the next 10 years of service as a police officer or firefighter, and 2 ¾% for each year of service as a police officer or firefighter in excess of 20. The retirement annuity for all other service shall be computed under Rule 1. A Tier 2 member is eligible for a retirement annuity calculated under Rule 4 only if that Tier 2 member meets the service requirements for that benefit calculation as prescribed under this Rule 4 in addition to the applicable age requirement under 40 ILCS 5/15-135 (a-10) (previously, 40 ILCS 5/15-135 (a-5)). 40 ILCS 5/15-136(a).

# PENSION POINTERS



## Pension Fund Risk Assessments: What Have We Learned?

By Carolyn Welch Clifford  
Ottosen Britz Kelly Cooper Gilbert & DiNolfo, Ltd.

**P**ension fund actuaries are now obligated to take additional steps for assessing and disclosing risks associated with measuring pension obligations and determining pension contributions in annual funding valuations for all pension plans. The additional disclosures required by Actuarial Standard of Practice No. 51 (ASOP 51) will help stakeholders better understand the risks inherent in measuring pension obligations and actuarially determined pension fund contributions.

The new actuarial standard of practice will identify risk factors that actuaries should be discussing with their clients, whether the client is the pension fund or the municipality or both. ASOP 51 provides the opportunity for actuaries to directly help pension funds and municipalities understand, "What if future experience is worse than those best estimate assumptions?" More specifically, it also provides the opportunity for actuaries to put in writing their professional assessment of where assumptions may need to be reevaluated. In short, the point of ASOP 51 is for actuaries to help clients understand risks facing their plans so that they can better manage them going forward.

These risk disclosures include such issues as:

- The possibility that future contributions might deviate from expected future contributions (such as when a municipality declines to make the recommended contribution to the fund);
- The likelihood that many beneficiaries will live longer than previously

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assumed (especially with the introduction of the new Pub-2010 Mortality Tables);

- The concern over cash flow, particularly for funds with an aging membership and large annual benefit payments; and
- Forecasting future investment returns, given the low interest rate environment and the "new normal" for the equity markets, as well as volatility and statutory constraints on investments.

These are concepts that pension funds and their sponsoring municipalities need to consider, particularly given that many funds are becoming more mature; such maturity can increase the funds' sensitivity to risk factors like investment volatility. Through these new risk disclosures, the actuarial valuation will provide a more robust understanding of the risks so that pension funds and municipalities can make better decisions on such issues as how to invest the assets and how much to contribute to the fund going forward.

In practice, ASOP 51 has notably provoked a head-on discussion about the investment return assumption for many plans. This is no surprise; the investment return assumption is the most impactful

assumption affecting the required employer contribution to the fund each year, as it is used to value the liabilities of the plan for funding purposes. As a result, it can be the most difficult assumption to adjust, given the political pressure to not increase employer contributions. This year Illinois Municipal Retirement Fund (IMRF) lowered its assumption from 7.5% to 7.25%; its actuary had recommended it be lowered to 7%. The Firemen's Annuity and Benefit Fund of Chicago lowered its previous 7.5% assumption to 6.75%. Most of the Illinois large pension systems are now assuming 7% or 6.75%. The trend in Illinois is reflective of a nationwide movement among public pension plans to lower the investment return assumption.

For those Illinois firefighter and police pension funds still assuming 7% or greater, actuaries have uniformly recommended that their assumption be reevaluated. This recommendation has been accompanied by notations that the ideal assumption for the investment return is one that has at least a 50% chance of being achieved over the long term, and that setting this assumption with conservatism allows some margin for unfavorable market

*Continued on page 29*

## Pension Pointers

Continued from page 26

returns in the future. Given the realigned investment return assumptions by the actuary of the Illinois Department of Insurance (DOI) two years ago (which are now all 6.5% or lower), funds that have not lowered their assumption may find their recommended contribution number from their private actuary to be *lower* than the statutory *minimum* contribution number generated by the DOI. This creates a fiduciary dilemma for pension fund trustees in making their annual contribution request to the municipality.

Several actuaries are also now providing a measurement of liquidity ratio for pension funds, which is the ratio of the market value of assets divided by benefit payments. From an ideal standpoint, a pension fund that has a ratio of annual benefit payments that is less than its investment return assumption

is in good financial standing. This is because the investment returns each year cover the benefit payments being made, without the fund having to dip into the contributions being made by the employer and employees or, worse yet, having to sell assets. However, a pension fund that has a ratio of annual benefit payments that is greater than its investment return assumption will experience additional risk, such as cash flow and benefit payment risks, as more and more of the annual contributions and invested assets are being used to make benefit payments.

While ASOP 51 provides an opportunity for actuaries to provide guidance on risk reduction or management, it is up to the stakeholders to respond to those risks, by taking whatever steps or measures are available to reduce those risks. This is easier said than done, however, given the constitutional and statutory constraints on Illinois' public pension plans. For Illinois

firefighter and police fund fiduciaries, the power to manage risk is limited, particularly given the municipalities' responsibility to provide the proper level of funding that is beyond the pension fund trustees' control.

For many pension fund trustees and municipal officials, the ASOP 51 disclosures will be eye opening and will show just how vulnerable their plans are to such traumas as investment underperformance, changes in mortality and underfunding. Nevertheless, it will be incumbent on all stakeholders to carefully study the new risk disclosures and consider the implications for the future of their funds. The task – and the challenge -- for stakeholders will be to develop strategies to reduce the levels of risks revealed. ■

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phone: 800-322-3391 | [info@blissmcknight.com](mailto:info@blissmcknight.com)

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## Legal and Legislative Update

### ***Governor Signs Bill Consolidating Investment Assets of Article 3 & 4 Pension Funds***

*P.A. 101-0610 (Senate Bill 1300)*

On December 18, 2019, Governor Pritzker signed into law Public Act 101-0610 (previously Senate Bill 1300) creating two consolidated pension funds - the Police Officers' Pension Investment Fund and the Firefighters' Pension Investment Fund ("Consolidated Fund(s)"). The Act eliminates individual fund investment authority for all Article 3 and 4 funds. The Act requires all funds transfer assets to the Consolidated Funds no later than 30 months after the effective date of January 1, 2020. However, a number of procedural steps such as an audit of each Fund to be performed by the Consolidated Fund will have to be completed before any transfers can take place. Once the audit is certified, the local fund will be instructed to transfer its assets to the Consolidated Fund. Again, the Act contemplates this taking no more than 30 months but it could occur sooner.

Each Consolidated Fund will have a 9-member board of trustees. During the transition period, the Governor will appoint transition board trustees with the advice and consent of the Senate. Thereafter, the permanent, elected board is to be

seated no later than January 1, 2021. While the Act provides for a nomination procedure, the method of election is not detailed.

The permanent board of trustees for the Consolidated Funds will consist of 3 members who are mayors, CFOs, or other department heads of municipalities participating in the fund, 3 members who are active participants elected by the participants, and 1 member recommended by the Municipal League appointed by the Governor.

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In addition, the Police Fund will have 2 beneficiary members elected by the beneficiaries whereas the Fire Fund will have 1 beneficiary member elected by the beneficiaries, and one member recommended by a statewide labor organization representing firefighters employed by at least 85 municipalities affiliated with AFFI and appointed by the Governor.

The Consolidated Fund trustees will assume all fiduciary and statutory responsibility for the management of pension assets and local boards will no longer possess investment authority. Notably, local boards retain the exclusive authority to adjudicate and award disability, retirement and survivor benefits and refunds. The Consolidated Funds have no authority to control, alter, modify, review or intervene in the proceedings of the local boards.

With the reduction in local fund responsibility comes reduced training requirements. New local board trustee training is reduced from 32 hours to 16 hours with the elimination of accounting and actuarial training. Annual training is reduced from 16 hours to 8 hours. Previously certified trustees are required to complete 4 hours of special training regarding P.A. 101-0610 at the local fund's expense.

Lastly, P.A. 101-0610 changed the calculation of final salary and limitation of salary applicable to Tier II police and firefighters and improved Tier II survivor benefits. Given the massive quantity of changes implemented by P.A. 101-0610, we would encourage you to review our more detailed "Executive Summary" sent out via separate email in December for more detail.

The Act is long on change and short on details as to how a number of these changes will be implemented. Stay tuned to see how this process is put into place once the Consolidate Funds seat their respective Boards of Trustees expected to take place later this month. ❖

## ***How Many Ways Are There to Count to Thirty-five?***

*DeJesus v. Policemen's Annuity & Benefit Fd. of the City of Chicago*, 2019 IL App (1st) 190486

Regular readers have no doubt heard of the "35 day" rule when it comes to administrative decisions. Found in the Administrative Review Law, the rule simply states any action to review a final decision of an administrative agency must be commenced within 35 days. In practice the rule has been harder to identify with several recent cases finding exceptions to the formerly ironclad 35 day rule.

In this case, several disabled Chicago police officers brought suit alleging their disability benefits had been underpaid when the pension fund failed to include "duty availability allowance" in computing their salaries for disability pension purposes. In response to the proposed class action, the pension fund filed a motion to dismiss noting, among other things, that while plaintiffs had not been receiving the correct amount of disability benefits, the information used to compute their benefits was provided by the city which failed to include duty availability pay in all scenarios. The pension fund also noted plaintiffs had waited between 9 and 20 years to bring their underpayment claims.

The appellate court dismissed the claims against the pension fund finding plaintiffs had waited well beyond the 35 day time period to bring their claims. But to reach this conclusion, the court had to first distinguish multiple recent cases finding exceptions to the 35 day rule. First, the appellate court addressed plaintiffs' argument the "systematic errors" in payment of their benefits took this matter outside the administrative review law and it's 35 day requirement. After detailed analysis of several recent cases of *City of Countryside*, *Hooker*, and *Board of Education*, the Court distilled the rule to state, "when pension or disability benefits are at issue, a party may challenge a pension board's action without timely initiating administrative review under two limited

circumstances. The first circumstance is when the party challenging the miscalculation was not a party to the underlying administrative action, *i.e.*, a city and not a pensioner, and the challenge is to a systematic miscalculation, not merely individual miscalculations.” In short, the court concluded the “systemic miscalculation” cases operating to take a matter out of the administrative review law have been limited to apply only to cases where the challenging party was not a party to the underlying administrative review proceeding. Since the parties here were the pension fund and disabled beneficiary members, the first exception to the 35 day rule did not apply.

The second limited circumstance where an administrative decision may be challenged outside the 35 day time period was identified as “where the party challenging the systemic miscalculations can point to a specific rule, regulation, standard, or statement of policy from the pension board itself.” Here, the court found no such pension board rule or statement of policy finding duty availability pay not pensionable inasmuch as the fund simply relied on the salary information provided by the city which erroneously omitted duty availability pay in some circumstances.

Finally, the court found the determinations made on plaintiffs disability benefits to be final administrative decisions subject to the 35 day rule. Each plaintiff had received a letter from the pension fund’s executive director informing them they had been granted a duty disability award of 75% of their salary and providing the salary information used in making those determinations. As such, the court found, “Because ‘disputes between a pension board and a pensioner’ are subject to the requirement of the Administrative Review Law, the 35-day clock to dispute the calculation of their benefit awards began when they received the letter.” The court therefore dismissed plaintiffs’ suit.

This rather complicated exercise is a reminder to pension funds to ensure they are taking the proper steps in issuing final administrative decisions on all benefit determinations so as to properly trigger the 35 day statute of limitations.



## ***Ex-Spouse Awarded Interest in Disabled Firefighters’ Survivor’s Benefit***

*In re: Marriage of Shulga*, 2019 IL App (1st) 182028

In recent years, several cases have come down addressing the effect of a QILDRO on receipt of a disability benefit. While the Pension Code provides a QILDRO does not apply to receipt of a disability benefit, the recent case law has used the equitable powers of the court to compel payment to an alternate payee. This case found no reason to depart from that recent trend with the added wrinkle of application of a survivor’s benefit.

The respondent in this case was an Evanston firefighter who divorced his wife, Jodi, in 2016. As part of their marital settlement agreement (MSA), Jodi was awarded 50% of the marital portion of her former husband’s pension plan via entry of a QILDRO. A QILDRO was entered directing the pension fund to pay 50% of the firefighter’s “monthly retirement benefit” accruing from the date of marriage to the date of divorce.

Five months after divorcing Jodi, the firefighter married Mary in August 2016. In 2017, the Firefighters’ Pension Board awarded the firefighter a line of duty disability pension benefit. Unfortunately, the firefighter passed away the same day the pension board made its award of line of duty disability benefits.

Despite having been married only nine months, Mary applied to the pension fund for survivor’s benefits. The fund paid Mary 100% of the benefits due while former spouse Jodi received nothing. Jodi filed a lawsuit against Mary for unjust enrichment and sought imposition of a constructive trust. The pension fund was not involved in this litigation.

In finding for former spouse Jodi, the appellate court relied on case law interpreting pension benefits generally in divorce. First, the court addressed the issue of whether the MSA could

apply to disability benefits. Noting the MSA was silent on the issue of disability benefits, the court relied on case law holding that when the MSA does not address both regular retirement and disability benefits specifically, a court may interpret in one of two ways: First, the MSA was intended by the parties to apply to any benefit received under a pension plan or, second as relating only to regular, age-related retirement benefits.

The appellate court reasoned the same case provided that if the member is eligible for regular retirement but receiving disability instead, the MSA should be interpreted to mean the ex-spouse should receive the percentage attributable to normal retirement benefits whether paid as disability or regular retirement.

Applying this reasoning to the facts at hand, the court noted the firefighter was eligible for regular retirement when he was awarded a disability pension benefit. As such, Jodi should have been entitled to 50% of the amount the firefighter would have been entitled to as regular retirement.

The court's holding raises a number of questions not addressed possibly because the pension fund was not a party. While the court did address its reasoning for finding disability benefits divisible under the MSA, it did not touch on the QILDRO statutory provision holding disability benefits are not subject to QILDRO's. Consistent with other recent cases on this issue, the trend seems to be that while the pension fund cannot divide a disability benefit via QILDRO, the member can be forced to pay the alternate payee directly.

Second, the court did not address the issue of whether Jodi was a qualifying surviving spouse under Article 4 of the Pension Code inasmuch as she was not married to the member at the time of his death which would generally make her ineligible for survivor's benefits. While not at issue in this case, it should also be noted that had Mary married the Firefighter after his retirement, pursuant to Section 4-115 of the Pension Code Mary would have needed to have been married to the firefighter for at least 12 months.

In short, this case raises more questions than it answers. Fortunately, most of these issues must be resolved between the divorcing parties without the involvement of the pension fund. However, there is no question this opinion leaves funds, members, and alternate payees questioning the procedure they are to follow in these circumstances. ❖

### ***Third District Affirms Pension Board's Denial of Intervention Petition and Grant of Line of Duty Benefits***

*City of Peoria v. Firefighters' Pension Fd. of the City of Peoria, et al.*, 2019 IL App (3d) 190069

On appeal, the City presented two issues for review: (1) the City requested reversal of the Pension Board's decision to deny its petition to intervene; and (2) the City contended the Pension Board erred by granting Brooks a line of duty disability pension. The Pension Board prevailed on both issues.

Firefighter Brooks ("Brooks") applied for and received a line of duty disability pension. The City of Peoria ("City") was denied permission to intervene in the Pension Board's proceedings. The City filed a complaint for administrative review in the circuit court challenging the Board's decisions. The circuit court affirmed the decisions of the Pension Board. The City filed a timely appeal.

By way of background, Brooks began working as a Peoria Firefighter in 1991. On July 16, 2015, Brooks participated in a "collapsed house" exercise at the City's Fire Training Academy. The exercise involved "diminished visibility, confined spaces, scattered debris, low profile techniques, and other obstacles." Ultimately, Brooks was extricated from the training scenario as a result of injuries to his right knee.

Following his submission of a line of duty pension application, Brooks was evaluated by three independent physicians. All three physicians unanimously concluded Brooks was disabled.

However, only a sole physician concluded Brooks' disability was caused, in part, by the training exercise.

Prior to the commencement of Brooks' disability hearing, the City filed a petition to intervene in the proceedings for the purpose of submitting evidence and cross-examining Brooks. The City further argued it had an interest in the Pension Board's proceedings because of a potential Public Safety Employee Benefit Act claim ("PSEBA"). In conducting a hearing to resolve the City's petition, the City conceded it presented the Board with all evidence and "did not anticipate calling any additional witnesses." Thus, the City had no additional evidence to present. Moreover, the City declined to make an offer of proof as to what the Board may glean during cross-examination. As such, the Pension Board denied the City's petition to intervene.

On review, the appellate court acknowledged the City had, at least, a broad interest in overseeing the proper expenditure of pension funds. However, both Brooks and the Pension Board admitted Brooks was ineligible for PSEBA benefits. Therefore, the Court held, "the threat of potential liability under [PSEBA], when combined with the broad interest in contributing to and ensuring the proper expenditure of pension funds, did not warrant the City's intervention." Thus, the Pension Board's denial was not an abuse of discretion in this respect.

Next, the Court considered the City's interest in developing a complete and accurate evidentiary record. The Court noted the City had no additional evidence or witnesses to provide to the Pension Board. Interestingly, "the City declined to make an offer of proof on any additional information that was necessary for an accurate evidentiary record." Further, "even if the Pension Board allowed the City to intervene, the scope of any cross-examination of Brooks would not have been unlimited." Accordingly, the Court held the Pension Board did not abuse its discretion and the City's interests were not adversely impacted by the denials of the Pension Board.

Turning to Brooks' disability claim, the Court affirmed the Pension Board's grant of a line of duty disability benefit. The Court concluded, "the Pension Board found Brooks was entitled to a line of duty disability pension because he was currently disabled as a result of cumulative injuries incurred in or resulting from the performance of an act(s) of duty. [T]he cumulative effects of [Brooks'] performance of firefighters' duties culminat[ed] in the injury on July 16, 2015. These findings are supported by Brook's testimony and both Dr. Alpert's initial and supplemental opinions." (Internal quotation marks omitted).

Appropriately, the Court upheld the conclusion of the Pension Board noting, "we cannot say the opposite conclusion than that reached by the Pension Board was clearly evident." (Internal quotation marks omitted). Instead, "the record contains sufficient evidence to support the Pension Board's decision." The judgment of the Pension Board was affirmed.❖

### ***Supreme Court Rules Permissive Service Upgrades Constitute Marital Property***

*In Re: Marriage of Zamudio*, 2019 IL 124676

One of the divorcing parties in this case was an Illinois State Police Officer participating in the Illinois State Retirement System. On two separate occasions during the marriage, the State trooper purchased military service as creditable service for military time served prior to his marriage. The parties dispute over whether this permissive service credit should be considered marital or non-marital property made it all the way to the Illinois Supreme Court. The permissive service purchase resulted in an increase of \$1,363.33 per month for the member. Based on a 50% division of marital assets, the amount at issue was \$681.67 per month.

The member argued the permissive service credit should not be considered marital property inasmuch as it represented his military service for a time period prior to the marriage. Conversely, the

alternate payee argued the service upgrade only occurred once the purchase was completed which occurred during the marriage with marital assets.

In finding the military service purchased a marital asset subject to division, the Supreme Court examined the nature of military service purchases under Article 14 of the Pension Code. (For the purposes of this analysis, military service is purchased in a like manner for Article 3 and 4 participants). The Court noted Section 14-104(j) required two steps for establishing service credit for prior military service. First, the member must have up to four years of prior active duty military service without a dishonorable discharge. Second, the member must make the statutorily prescribed monetary contributions to the pension fund. Both steps must be completed for the member to receive credit for the military service.

Applying the statute to the facts in this case, the Supreme Court found the military service was not “acquired” under the terms of the Dissolution of Marriage Act until the member completed the purchase of service. In short, the member’s prior military service did not entitle him to any additional credit until such time as he completed purchase. As such, it was service acquired during the marriage and subject to division under the Act. ❖

### ***Conflicts in Medical Records and Officer’s Lack of Credibility Doom Line of Duty Request***

*Olson v. Lombard Police Pension Fund et al.*, 2019 IL App (2d) 190113–U

A 29 year veteran of the Lombard Police Department sought a line of duty disability pension based upon an injury he alleged occurred on September 18, 2013, while responding to a scene of a residential burglary. While attempting to apprehend an offender, the officer claimed he sustained injuries to his low back and his left leg. Prior to this incident, the officer had three occurrences of back pain both on and off duty. In June 2013, months prior to the incident, the officer sought treatment at a local hospital and the records

indicated he had been dealing with back pain intermittently for 15 years.

Unfortunately for the officer, neither the ambulance reports or the emergency room records disclosed that the officer complained about any back pain, and the only reference was to pain in the officer’s leg and calf. In addition there were no reports or records of back pain from any of the physicians who treated or evaluated the officer shortly after the incident. Although the officer attended 37 physical therapy sessions, none of those sessions were for lower back issues. The officer also denied prior back problems to five doctors that either treated or evaluated him after the incident.

Besides the multiple physicians that treated or evaluated the officer following the injury, the pension board also had the officer evaluated by three pension board physicians, Dr. Samo, Dr. Siemionow, and Dr. Stanley. Dr. Samo opined that the various inconsistencies in the officer’s history and physical findings made the officer’s subjective complaints unreliable. He opined that if the officer was disabled by his pain, his unsuccessful back surgery was the likely cause. Dr. Samo noted the initial injury was a hamstring strain that would not have been related to any of the officer’s back problems. Most importantly, Dr. Samo noted that the officer told him his back pain started two months after the incident, although he had told multiple other physicians that he experienced back pain immediately after the incident.

Dr. Siemionow concluded that the officer was disabled as a result of severe back pain in his left lower extremity, but did not render an opinion on causation. Dr. Stanley diagnosed the officer with chronic low back pain, and concluded that he could not return to full unrestricted duty. Dr. Stanley could not reconcile the discrepancy from the records he was provided, and could not provide a definitive causation opinion. Dr. Stanley agreed with another physician that treated the officer following injury, that if the officer had sustained a lumbar sprain, the subsequent fusion surgery would be for low back arthritis and unrelated to the work event.

At the hearing before the pension board, the officer testified, and was caught in numerous discrepancies. The pension board denied the officer's line of duty disability application, but awarded non-duty disability benefits. In its written Decision and Order the board concluded that the officer had a pre-existing history of low back complaints and discomfort, but that his lower back issues were neither caused nor exacerbated by an act of duty as required under §5/3-114.1 of the Pension Code. Among the reasons articulated by the board for its denial were the officer's failure to report his back pain immediately following the incident, and the officer's lack of credibility. The officer sought administrative review and the trial court affirmed the decision of the pension board. An appeal followed.

The only issue on appeal was whether the officer's lower back condition, that was the basis of his permanent disability, was caused by or aggravated by an act of duty? The court recognized that this was a factual issue and applied the manifest weight standard, the most deferential of the applicable standards. Accordingly, all that was necessary to support the board's finding was competent evidence in the administrative record. In this case there was evidence in the record that the officer had a pre-existing degenerative condition, but there was no evidence that condition was made worse by the alleged work incident. The officer's medical records demonstrated that his condition was symptomatic a mere three months prior to the incident. Several of the independent medical examiners opined that the officer's condition was more consistent with symptomatic, chronic back pain.

The court concluded that the board was free to reject the officer's causal connection theory as lacking evidentiary support given that just three months before the incident the officer's back was so painful that it necessitated an emergency room visit, and/or find any evidence demonstrating that the officer experienced any back pain until months after the incident. The court also affirmed the pension board's finding that the officer lacked credibility. The decision of the Lombard Police

Pension Board was affirmed in this Rule 23 Opinion. ❖

***New Changes to the Revised  
Uniform Unclaimed Property Act  
(765 Ill. Comp. Stat. Ann. §§  
1026/15-1-1506:***

***Addition of sections 15-1505 and 15-1506***

*P.A. 101-0546*

The Legislature has passed SB1264 on August 23, 2019. The bill was sent to the governor and signed into law. The law is scheduled to go into effect on Jan. 1, 2020 and applies in part retroactively to January 1, 2018. According to the General Assembly website, the bill amends the Revised Uniform Unclaimed Property Act.

The new additions to the law, Section 15-1505 and Section 15-1506, amends the Revised Uniform Unclaimed Property Act by providing guidance for Article 3 (Police) and Article 4 (Fire) Pension Boards in the event pension benefits are unclaimed or abandoned.

The first addition, Section **15-1505 (b)** requires the retirement system, pension fund, or investment board to report:

- i. the name of the owner, and the names of any beneficiaries,
- ii. the last known address (if known),
- iii. the Social Security number or taxpayer identification number (if known or readily ascertainable),
- iv. and the unclaimed or abandoned dollar amount to the Administrator of the Unclaimed Property Act (Illinois State Treasurer) prior to November 1 of each year.

The report required before November 1st of each year must entail the 12 months preceding July 1st of the same year as cited in § 15-403 of the Act.

To comply, beginning no later than November 1, 2020, and each November 1 thereafter, an Article 3 or Article 4 pension fund that is holding an

unclaimed or abandoned benefit because the recipient is unable to be located, must report the information to the Illinois State Treasurer.

Section (d) provides that an unclaimed or abandoned annuity, pension, or benefit fund held in a fiduciary capacity should not be turned over to the State Treasurer.

The second addition, Section 15-1506, also applies to Article 3 and Article 4 funds and requires minimum due diligence standards for searching for the apparent owner of unclaimed or abandoned benefits. The minimum due diligence provides not less than 90 days before filing the annual report to the state treasurer, a fund must attempt to contact the apparent owner of the benefit using, in any order, first class mail, telephone, or electronic mail.

If the apparent owner does not respond, or otherwise indicate interest in the property, then the fund shall send a notice, by certified mail, to the apparent owner not less than 60 days prior to filing the annual treasurer's report.

Further, each Pension Board is mandated to request any current or former employer to search their records for more current contact information for an apparent owner, as well as more current contact information for any beneficiaries. Unless prohibited by other state law, the current or former employer is required to produce any information that would allow the fund to determine the current address of an apparent owner.

The fund must attempt to contact any beneficiaries using the same routine methods noted above if the fund has the beneficiaries' contact information. The new law requires Pension Boards to make reasonable use of free Internet search tools such as, public record databases, obituaries, and even social media, to search for an apparent owner.

If the benefit is in excess of \$1,000, the fund must undertake additional steps, including the use of Internet search tools, commercial locator services, credit reporting agencies, information brokers, investigation databases, and analogous services that may require fees.

If the benefit is less than \$50, the Pension Board is not required to engage in due diligence, or send mail to an address that it knows to be invalid.

Section (e) requires a pension fund to enter into an interagency agreement with the State Treasurer regarding the required implementation of the due diligence requirements.

Section (f) recognizes that if the United States Department of Labor issues guidance or regulations that conflict with the state's due diligence requirements, the fund shall comply with the federal guidance or regulations. ❖

**Suggested Agenda Items for April (or 2nd Quarter)**

- Review statutory asset allocation requirements and portfolio allocation prior to close of fiscal year.
- Election of active/retired/disabled Trustees.
- Review and/or modification of Board's investment policy.
- Authorize preparation of annual Department of Insurance Report.
- Authorize payment of annual Department of Insurance Compliance Fee.
- Status of independent audit report. (Due within 6 months of close of fiscal year).
- Review and/or modification of Board's Administrative Rules and Regulations.
- Annual filing of statement of economic interest statements for each Trustee.

## **REIMER & DOBROVOLNY PC NEWS**

- October 1-4, 2019, RD partners, Rick Reimer and Brian LaBardi, presented at the IPPFA MidAmerican Pension Conference in Lake Geneva, Wisconsin.
- October 21-22, 24, 2019, RD partner, Rick Reimer, taught at the IPPFA certified trustee training in Hoffman Estates.
- November 1, 2019, RD partner, Brian LaBardi, attended and presented at the IPFA Fall Seminar in Addison.
- November 14, 2019, RD partner, Rick Reimer, taught at the IPPFA certified trustee training at the NIU campus in Naperville.
- January – May 2020, RD attorney, Mark McQueary, will attend Northwestern University's School of Police Staff and Command.

### *Legal and Legislative Update*

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**This publication constitutes advertising material. Information contained herein should not be considered legal advice.**

*Legal and Legislative Update* is published periodically. Questions may be directed to:

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## **New Laws Affecting Public Pension Funds**

To say that the Illinois General Assembly has been busy lately would be an understatement. In the first year of the 101<sup>st</sup> General Assembly alone, the legislature has placed 637 bills on the Governor's desk. To date, only seven have been vetoed. And of the 621 bills that have become law, seven warrant special attention by public pension funds and their board members.

### **P.A. 101-0610 (Senate Bill 1300): Consolidation**

After months of study, Governor Pritzker's Pension Consolidation Feasibility Task Force issued a report recommending the partial consolidation of downstate police and firefighters' pension funds. Mere weeks later, Senate Bill 1300 was passed by each chamber of the General Assembly within a span of three days. On December 18, 2019, the bill was signed into law by Governor Pritzker. P.A. 101-0610 orders the partial consolidation of the 649 firefighter and police pension funds into two new statewide investment funds (named "Consolidated Funds"). The Consolidated Funds will have their own governing boards comprised of representatives of management, retired members, and active participants. The Consolidated Funds will control how assets are invested and conduct actuarial valuations for each local pension fund. To effectuate this, each affected pension fund must transfer its assets and investment authority to the Consolidated Funds no later than June 30, 2022. However, the local pension funds will continue to exist to decide applications for membership, refunds, retirement benefits, survivor benefits, and disability benefits. The Act also halves trustee training requirements. Now, trustees only need to undergo 16 hours of initial training, followed by 8 hours of continuing education. However, the Act also requires all trustees to take 4 hours of additional training on the impact of consolidation. Furthermore, P.A. 101-0610 augments the benefits available to Tier 2 members. Specifically, it changes the way the final average salary is computed and provides increased cost of living increases.

### **P.A. 101-0522 (Senate Bill 37): Secondary Employment Reporting**

Senate Bill 37 was quite controversial, at least up until the last week of the spring legislative session. As originally formulated, Senate Bill 37 would have required "secondary employers"—those that employ part-time firefighters who are also full-time firefighters with a "primary" fire department—to make a contribution to the primary employer's pension fund. Similarly, it would have required moonlighting firefighters to make an additional contribution to their primary firefighters' pension funds, even though they would not receive additional creditable service. At one point, it looked as if this version of Senate Bill 37 was destined to pass both chambers of the legislature. However, that changed in dramatic fashion when a late-breaking amendment removed the bill's monetary components. This version of Senate Bill 37, now codified as Public Act 101-0522, ultimately passed and was approved by the Governor on August 23, 2019. The new Act keeps the familiar distinction between "primary" and "secondary" employers, but mostly establishes reporting requirements. The Act defines "primary employers" as those who have established a pension fund under Article 4 of the Illinois Pension Code and employ a full-time firefighter. Secondary employers are municipalities that have at least 5,000 residents that employ, on a part-time basis, a full-time firefighter of a primary employer (also known as "secondary employee firefighters"). Within thirty days of the end of its fiscal year, a secondary employer is required to prepare a report for each secondary employee. This report must include a list of all hours worked by the secondary employee and the corresponding compensation paid to them in the prior fiscal year. The secondary employer must then send the report to the primary employer's pension fund each year. Additionally, if an employee suffers any injury, illness, or exposure while on duty with the secondary employer, the secondary employer's fire chief must report the exposure to the primary employer's pension fund within 96 hours. Such a report must be in accordance with Chapters 4, 13, and 14 of the NFPA 1500 Standard on Fire Department Occupational Safety, Health, and Wellness Program.

### **P.A. 101-0546 (Senate Bill 1264): Modifications to the Unclaimed Property Act**

All too commonly, firefighters or police officers separate from their employment but leave their pension contributions behind. Sometimes this is intentional, but other times it is not. Public Act 101-0546 changes the way pension funds treat this type of presumptively abandoned money. Beginning in 2020, police and fire pension funds must file a report with the Illinois State Treasurer by November 1. The report must include a list of members that cannot be located and provided benefits, as well as their last known address, Social Security Number, and the amount of money the pension fund is holding for them. This report must cover the preceding period from July 1st to June 30th. The burden associated with this report will vary depending upon a pension fund's size and age, so pension funds with many wayward members are encouraged to start compiling this information early. Aside from the reporting requirements, Public Act 101-0546 also requires that pension funds take extra measures to contact beneficiaries. Pension funds should first attempt to contact the missing member through mail, telephone, and email by using the contact information they have on file. If that fails, the new law requires funds to ask the municipality search its records for any other contact information. Furthermore, if the pension fund is holding more than \$1,000 in trust for a non-responsive member, pension funds must undertake additional search efforts by using Internet search tools, commercial locator services, credit reporting agencies, information brokers, investigation databases, and analogous services. The Act expressly warns that this "may involve charges" to the pension fund, but it is required nonetheless. However, most importantly, the new Act does *not* require pension funds to turn over unclaimed benefits to the State Treasurer—as is the case normally when governments are in possession of unclaimed property.

## **Public Act 101-0434 (Senate Bill 1712): FOIA Exception for a Public Body's Financial Information**

Has your pension fund ever received a Freedom of Information Act (FOIA) request for sensitive financial information? Public Act 101-0434 (effective August 23, 2019) was passed to ensure public bodies do not have to reveal such data and subject themselves to potential identity theft. To that end, the new law amends FOIA to allow public bodies to withhold sensitive information, including credit card numbers; debit card numbers; bank account numbers; Federal Employer Identification Numbers; security code numbers; and passwords. Most significantly, the new FOIA amendment also exempts from disclosure any "similar account information, the disclosure of which could result in identity theft or impression or defrauding of a governmental entity or a person." Accordingly, P.A. 101-0434 will be a useful tool in combating overbroad FOIA requests, although it remains to be seen what exactly will fall within the definition of "similar account information."

## **Public Act 101-0473 (House Bill 2460): Illinois Sustainable Investing Act**

On January 1, 2020, the Illinois Sustainable Investing Act became effective. This legislation was an outcome of a recognition by the General Assembly that public agencies and governments (including pension funds) have a duty to recognize and evaluate "factors relevant to the environmental impact, social impact, and governance of investments," particularly because such "sustainability factors" are "indicative of the overall performance of an investment and are strong indicators of its long-term value." Accordingly, the Act requires local governments to consider these factors when it makes investments. The Act carries out this goal by providing that each local government should develop, publish, and implement "sustainable investment policies." Such policies must include a statement "material, relevant, and decision-useful sustainability factors" such as "(1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors." Thankfully, as it pertains to pension funds, a fund may meet this requirement by incorporating the listed sustainability factors into its pre-existing investment policy statement. However, the Act stresses that any amended investment policy must be filed with the Department of Insurance within thirty days of its adoption.

## **P.A. 101-0375 House Bill 2766): Illinois First Responders Suicide Prevention Act**

Fire and police pension funds have recently experienced a surge in duty and non-duty disability pension applications due to psychological conditions. In enacting the First Responders Suicide Prevention Act, the General Assembly recognized that first responders' mental health requires additional support. In a nutshell, the Act provides that first responders (including law enforcement officers and firefighters) may refer their peers for mental health services through an employee assistance or peer counseling program. In the event that these programs are not directly available through the employer, the Act provides that the first responder may seek help from any available mental health assistance program. The Act also establishes robust confidentiality provisions. Indeed, any oral or written information communicated during such mental health sessions cannot be used in any judicial hearing, arbitration, or other adjudicatory proceeding. The Act further amends FOIA to exempt communications, notes, records, and reports arising out of a peer support counseling session. Furthermore, even the names and "all identify information" relating to an employee seeking such help may now be withheld under FOIA.

## **P.A. 101-0474 (House Bill 2502): Transfer of Creditable Service from the Firemen's Annuity and Benefit Fund of Chicago**

Does your Article 4 firefighter's pension fund have members who previously worked for the City of Chicago? Public Act 101-0474 allows eligible members of an Article 4 pension fund to transfer their creditable service earned while working for as a firefighter for the City of Chicago. Importantly, though, the window to make such a transfer closes on February 23, 2020. The General Assembly made as its chief goal to ensure that the Article 4 pension funds receiving the creditable service from Chicago should not result in an increase to their unfunded liability. So, to effectuate a transfer of creditable service from Chicago, the Chicago Firemen's Annuity and Benefit Fund must first make a payment to the Article 4 fund that is the product of: (1) the amount of employee contributions to the Chicago Fund; (2) the corresponding contributions by the City of Chicago; and (3) any interest paid by the applicant to reinstate service. But there may be a difference between the amount paid by the Chicago Fund and the sum needed for the Article 4 fund to avoid experiencing an increase in its unfunded liability. Thus, a member must make an additional payment to his or her Article 4 pension fund that may be spread out over five years. This additional payment will vary depending on "the appropriate actuarial assumptions, including without limitation the firefighter's service, age, and salary history; the level of funding of the Article 4 fund; and any other factors that the Article 4 fund determines to be relevant."



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# Illinois Firefighters and Police Officers Pension Investment Consolidation Law: An Overview

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After months of study by Governor Pritzker’s Pension Consolidation Feasibility Task Force and a week of high drama as the proposed bill made its way from the House to the Senate, the Illinois General Assembly has approved the consolidation of the 649 firefighter and police pension funds into two new statewide investment funds. The House and Senate both approved Senate Bill 1300 by large margins, and Governor Pritzker signed it on December 18, 2019. Public Act 101-0610 became effective **January 1, 2020**.

Below is a summary of the key aspects of the new law that creates the new **Police Officers’ Pension Investment Fund (Article 22B of the Illinois Pension Code)** and the new **Firefighters’ Pension Investment Fund (Article 22C of the Illinois Pension Code)**, as well as improves the Tier 2 members’ benefits.

Statutory Citation	Provision	Brief Summary	Observations and Issues
20 ILCS 3501/801-10(c)	Definition of “public purpose project” in the Illinois Finance Authority Act	Includes provision of working capital or costs incurred and other expenditures, including expenditures for management, investment, or working capital costs incurred in connection with the reform consolidation or implementation of the transition process under new Articles 22B and 22C of the Illinois Pension Code.	The Illinois Finance Authority is authorized to lend up to \$7.5 million to each of the two new Investment Funds. (see 40 ILCS 5/22B-120 and 22C-120)
20 ILCS 3501/801-40(o) and (z)	Loans to the new Investment Funds	Provides the Illinois Finance Authority the power to make loans to the new Police Officers’ Pension Investment Fund and the new Firefighters’ Pension Investment Fund.	
40 ILCS 5/1-101.6 new	Definition of “transferor pension fund	Means any Article 3 or 4 pension fund.	

40 ILCS 5/1-109.3	Training requirements for pension trustees	<p>Initial trustee certification training now 16 hours (<i>formerly 32 hours</i>), and includes only five (5) (<i>formerly, six (6)</i>) components:</p> <ul style="list-style-type: none"> <li>- Fiduciary duties and liabilities with respect to the administration and payment of pension benefits (<i>formerly, Article 1 responsibilities more broadly</i>).</li> <li>- Adjudication of pension claims.</li> <li>- Trustee ethics.</li> <li>- Illinois Open Meetings Act.</li> <li>- Illinois Freedom of Information Act.</li> </ul> <p>Note that basic accounting and actuarial training no longer required to be included.</p> <p>Trustees who complete Open Meetings Act training under Section 1.05 of the Open Meetings Act (5 ILCS 120/1.05) are not required to participate in Open Meetings Act training in the initial 16-hour training program.</p> <p>Currently serving trustees must also participate in four (4) hours of training on the changes made by the consolidation law:</p> <ul style="list-style-type: none"> <li>- For Article 3 trustees: These four hours of training shall be conducted at a facility accredited or affiliated with a college or university.</li> <li>- For Article 4 trustees: These four hours of training may be conducted by a fund or the DOI.</li> </ul> <p>Annual training requirement is now eight (8) hours (<i>formerly 16 hours</i>).</p>	<p>Police pension trustees must obtain the four-hour training through one of two programs currently offered through a college or university facility, IPPFA or IPPAC.</p> <p>Firefighter pension trustees have options to obtaining the four-hour training through a fund or the DOI.</p>
40 ILCS 5/1-113.12	Investments	Upon the transfer of assets, from a transferor fund to the Article 22B or 22C fund, the transferor fund shall no longer exercise any investment authority with respect to the assets; Sections 1-113.1 through 1-113.10 will no longer apply to the assets once transferred.	Vendor contracts will need to be modified or terminated.
40 ILCS 5/1A-102	<p>Definition of "Consolidated Fund"</p> <p>Definition of "Transition Period"</p>	<p>"Consolidated Fund" means the Police Officers' Pension Investment Fund and the Firefighters' Pension Investment Fund.</p> <p>The period set forth in new Sections 22B-120 and 22C-120 regarding Article 3 and 4 funds.</p>	The transition period is thirty (30) months (January 1, 2020 to July 1, 2022).

40 ILCS 5/1A-104	Examinations and Investigations by the Illinois Department of Insurance, Public Pension Division (DOI)	<p>DOI will periodically examine and investigate Article 3 and 4 funds prior to the conclusion of the transition period; after the conclusion of the transition period, DOI may accept and rely upon audit or examination of fund by a CPA retained by the Consolidated Fund.</p> <p>Consolidated Fund may now examine or investigate the Article 3 and 4 funds, in addition to or instead of, the DOI.</p>	
40 ILCS 5/1A-109	DOI Annual Statements	<p>Upon the conclusion of the transition period, the Consolidated Fund shall furnish directly to the DOI information regarding the financial balance sheet as of the close of the fiscal year and details on investment transactions during the fiscal year.</p>	<p>Vendor contracts may need renegotiation once the annual statements no longer require investment information from the individual funds.</p>
40 ILCS 5/1A-111	Actuarial Statements	<p><b>After the conclusion of the transition period</b>, each actuarial statement shall be prepared by a qualified actuary retained by the Consolidated Fund.</p> <p><b>Prior to the conclusion of the transition period</b>, actuarial statements may be prepared using the method for calculating the actuarially required contribution for the fund that was in effect prior to the new consolidation law.</p> <p>After the conclusion of the transition period when the Consolidated Fund’s actuary prepares the actuarial statement, if a change occurs in an assumption that increases or decreases the actuarially required contribution for the fund, that <b>change shall be implemented in equal annual amounts over the three-year period beginning in the fiscal year of the fund in which such change first occurs.</b></p> <p>The actuarially required contribution shall determine the annual required employer contribution.</p>	<p>Use of the word “may” suggest that there will continue to be flexibility to use actuarial assumptions and actuarial methodology that exceeds the “statutory minimum” approach of 90% funding by 2040 using projected unit credit (PUC) until the conclusion of the transition period</p> <p><b>Notably, the Act did not modify the intercept provisions under Sections 3-125 and 4-118 (40 ILCS 5/3-125 and 4-118).</b></p>

40 ILCS 5/1A-112	Fees	After the conclusion of the transition period, the annual compliance fee shall be \$8,000 for all funds and shall be paid to the Consolidated Fund <i>(formerly two basis points of the fund's total assets up to a maximum of \$8000)</i> .	
40 ILCS 5/1A-113	Penalties	After the transition period, certain penalties shall no longer apply to Article 3 and 4 funds, nor the Consolidated Funds.	
<p>40 ILCS 5/3-111 40 ILCS 5/4-109</p>	Retirement Pension for Tier 2 members	<p><b>“Final average salary”</b> now means the greater of (i) the average monthly salary obtained by dividing the total salary of the police officer or firefighter during the 48 <i>(formerly, 96)</i> consecutive months of service within the last 60 <i>(formerly, 120)</i> months of service in which the total salary was the highest by the number of months of service in that period; or (2) the average monthly salary obtained by dividing the total salary of the police officer or firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period <i>(new)</i>.</p> <p>The <b>salary cap for pensionable salary</b> (\$106,800) is now annually increased by the lesser of (1) 3% of that amount, including all previous adjustments, or (2) the annual unadjusted percentage increase <i>(previously, one half)</i> (but not less than zero) in the consumer price index for the 12 months ending with the September preceding each November 1, including all previous adjustments.</p> <p>There shall be no retroactive adjustment of any employee contributions.</p>	
<p>40 ILCS 5/3-112 40 ILCS 5/4-114</p>	Survivors' Pension for Tier 2 members	<p><b>Survivors of Tier 2 members</b> shall be entitled to a benefit in an amount that is equal to the greater of <i>(new)</i> (1) 54% of the police officer's or firefighter's monthly salary at the date of death <i>(new)</i>, or (2) 66 2/3% of the police officer's or firefighter's earned pension at the date of death.</p> <p>If there is a surviving spouse, 12% of monthly salary shall be granted to the guardian of any minor children until age 18. Upon death of surviving spouse leaving minor children, or upon death of police officer or firefighter leaving minor children by no surviving spouse, 20% of monthly salary shall be granted to the guardian of each such child until age 18. Total pension provided shall not exceed 75% of the monthly salary of the deceased police officer or firefighter under the following circumstances:</p>	

		<ol style="list-style-type: none"> <li>(1) When paid to the survivor of a police officer or firefighter who has attained 20 or more years of service credit and who receives or is eligible to receive a retirement pension;</li> <li>(2) When paid to the survivor of a police officer or firefighter who dies as a result of illness or accident;</li> <li>(3) When paid to the survivor of a police officer or firefighter who dies from any cause while in receipt of a disability pension; or</li> <li>(4) when paid to a survivor of a deferred pensioner (<i>new</i>).</li> </ol> <p><b>The law specifically provides that these changes apply without regard to whether the deceased police officer or firefighter was in service on or after the effective date of the new law.</b></p>	The new law provides survivor benefits to at least two surviving spouses of Tier 2 firefighters who otherwise would have received only refunds of contributions under prior law.
<p>40 ILCS 5/3-124.3 new 40 ILCS 5/4-117.2 new</p>	Exclusive authority of the fund over benefit decisions	This new provision provides that Article 3 and 4 funds will retain the exclusive authority to adjudicate and award disability, retirement, and survivor benefits, as well as issue refunds. Furthermore, it provides that the exclusive method of judicial review of any final administrative decision of the fund will under the Illinois Administrative Review Law. Finally, the Consolidated Fund will have no authority to control, alter, or modify, or the ability to review or intervene in, the proceedings or decision of the fund.	The prior version of the bill that had passed out of the House Committee had included four additional words: <b><i>“A third party, including”</i></b> which would have foreclosed an employer’s opportunity to seek to intervene in or appeal of pension application process.
<p>40 ILCS 5/3-125 40 ILCS 5/4-118</p>	Financing	Assets of the Article 3 and 4 funds now include all moneys received from the Consolidated Fund (investment returns).	No changes on the methodology of determining the employer’s annual contribution have occurred at this time.

<p>40 ILCS 5/3-132 40 ILCS 5/4-123</p>	<p>Control and Management of Article 3 and 4 Funds</p>	<p>The local Boards of Trustees will only retain investment authority until it is terminated by the transfer of assets to the Consolidated Fund.</p>	<p>Fiduciary responsibility for the investment of assets will shift to the Consolidated Funds at this time, as well.</p>
<p>40 ILCS 5/3-132.1 new 40 ILCS 5/4-123.2 new</p>	<p>Transfer of Investment Authority to Consolidated Funds</p> <p><i>Maintenance of interest-bearing local account for benefit payments and expenses</i></p>	<p>As soon as practicable after the effective date of the new law, but no later than thirty (30) months after the effective date, each transferor pension fund shall transfer to the Consolidated Funds all of their securities for which commitments have been made, and all funds, assets, or moneys representing permanent or temporary investments, or cash reserves.</p> <p>Upon the transfer, the transferor pension fund shall not manage or control the assets and shall no longer exercise any investment authority.</p> <p>However, the Article 3 and 4 funds may continue to maintain an interest-bearing account for purposes of benefit payments and other reasonable expenses after the end of the transition period. Furthermore, Article 3 and 4 funds are encouraged to consider a local bank or financial institution to provide such accounts and related financial services.</p>	<p>Thirty (30) months after the effective date of January 1, 2020, is <b>July 1, 2022.</b></p> <p>The Illinois banking community had expressed concern during the consolidation discussions that local banks would be adversely affected by any consolidation of assets.</p>

**ARTICLE 22B – THE POLICE OFFICERS’ PENSION INVESTMENT FUND  
ARTICLE 22C – THE FIREFIGHTERS’ PENSION INVESTMENT FUND**

Statutory Citation	Provision	Brief Summary	Observations and Issues
<p>40 ILCS 5/22B-101 new 40 ILCS 5/22C-101 new</p>	<p>Establishes the Police Officers’ Pension Investment Fund and the Firefighters’ Pension Investment Fund</p>	<p>New Consolidated Funds have the authority to manage the reserves, funds, assets, securities, properties, and moneys of the police and firefighter pension funds pursuant to Articles 3 and 4 of the Illinois Pension Code.</p>	
<p>40 ILCS 5/22B-102 new 40 ILCS 5/22C-102 new 40 ILCS 5/22B-103 new 40 ILCS 5/22C-103 new  40 ILCS 5/22B-104 new 40 ILCS 5/22C-104 new  40 ILCS 5/22B-105 new 40 ILCS 5/22C-105 new  40 ILCS 5/22B-106 new 40 ILCS 5/22C-106 new  40 ILCS 5/22B-107 new 40 ILCS 5/22C-107 new  40 ILCS 5/22B-108 new 40 ILCS 5/22C-108 new  40 ILCS 5/22B-112 new 40 ILCS 5/22C-112 new</p>	<p>Definitions</p>	<p>“Fund” means the new Consolidated Fund.</p> <p>“Transferor pension fund” means the Article 3 and 4 pension funds.</p> <p>“Participating pension fund” means an Article 3 or 4 pension fund that has transferred its assets to the Consolidated Fund.</p> <p>“Pension fund assets” means the reserves, funds, assets, securities, and moneys of the transferor pension fund.</p> <p>“Invest” means to acquire, invest, reinvest, exchange, or retain pension fund assets of the transferor pension funds and to sell and manage the reserves, funds, securities, moneys, or assets of the transferor pension fund.</p> <p>“Investment advisor” means any person or business entity that provides investment advice to the Consolidated Fund Board on a personalized basis and with an understanding of the policies and goals of the Board. It does not include any person or business entity that provides statistical or general market research data available for purchase or use by others.</p> <p>“Transition period” means the period immediately following the effective date of the new law during which pension fund assets, and the responsibility for custody and control of those assets, will be transferred from the transferor pension funds to the Consolidated Fund Board.</p>	<p>The transition period is thirty (30) months, from January 1, 2020 to July 1, 2022.</p>

<p>40 ILCS 5/22B-113 new 40 ILCS 5/22C-113 new</p>		<p>“Illinois Municipal League” means the unincorporated, nonprofit, nonpolitical association of Illinois cities, villages, and incorporated towns.</p>	
<p>40 ILCS 5/22B-114 new 40 ILCS 5/22C-114 new</p>	<p>Purpose, Establishment and Governance</p>	<p>The Consolidated Funds are established to consolidate the transferor pension funds and to streamline investments and eliminate unnecessary and redundant administrative costs, thereby ensuring more money is available to fund pension benefits for the beneficiaries of the transferor pension funds.</p> <p>The transition board and permanent board trustees shall be fiduciaries for the participants and beneficiaries of the participating pension funds and shall discharge their duties with respect to the retirement system or pension fund solely in the interest of the participants and beneficiaries.</p> <p>Further, the transition board trustees and permanent board trustees, acting prudently and as fiduciaries, shall take all reasonable steps to ensure that all of the transferor pension funds are treated equitably and that the financial condition of one participating pension fund, including, but not limited to, pension benefit funding levels and ratios, will have no effect on the financial condition of any other transferor pension fund.</p>	
<p>40 ILCS 5/22B-115 new 40 ILCS 5/22C-115 new</p>	<p>Board of Trustees of the Consolidated Funds</p> <p><i>Transition Board</i></p>	<p>No later than one month after the effective date of the new law, the Governor shall appoint, by and with the advice and consent of the Senate, a <b>transition board of trustees consisting of nine (9) members:</b></p> <ul style="list-style-type: none"> <li>- Three (3) members representing municipalities [police fund] / municipalities and fire protection districts [fire fund] who are mayors, presidents, chief executive officers, chief financial officers, or other officers, executives, or department heads of municipalities [police fund] / municipalities and fire protection districts [fire fund] and appointed from among candidates recommended by the Illinois Municipal League.</li> <li>- Three (3) members representing participants and who are participants, two (2) of whom shall be appointed from among candidates recommended by a statewide fraternal organization representing more than 20,000 active and retired police officers in the State of Illinois, and one (1) of whom shall be appointed from among candidates recommended by a benevolent association representing sworn police officers in the State of Illinois [police fund] / the statewide labor organization representing firefighters employed by at least 85 municipalities that is affiliated with the Illinois State Federation of Labor [fire fund].</li> </ul>	<p>The transition boards are appointed by the Governor.</p>



	<p><i>Chairperson of the Board of Trustees</i></p> <p><i>No trustee salary</i></p> <p><i>Time off to conduct business of the Fund</i></p> <p><i>Conflicts of interest</i></p>	<ul style="list-style-type: none"> <li>- One (1) member recommended by the Illinois Municipal League who shall be appointed by the Governor with the advice and consent of the Senate.</li> <li>- <b>One (1) member who is a participant recommended by the statewide labor organization [fire fund].</b></li> </ul> <p>The permanent board of trustees shall select the <b>chairperson</b> of the permanent board of trustees from among the trustees for a term of two (2) years. The holder of the office of chairperson shall alternate between a person elected or appointed as a municipal representative and a participant/beneficiary representative.</p> <p>Trustees shall “qualify” by taking an oath of office before the Secretary of State, stating that he or she will diligently and honestly administer the affairs of the board and will not violate or knowingly permit the violation of any provision of the new Article 22B or Article 22C.</p> <p>Trustee shall receive no salary for service. Trustees shall be reimbursed for travel expenses incurred while on business for the board.</p> <p>The municipal employer of a police officer or firefighter who is an elected or appointed member of the board reasonable time off with compensation to conduct official business related to his or her position on the board, including time for travel. The board shall notify the employer in advance of the dates, times, and locations of this official business. The Fund shall timely reimburse the employer for the reasonable costs incurred that are due to the police officer’s or firefighter’s absence.</p> <p>No trustee shall have any interest in the brokerage fee, commission, or other profit or gain arising out of any investment directed by the board. However, this does not preclude ownership by any board member of any minority interest in any common stock or any corporate obligation in which an investment is directed by the board.</p> <p>Any member of the transition board may also be elected or appointed as a member of the permanent board.</p>	<p>One trustee of the police fund’s permanent board is appointed by the Governor. However, two trustees of the fire fund’s permanent board are appointed by the Governor.</p> <p><b>Adoption of a strongly worded ethics code applicable to the board of trustees and staff of the Consolidated Fund should be one of the first orders of business of the new boards.</b></p>
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<p>40 ILCS 5/22B-116 new 40 ILCS 5/22C-116 new</p>	<p>Conduct and administration of elections; terms of office</p> <p><i>Nominations</i></p> <p><i>Ballots</i></p> <p><i>Option for electronic elections</i></p>	<p>The transition board shall administer the initial elections and the permanent board shall administer all subsequent elections. The boards will develop and implement such procedures as it determines to be appropriate for the conduct of the elections. For purposes of obtaining information necessary to conduct elections, participating pension funds shall cooperate with the Fund.</p> <p>All nominations for election shall be by petition as follows:</p> <ul style="list-style-type: none"> <li>- For trustees to be elected by the mayors and presidents of <b>municipalities [police fund] / municipalities or fire protection districts [fire fund]</b> that have participating pension funds, by at least twenty (20) such mayors and presidents.</li> <li>- For trustees to be elected by participants, by at least 400 participants.</li> <li>- For trustees to be elected by beneficiaries, by at least 100 beneficiaries.</li> </ul> <p>A separate ballot shall be used for each class of trustee. The Board shall prepare and send ballots and ballot envelopes to the participants and beneficiaries eligible to vote in accordance with rules adopted by the board. Ballots shall continue the names of all candidates in alphabetical order. The ballot envelope shall have on the outside a form of certificate stating that the person voting the ballot is a participant or beneficiary entitled to vote.</p> <p>Upon receipt of the ballot, the participants and beneficiaries shall vote and place it in ballot envelope, seal the envelope, execute the certificate thereon, and return the ballot to the Fund.</p> <p>The board shall set a final date for ballot return and a date for counting the ballots.</p> <p>The candidate or candidates receiving the highest number of votes in each class of trustee shall be elected. In the case of a tie vote, the winner shall be determined by procedures developed by the Illinois Department of Insurance.</p> <p>The Board may instead adopt rules to provide for elections to be carried out solely via the internet or phone.</p>	
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<p>40 ILCS 5/22B-117 new</p>	<p>Meetings of the Board</p> <p><i>Quarterly meetings</i></p> <p><i>Quorum</i></p>	<p>The transition board and the permanent board shall each meet at least quarterly and otherwise upon written request of either the Chairperson or three (3) other members.</p> <p>Executive Director and personnel of the Board shall prepare agendas and materials and required postings for meetings of the board.</p> <p>Six (6) members of the board shall constitute a quorum.</p>	

	<p><i>Voting requirements</i></p>	<p>All actions taken by the transition board and the permanent board require a vote of at least five (5) trustees, except the following shall require a vote of at least six (6) trustees:</p> <ul style="list-style-type: none"> <li>- Adoption of actuarial assumptions</li> <li>- Selection of the chief investment officer, fiduciary counsel, or a consultant</li> <li>- Adoption of rules for the conduct of election of trustees</li> <li>- Adoption of asset allocation policies and investment policies</li> </ul>	<p><b>“Supermajority” vote (at least six trustees) required on certain decisions.</b></p>
<p>40 ILCS 5/22B-118 new 40 ILCS 5/22C-118 new</p>	<p>Operation and Administration of the Fund</p> <p><i>Executive Director</i></p> <p><i>Custodians</i></p> <p><i>Legal Counsel, auditors, investment advisors and other consultants</i></p> <p><i>Separate accounts</i></p> <p><i>Personnel of Fund</i></p>	<p>The operation and administration of the Fund shall be managed by an executive director. As soon as practicable, but no later than two (2) months after the transition board is appointed, the transition board shall appoint an interim executive director who shall serve until a permanent executive director is appointed by the board, with such appointment to be made no later than six (6) months after the end of the transition period.</p> <p>The board may appoint one or more custodians to facilitate the transfer of pension fund assets during the transition period, and subsequently to provide custodial and related fiduciary services on behalf of the board.</p> <p>The board may also appoint external legal counsel and an independent auditing firm and may appoint investment advisors and other consultants as it determines to be appropriate.</p> <p>With approval of the board, the executive director may retain other consultants, advisors, fiduciaries, and service providers as may be desirable.</p> <p>The board shall separately calculate account balances for each participating pension fund.</p> <p>The operations and financial condition of each participating pension fund account shall not affect the account balance of any other participating pension fund. Further, investment returns earned by the Fund shall be allocated and distributed pro rata among each participating pension fund account in accordance with the value of the pension fund assets attributable to each fund.</p> <p>With the approval of the board, the executive director may employ personnel, professional or clerical, as may be desirable and fix their compensation.</p>	

	<p><i>Budget</i></p> <p><i>Transfer of moneys as required to participating pension funds as required</i></p>	<p>The board shall annually adopt a budget to support its operations and administration. The board shall apply money derived from the pension fund assets to pay the costs and expenses incurred in the operation of the Fund.</p> <p>The board shall from time to time transfer moneys and other assets to the participating pension funds as required for the participating pension funds to pay expenses, benefits, and other required payments to beneficiaries in the amounts and at the times prescribed in this Code.</p> <p>The board may provide for the indemnification of its members and its officers, advisors, or employees.</p> <p>An office for meetings of the board for its administrative personnel shall be established at any suitable place within the State as may be selected by the board.</p> <p>The board shall secure a blanket fidelity bond in a sum of not less than \$1 million to cover the board, the executive director, and all other employees of the board.</p>	
<p>40 ILCS 5/22B-119 new 40 ILCS 5/22C-119 new</p>	<p>Adoption of Rules</p>	<p>The board shall adopt rules as in its judgment are desirable to implement and properly administer Article 22B or 22C that are not inconsistent with the Illinois Pension Code.</p> <p>Rules shall specifically provide for the following:</p> <ul style="list-style-type: none"> <li>- Implementation of the transition process.</li> <li>- Process by which the participating pension funds may request transfer of funds.</li> <li>- Process for transfer in, receipt for, and investment of pension assets received by the Fund after the transition period from the participating pension funds.</li> <li>- Process by which contributions from municipalities for the benefit of the participating pension funds may, but are not required to, be directly transferred to the Fund.</li> <li>- Compensation and benefits for its employees.</li> </ul>	<p>Board rules will determine several important issues, such as how participating pension funds request transfer of funds and where municipal contributions will be made in the future.</p>
<p>40 ILCS 5/22B-120 new 40 ILCS 5/22C-120 new</p>	<p>Transition Period; transition of securities, assets and investment functions</p>	<p>The <b>transition period will commence on the effective date of the new law</b>, and it ends as determined by the board, consistent with and in the application of its fiduciary responsibilities, <b>but in no event later than 30 months thereafter [July 1, 2022]</b>.</p> <p>The board may retain the services of custodians, investment consultants, and other professional services it deems prudent to implement the transition of assets.</p>	

	<p><i>Audit of transferor pension fund assets</i></p> <p><i>Certified investment asset list to transferor pension fund</i></p> <p><i>Moratorium on trading of investments</i></p> <p><i>Notice to transferor pension fund in writing of intent to assume fiduciary control and transfer date</i></p>	<p>The permanent board will not be bound by any contract or agreement regarding custodians, investment consultants, or other professional services entered into by the transition board.</p> <p>As soon as practical after the effective date of the new law, the board – in cooperation with the DOI – shall audit the investment assets of each transferor pension fund to determine a certified investment asset list for each transferor pension fund. The audit shall be performed by a CPA engaged by the board, and the board shall be responsible for the payment of the costs and expenses associated with the audit.</p> <p>Upon completion of the audit for any transferor pension fund, the board and the DOI shall provide the <b>certified investment asset list</b> to that transferor pension fund. Upon determination of the certified investment asset list, <b>the board shall within ten (10) business days – or as soon thereafter as may be practicable – initiate the transfer of assets from that transferor pension fund.</b></p> <p><b>To maintain the accuracy of the certified investment asset list, the transferor pension fund shall not purchase or sell any of its pension assets thereafter.</b></p> <p>When the Consolidated Fund is prepared to receive the pension fund assets from any transferor pension fund, the executive director shall notify in writing the board of trustees of that transferor pension fund of the Consolidated Fund’s intent to assume fiduciary control of those pension fund assets, and the date at which it will assume such control and that the transferor pension fund will cease to exercise fiduciary responsibility. <b>This letter shall be transmitted no less than 30 days prior to the transfer date, with a copy to the DOI.</b></p> <p>Upon receipt of the letter, the transferor pension fund shall promptly notify its custodian, as well as any and all entities with fiduciary control of any portion of the pension assets.</p> <p>Transferor pension funds shall have sole fiduciary and statutory responsibility for the management of its assets until the start of business on the transfer date. At the start of business on the transfer date, the statutory and fiduciary responsibility for the investment of assets shall shift exclusively to the Consolidated Fund and it shall promptly and prudently transfer all such assets to the board and terminate the relationship with the custodian of that transferor pension fund.</p> <p>The Consolidated Fund shall provide a receipt for the transfer to the transferor pension fund within 30 days of the transfer date.</p>	<p>Upon completion of the audit for a transferor pension fund, transfer of assets will be initiated within ten (10) business days, or as soon as practicable.</p> <p>Communication regarding the transfer of assets must occur no less than thirty (30) days prior to the transfer.</p> <p>Custodial contracts shall be terminated after transfer of assets.</p>
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		<p>“Transfer date” means the date at which the Consolidated Fund will assume fiduciary control of the transferor pension fund’s assets and the transferor pension fund will cease to exercise fiduciary responsibility.</p> <p>Within 90 days after the end of the transition period or as soon thereafter as may be practicable as determined by the board, the Consolidated Fund and DOI shall cooperate in transferring to the Fund all pension fund assets remaining in the custody of the transferor pension funds.</p> <p>The board shall adopt rules to implement the transition process, including:</p> <ul style="list-style-type: none"> <li>- Transfer of pension fund assets of the transferor pension funds.</li> <li>- Assumption of fiduciary control of such assets by the Consolidated Fund.</li> <li>- Termination of relationships with local custodians.</li> </ul>	
	<i>Rules for transition process</i>		Consolidated boards will adopt rules to implement the transition process.
	<i>Audit of Consolidation Fund after transition period</i>	<p>Within six (6) months after the end of the transition period or as soon thereafter as may be practicable as determined by the board, the books, records, accounts, and securities of the Fund shall be audited by a CPA selected by the board. This audit shall include, but is not limited to, the following:</p> <ul style="list-style-type: none"> <li>- Full description of the investments acquired, showing average costs.</li> <li>- Full description of the securities sold or exchanged, showing average proceeds or other conditions of an exchange.</li> <li>- Gains or losses realized during the period.</li> <li>- Income from investments.</li> <li>- Administrative expenses incurred by the board.</li> </ul> <p>This audit report shall be published on the Consolidated Fund’s official website and filed with the DOI.</p>	
	<i>Loan from Illinois Finance Authority</i>	<p>Funding for the payment of the ordinary and regular costs associated with the implementation of this transition process, the Illinois Finance Authority is authorized to the Consolidated Fund up to \$7.5 million. The loan shall be repaid by the Fund with an interest rate tied to the Federal Funds Rate or an equivalent market established variable rate. The Fund and the Illinois Finance Authority will enter into a loan agreement with specified terms which shall be made public.</p>	The Consolidated Funds may each borrow up to \$7.5 million for costs associated with the transition process.
<p>40 ILCS 5/22B-121 new 40 ILCS 5/22C-121 new</p>	Management and direction of investments	The board shall have the authority to manage the pension fund assets of the transferor pension funds for the purpose of obtaining a total return on investments for the long term.	

	<p><i>Assets to be maintained separate from State treasury</i></p> <p><i>Investment advisory services</i></p>	<p>The authority to manage pension fund assets and the liability shall begin when there has been a physical transfer of the assets to the Consolidated Fund and placed in the custody of the Fund’s custodians.</p> <p><b>The assets shall be maintained in accounts held outside the State treasury.</b></p> <p>The board may not delegate its management functions, but it may – but is not required to – arrange to compensate for personalized investment advisory service for any or all investments under its control with:</p> <ul style="list-style-type: none"> <li>- Any national or state bank or trust company authorized to do a trust business and domiciled in Illinois.</li> <li>- Other financial institutions organized under the laws of Illinois.</li> <li>- An investment advisor who is qualified under the federal Investment Advisers Act of 1940 and is registered under the Illinois Securities Law of 1953.</li> </ul> <p>The board may also subscribe to general investment research services available for purchase or use by others.</p> <p>The board shall also have the authority to compensate for accounting services.</p> <p>The board may directly invest assets in public market investments, private investments, real estate investments, or other investments authorized by the Illinois Pension Code.</p>	<p><b>No pension fund assets will be comingled with other state assets.</b></p>
<p>40 ILCS 5/22B-122 new 40 ILCS 5/22C-122 new</p>	<p>Investment authority</p> <p><i>Applicable investment authority under Illinois Pension Code</i></p>	<p>The Consolidated Fund shall have the authority to invest funds, subject to the requirements restrictions set for in Sections 1-109, 1-109.1, 1-109.2, 1-110, 1-111, 1-114, and 1-115 of the Illinois Pension Code.</p> <p>The Fund shall not be subject to any of the limitations applicable to investments of assets by the transferor pension funds under Sections 1-113.1 through 1-113.12 or Article 3 or 4 of the Illinois Pension Code.</p> <p>For purposes of Article 1 of the Illinois Pension Code, the Consolidated Funds shall not be deemed to be a retirement system, pension fund, or investment board whose investments are restricted by Section 1-113.2 of the Illinois Pension Code.</p>	<p><b>The Consolidated Funds will have the expanded authority to invest like other state pension systems.</b></p>

	<p><i>Bank compliance with Public Funds Investment Act</i></p> <p><i>Investments held in name of the Consolidated Fund</i></p>	<p>The Fund shall be subject to the provisions of Section 1-109.1, including but not limited to:</p> <ul style="list-style-type: none"> <li>- Utilization of emerging investment managers.</li> <li>- Increasing racial, ethnic, and gender diversity of its fiduciaries.</li> <li>- Utilization of businesses owned by minorities, women and persons with disabilities.</li> <li>- Utilization of minority broker-dealers.</li> <li>- Utilization of minority investment managers.</li> <li>- Applicable reporting requirements.</li> </ul> <p>Banks and savings and loan associations who receive investment funds must comply with the requirements in Section 6 of the Public Funds Investment Act (30 ILCS 235/6) (“Report of financial institutions”). The limitations set forth in Section 6 of the Public Funds Investment Act shall be applicable only at the time of investment and shall not require the liquidation of any investment at any time.</p> <p>The Fund shall have the authority to enter into agreements and to execute such documents as it determines to be necessary to complete any investment transaction.</p> <p>All investments shall be clearly held and accounted for to indicate ownership by the Fund. The Fund may direct the registration of securities in its own name or in the name of a nominee created for the express purpose of registration of securities by a bank. Investments shall be carried at cost or at a value determined in accordance with generally accepted accounting principles and accounting procedures approved by the Fund.</p>	
<p>40 ILCS 5/22B-123 new 40 ILCS 5/22C-123 new</p>	<p>Custodian</p>	<p>The assets transferred to or otherwise acquired by the Fund shall be placed in the custody of a custodian, subject to the order of the Fund.</p> <p>Each custodian shall furnish a corporate surety bond of such amount as the board designate, which bond shall indemnify the Fund, the board, and the officers and employees of the Fund against any loss that may result from any action or failure to act by the custodian or any of the custodian’s agents.</p>	
<p>40 ILCS 5/22B-124 new 40 ILCS 5/22C-124 new</p>	<p>Accounting for pension fund assets</p>	<p>In the management of the pension fund assets of the transferor pension funds, the Consolidate Fund shall:</p>	

		<ul style="list-style-type: none"> <li>- Carry all assets at fair market value, except the board may elect to place such value on any investment conditionally; the amount of any later realization of such asset in cash that is in excess of or is less than the amount so credited shall be credited or charged to the account maintained for the transferor pension fund that made the transfer.</li> <li>- Shall keep proper books of account that shall reflect at all times the value of all investments held by the Fund.</li> <li>- Shall charge all distributions made by the Fund to or for a transferor pension fund to the account maintained for that fund.</li> </ul>	Is this provision referencing annuities, where a death benefit may be involved and where liquidation would be imprudent?
<p>40 ILCS 5/22B-125 40 ILCS 5/22C-125</p>	<p>Audits and reports</p> <p><i>Quarterly reports</i></p> <p><i>Fiscal Year</i></p>	<p>At least annually, the Consolidated Fund shall be audited by a CPA selected by the board and conducted in accordance with GASB. The audit opinion shall be published as a part of the annual report of the Fund, which shall be submitted to the transferor pension funds and the DOI.</p> <p>For the <b>quarterly periods ending September 30, December 31, and March 31</b>, the Fund shall submit to the participating pension funds and to the DOI a report containing the following information:</p> <ul style="list-style-type: none"> <li>- Full description of the investments acquired, showing average costs</li> <li>- Full description of the securities sold or exchanged, showing average proceeds or other conditions of an exchange</li> <li>- Gains or losses realized during the period</li> <li>- Income from investments</li> <li>- Administrative expenses</li> </ul> <p><b>The fiscal year shall be from July 1 to June 30.</b></p>	<p><b>The Consolidated Funds' fiscal year will be July 1 to June 30.</b></p> <p>Quarterly reports will be presumably issued in October, January, and April.</p> <p><b>Article 3 and 4 funds will likely need to adjust their fiscal years to align with the Consolidated Funds for auditing purposes.</b></p>

	<p><i>Annual Report</i></p>	<p>An <b>annual report</b> shall be prepared by the Fund for submission to the participating pension funds and to the DOI within six (6) months after the closed of each fiscal year. The report shall contain full information concerning the results of investment operations of the Fund and include (besides the items noted above):</p> <ul style="list-style-type: none"> <li>- Listing of the investments held by the Fund at the end of the year, showing their book values and market values and their income yields on market values.</li> <li>- Comments on the pertinent factors affecting such investments.</li> <li>- Review of policies maintained by the Fund and any changes that occurred during the year.</li> <li>- Copy of the audited financial statements for the year.</li> <li>- Recommendations for possible changes in Article 22B and 22C or otherwise governing the operations of the Fund.</li> <li>- Listing of the names of securities brokers and dealers dealt with during the year showing the total amount of commissions received by each on transactions with the Fund.</li> </ul>	<p>Annual report will be issued after the end of the fiscal year (after July 1<sup>st</sup>) and submitted to the Article 3 and 4 funds, as well as the DOI.</p>
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## PUBLIC ACT 101-0610 -SHORT SUMMARY

### "Consolidation of Fund's Investment Assets"

December 18, 2019: Signed by Governor Pritzker

January 1, 2020: Effective Date

#### I. SUMMARY- P.A. 101-0610 does the following:

##### A. Consolidates all Article 3 and 4 Pension Fund's INVESTMENT ASSETS ONLY.

1. Amends the Illinois Pension Code by creating the Police Officers' Pension Investment Fund and the Firefighters' Pension Investment Fund ("Consolidated Funds")

##### B. Requires transfer of the assets and investment authority to the Consolidated Funds no later than 30 months after effective date of law (deadline-June 30, 2022).

##### C. Creates new consolidated "investment" boards for both Police and Fire. Creation of new boards of trustees for each Consolidated Fund and delineates powers and duties; reporting and recordkeeping; auditing of downstate police and downstate firefighter funds; management of investments; and rulemaking.

##### D. Reduces Training Requirements:

1. 16 hours for new board members (former subject matter remains same except basic accounting and actuarial training is eliminated)
2. 8 hours for annual renewal.
3. 4 hours of *special training* for current trustees regarding this new law.

##### E. Tier 2 police and firefighters pension corrections. Corrections include the calculation of "final average salary," the limitation on salary applicable to Tier 2 police and firefighters and survivor benefits.

##### F. Local Boards keep authority for disability, retirement, survivor benefits.

P.A. 101-0610 does not take away the local fund's exclusive authority to adjudicate and award disability benefits, retirement benefits, and survivor benefits and refunds.

- o Consolidated Funds have no authority to control, alter, modify, review or intervene in, the proceedings or decisions of the local fund;
- o The exclusive method of review remains in accordance with the Administrative Review Act.

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## EXECUTIVE SUMMARY

### I. Purpose

Streamline investments and eliminate unnecessary and redundant administrative costs.

### II. TRANSITION PERIOD:

#### Transfer of Assets and Investment Authority Timeline

- Within 30 months from January 1, 2020
  - o A CPA retained by the Consolidated Fund will audit the transferor fund's ("Local Fund) assets and generate a certified investment asset list.
    - Once asset list is received by the Local Fund, they **cannot purchase or sell any of its assets.**
  - o The Consolidated Fund must notify the Local Fund in writing of a date certain that the Consolidated Fund will take control. The Consolidated Fund must provide 30 plus days' notice.
    - Once written notice is received, the Local Fund must notify its custodian and all entities with fiduciary control of the pension assets.
  - o At the start of the business day on the transfer date.
    - **Fiduciary and statutory responsibility** for the management of pension assets **shifts exclusively to the consolidated fund;** and
    - **Local fund must no longer manage or control or exercise any investment authority regarding the assets and will cease to exercise fiduciary responsibility.**
  - o Within 30 days after the transfer, a receipt will be provided to the Local Fund funds.

## EXECUTIVE SUMMARY

### III. The Police Officers' Pension Investment Fund Board of Trustees.

- A. Transition Board.
- B. Permanent Board.

#### A. Transition Board:

- Appointed by the Governor by and with the consent of the Senate within 1 month from January 1, 2020.
- Serves until the initial permanent board members are selected and qualified.

**9-member board:** not salaried but receive travel expenses and PTO if active member

- **Composition (3 MUNI, 3 Participants, 2 Beneficiaries, 1 IML Rep =9 members).**
- o (3) members representing **municipalities** who are mayors, presidents, chief executive officers, chief financial officers, or other officers, executives, or department heads of municipalities and appointed from among candidates recommended by the Illinois Municipal League;
- o (3) members representing **participants** (actives), 2 appointed from among candidates recommended by a statewide fraternal organization representing more than 20,000 active and retired police officers (FOP), and 1 appointed from among candidates recommended by a benevolent organization representing sworn police officers in Illinois;
- o (2) members representing **beneficiaries** (retirees), 1 appointed from among candidates recommended by a statewide fraternal organization representing more than 20,000 active and retired police officers (FOP), and 1 appointed from among candidates recommended by a benevolent organization representing sworn police officers in Illinois;
- o (1) member who is a representative of the **Illinois Municipal League.**

**Transition Chairperson:** selected from among transition board members.

#### **Interim Executive Director**

- Appointed no later than 2 months after transition board is appointed.

**Meetings of the Interim Board:** at minimum quarterly or upon request of chairperson or 3 members.

- **Quorum: 6 members**
  - o All actions require 5 votes; *except*
  - o 6 votes (supermajority) required for:
    - Adoption of actuarial assumptions,
    - selection of chief investment officer,
    - fiduciary counsel or a consultant, and

## EXECUTIVE SUMMARY

- adoption of rules for conduct of elections, and
- adoption of asset allocation policies and investment policies.
- \* the act is silent regarding supermajority voting if only 6 members are present\*

### **B. Permanent Board:**

- Must be seated no later than 12 months from January 1, 2020.
- Not bound by transition board's contracts.

#### **9-member board: not salaried but receive travel expenses and PTO if active member**

- **Composition (3 MUNI, 3 Participants, 2 Beneficiaries, 1 IML Rep =9 members).**
  - (3) members who are mayors, presidents, chief executive officers, chief financial officers, or other officers, executives, or department heads of **municipalities** that have participating pension funds and are elected by the mayors and presidents of municipalities that have participating funds:
    - Nominated by at least 20 mayors and presidents
    - Staggered terms for first permanent board: (1) trustee serves 2 years, (2) trustees serves 4 years
    - If trustee vacates their office, they must no longer serve, and position is vacated
  - (3) members who are **participants** elected by participants:
    - Nominated by at least 400 participants
    - Staggered terms for first permanent board: (2) trustees serve 2 years, (1) trustee serves 4 years
    - If trustee is no longer an active participate, they may serve out their term
  - (2) members who are **beneficiaries** elected by beneficiaries:
    - Nominated by at least 100 beneficiaries
    - Staggered terms for first permanent board: (1) trustee serves 2 years; (1) trustees serves 4 years
  - (1) member recommended by **Illinois Municipal League** and appointed by Governor with advice and consent of Senate.
    - Serves 2 years
- **Chairperson:** selected from amongst permanent board for 2-year terms; holder of office **must alternate** between municipal/IML member and participant/beneficiary

## EXECUTIVE SUMMARY

Meetings of the Permanent Board: at minimum quarterly or upon request of chairperson or 3 members.

- **Quorum: 6 members**
  - o All actions require 5 votes; except
  - o 6 votes (supermajority) required for:
    - Adoption of actuarial assumptions,
    - selection of chief investment officer,
    - fiduciary counsel or a consultant, and
    - adoption of rules for conduct of elections, and
    - adoption of asset allocation policies and investment policies.
    - \*Act is silent regarding supermajority voting if only 6 members are present\*

### Office of the Board

- To be established for meetings of the board and administrative personnel at any suitable location within the State as selected by the board

### Operation and Administration of Fund

- **Executive Director:** (Transitional and Permanent)
  - o Appointed by permanent board within 6 months after 30-month transition period ends
  - o Acts subject to and under supervision of board
  - o Compensation fixed by board
  - o With Board approval, may employ other personnel, profession and clerical, and fix their compensation
- **Custodian(s)** - *not discussed in detail.*
- **External legal counsel** - *not discussed in detail.*
- **Independent auditors** - *not discussed in detail.*
- **Investment advisors** - *not discussed in detail.*
- **Consultants** - *not discussed in detail.*

### Accounting of Funds

- Pension funds must be maintained in accounts held outside of the State treasury
- Board must separately calculate account balances for each participating fund
- Operations and financial conditions of each participating fund account must not affect the account balance of any other participating fund
- Investment returns earned by the consolidated fund must be allocated and distributed pro rata among each participating fund account in

## EXECUTIVE SUMMARY

accordance with the value of the pension fund assets attributable to each fund

- \*Act is silent on how costs and losses are allocated\*

### Investment Authority

- The consolidated fund must not be subject to limitations applicable to Article 3

### Audits and Reports

- Annual audit: at least annually the consolidated investment fund must be audited by a CPA and published as part of the annual report of the consolidated fund
  - o Audit results sent to Local Fund funds and IDOI
- Quarterly reports to Local Fund funds
  - o Full description of investments acquired, showing average costs;
  - o Full description of the securities sold or exchanged, showing average proceeds or other conditions of an exchange;
  - o Gains or losses realized during the period;
  - o Income from investments; and
  - o Administrative costs
- Annual report to Local Fund funds and IDOI
  - o Listing of all investments held by the consolidated fund at the end of the year, showing their book values and market values;
  - o Comments on the pertinent factors affecting such investments;
  - o Review of the policies maintained by the consolidated fund and any changes that occurred during the year;
  - o Copy of audited financial statement for the year;
  - o Recommendations for possible changes in this Article or otherwise governing the operations of the Fund; and
  - o Listing of the names of securities brokers and dealers dealt with during the year showing the total amount of commissions received by each on transactions with the Fund.

### Budget:

- Board must annually adopt a budget to support its operations and administration and apply monies derived from Local Fund funds to pay costs and expenses
- Board must from time to time transfer monies and other assets to the Local Fund funds as required for the Local Fund funds to pay expenses, benefits and other required beneficiary payments
  - o Local fund encouraged to maintain a local bank interest bearing account for payment of benefits and expenses

## EXECUTIVE SUMMARY

### Startup Costs:

- The Illinois Finance Authority is authorized to lend the consolidated fund up to \$7,500,000 with an interest rate tied to the Federal Funds Rate (current target rate 1.5-1.75%) or equivalent market established variable rate

### Training Changes:

- All newly appointed or elected trustees after January 1, 2020 must complete 16-hour initial trustee training program at a training facility that is accredited and affiliated with a State of Illinois certified college or university.
- All trustees who previously completed the initial 32-hour training are not required to complete the new, initial 16-hour initial trustee training.
- Training must include:
  - o Duties and liabilities of a fiduciary with respect to the administration and payment of pension benefits;
  - o Adjudication of pension claims;
  - o Trustee ethics
  - o The Illinois Open Meetings Act; and
  - o The Illinois Freedom of Information Act.
- Any trustee who has completed the training requirements under Section 1.05 of the OMA need not participate in training concerning the OMA.
- Annual training is reduced from 16 hours to 8 hours.
- All trustees appointed before the effective date of this Act must participate in 4 hours of training on the changes made by P.A. 101-0610.

### Tier II Changes:

- **Final Average Salary:** greater of (1) the average monthly salary obtained by dividing the total salary of the police officer during the 48 consecutive months of service within the last of 60 months in which the total salary was the highest by the number of months in that period; or (2) the average monthly salary obtained during the 96 consecutive months of services within the last 120 months of service for which the total salary was the highest by the number of months of service in that period.
- **C.O.L.A.:**
  - o Annual salary for calculation of benefits must not exceed \$106,800; however, this amount must increase annually thereafter increase by the lesser of 3% or unadjusted percentage increase in CPI-U for last 12 months
  - o No retroactive adjustment

## EXECUTIVE SUMMARY

- **Pension to Survivors:**
  - o Spouse, children are entitled to an amount equal to the greater of 54 % of the police officer's monthly salary at the time of death or 66 2/3 % of the police officer's earned pension at the date of death; and
  - o If there is a surviving spouse, 12% of such monthly salary must be granted to the guardian of any minor child or children, including a child who has been conceived but not yet born, for each child until attainment of age 18;
  - o Upon the death of the surviving spouse leaving one or more minor children, or upon the death of a police officer leaving one or more minor children but no surviving spouse, a monthly pension of 20 % of the monthly salary must be granted to the duly appointed guardian of each such child for the support and maintenance of each such child until the child reaches 18.
  - o The total pension must not exceed 75% of the monthly salary of the deceased police officer when paid to the survivor of a police officer who dies as a result of illness or accident, when paid to the survivor of a police officer who dies from any cause while in receipt of a disability pension, or when paid to the survivor of a deferred pensioner.
  - o The changes made to this subsection apply without regard whether the deceased police officer was in service on or after the effective date

## **IV. THE FIREFIGHTERS' PENSION INVESTMENT FUND BOARD OF TRUSTEES**

### **Transition Board:**

- Appointed by the Governor by and with the consent of the Senate within 1 month from January 1, 2020
- Serves until the initial permanent board members are selected and qualified

**9-member board:** not salaried but receive travel expenses and PTO if active member; may be appointed to permanent board

- **Composition (3 MUNI, 3 Participants, 1 Beneficiary from Labor Org., 1 IML Rep, 1 Participant from Labor Org. =9 members).**
  - o (3) members representing municipalities and fire protection districts who are mayors, presidents, chief executive officers, chief financial officers, or other officers, executives, or department heads

## EXECUTIVE SUMMARY

- of municipalities or fire protection districts and appointed from among candidates recommended by the Illinois Municipal League;
- (3) members representing participants (actives) and appointed from among candidates recommended by the statewide labor organization representing firefighters employed by at least 85 municipalities that is affiliated with the Illinois State Federation of Labor (AFFI);
- (1) member representing beneficiaries (retirees) who is a beneficiary and appointed from among the candidate or candidates recommended by the statewide labor organization representing firefighters employed by at least 85 municipalities that is affiliated with the Illinois State Federation of Labor (AFFI);
- (1) member recommended by the Illinois Municipal League; and
- (1) member who is a participant recommended by the statewide labor organization representing firefighters employed by at least 85 municipalities that is affiliated with the Illinois State Federation of Labor (AFFI);

**Transition Chairperson:** selected from among transition board members

**Meetings of the Interim Board:** at minimum quarterly or upon request of chairperson or 3 members.

- **Quorum: 6 members**
  - All actions require 5 votes; except
  - 6 votes (supermajority) required for:
    - Adoption of actuarial assumptions,
    - selection of chief investment officer,
    - fiduciary counsel or a consultant, and
    - adoption of rules for conduct of elections, and
    - adoption of asset allocation policies and investment policies.
    - \*Act is silent regarding supermajority voting if only 6 members are present\*

**Permanent Board:** must be seated no later than 12 months from the effective date; not bound by transition board's contracts

- **Composition (3 MUNI, 3 Participants, 1 Beneficiary from Labor Org., 1 IML Rep, 1 from Labor Org. =9 members).**

**9-member board:** not salaried but receive travel expenses and PTO if active member

- (3) members who are mayors, presidents, chief executive officers, chief financial officers, or other officers, executives, or department heads of municipalities or fire protection districts that have participating

## EXECUTIVE SUMMARY

pension funds and are elected by the mayors and presidents of municipalities or fire protection districts that have participating pension funds;

- Nominated by at least 20 mayors and presidents
- Staggered terms for first permanent board: (1) trustee serves 2-year term; (2) trustee serve 4-year term; 4-year terms thereafter
- If trustee vacates their office, they must no longer serve, and position is vacated
- (3) members who are **participants** elected by participants;
  - Nominated by at least 400 participants
  - Staggered terms for first permanent board: (1) trustee serves 2-year term; (2) trustee serve 4-year term; 4-year terms thereafter
- (1) member who is a **beneficiary** elected by beneficiaries;
  - Nominated by at least 100 beneficiaries
  - Initial trustee serves 2-year term; 4-year terms thereafter
- (1) member recommended by the **IML** appointed by Governor with advice and consent of Senate;
  - Initial trustee serves 4-year term
- (1) member **recommended by the statewide labor organization** representing firefighters employed by at least 85 municipalities that is affiliated with the Illinois State Federation of Labor (AFFI) appointed by the Governor with the advice and consent of the Senate.
  - Initial trustee serves 4-year term
- Chairperson: selected from amongst permanent board for 2-year terms; holder of office must alterative between municipal/IML member and participant/beneficiary/labor member

**Meetings of the Permanent Board:** at minimum quarterly or upon request of chairperson or 3 members.

- **Quorum: 6 members**
  - All actions require 5 votes; except
  - 6 votes (supermajority) required for:
    - Adoption of actuarial assumptions,
    - selection of chief investment officer,
    - fiduciary counsel or a consultant, and
    - adoption of rules for conduct of elections, and
    - adoption of asset allocation policies and investment policies.
    - \* the act is silent regarding supermajority voting if only 6 members are present\*

## EXECUTIVE SUMMARY

### Office of the Board

- To be established for meetings of the board and administrative personnel at any suitable location within the State as selected by the board

### Operation and Administration of Fund

- **Executive Director:** (Transitional and Permanent)
  - o Acts subject to and under supervision of board
  - o Compensation fixed by board
  - o With Board approval, may employ other personnel, profession and clerical, and fix their compensation
- **Custodian(s)** *not discussed in detail.*
- **External legal counsel-** *not discussed in detail.*
- **Independent auditors-** *not discussed in detail.*
- **Investment advisors-** *not discussed in detail.*
- **Consultants-** *not discussed in detail.*

### Accounting of Funds

- Pension funds must be maintained in accounts held outside of the State treasury
- Board must separately calculate account balances for each participating fund
- Operations and financial conditions of each participating fund account must not affect the account balance of any other participating fund
- Investment returns earned by the consolidated fund must be allocated and distributed pro rata among each participating fund account in accordance with the value of the pension fund assets attributable to each fund
- \*Act is silent on how costs and losses are allocated\*

### Investment Authority

- The consolidated fund must not be subject to limitations applicable to Article 3

### Audits and Reports

- Annual audit: at least annually the consolidated investment fund must be audited by a CPA and published as part of the annual report of the consolidated fund
  - o Audit results sent to Local Fund funds and IDOI
- Quarterly reports to Local Fund funds
  - o Full description of investments acquired, showing average costs;

## **EXECUTIVE SUMMARY**

- Full description of the securities sold or exchanged, showing average proceeds or other conditions of an exchange;
- Gains or losses realized during the period;
- Income from investments; and
- Administrative costs
- Annual report to Local Fund funds and IDOI
  - Listing of all investments held by the consolidate fund at the end of the year, showing their book values and market values;
  - Comments on the pertinent factors affecting such investments;
  - Review of the policies maintained by the consolidated fund and any changes that occurred during the year;
  - Copy of audited financial statement for the year;
  - Recommendations for possible changes in this Article or otherwise governing the operations of the Fund; and
  - Listing of the names of securities brokers and dealers dealt with during the year showing the total amount of commissions received by each on transactions with the Fund.

### **Budget**

- Board must annually adopt a balance to support its operations and administration and apply monies derived from Local Fund funds to pay costs and expenses
- Board must from time to time transfer monies and other assets to the Local Fund funds as required for the Local Fund funds to pay expenses, benefits and other required beneficiary payments
  - Local fund encouraged to maintain a local bank interest bearing account for payment of benefits and expenses

### **Startup Costs:**

- The Illinois Finance Authority is authorized to lend the consolidated fund up to \$7,500,000 with an interest rate tied to the Federal Funds Rate (current target rate 1.5-1.75%) or equivalent market established variable rate

### **Training Changes**

- All newly appointed or elected trustees after January 1, 2020 must complete 16-hour initial trustee training program at a training facility that is accredited and affiliated with a State of Illinois certified college or university.
- All trustees who previously completed the initial 32-hour training are not required to complete the new, initial 16-hour initial trustee training.
- Training must include:

## EXECUTIVE SUMMARY

- Duties and liabilities of a fiduciary with respect to the administration and payment of pension benefits;
- Adjudication of pension claims;
- Trustee ethics
- The Illinois Open Meetings Act; and
- The Illinois Freedom of Information Act.
- Any trustee who has completed the training requirements under Section 1.05 of the OMA need not participate in training concerning the OMA.
- Annual training is reduced from 16 hours to 8 hours.
- All trustees appointed before the effective date of this Act must participate in 4 hours of training on the changes made by P.A. 101-0610.

### Tier II Changes

- **Final Average Salary:** greater of (1) the average monthly salary obtained by dividing the total salary of the firefighter during the 48 consecutive months of service within the last of 60 months in which the total salary was the highest by the number of months in that period; or (2) the average monthly salary obtained during the 96 consecutive months of services within the last 120 months of service for which the total salary was the highest by the number of months of service in that period.
- **C.O.L.A.**
  - Annual salary for calculation of benefits must not exceed \$106,800; however, this amount must annually thereafter increase by the lesser of 3% or unadjusted percentage increase in CPI-U for last 12 months
  - No retroactive adjustment
- **Pension to Survivors:**
  - Spouse, children are entitled to an amount equal to the greater of 54 % of the firefighter's monthly salary at the time of death or 66 2/3 % of the firefighter's earned pension at the date of death; and
  - If there is a surviving spouse, 12% of such monthly salary must be granted to the guardian of any minor child or children, including a child who has been conceived but not yet born, for each child until attainment of age 18;
  - Upon the death of the surviving spouse leaving one or more minor children, or upon the death of a firefighter leaving on or more minor children but no surviving spouse, a monthly pension of 20 % of the monthly salary must be granted to the duly appointed

## **EXECUTIVE SUMMARY**

guardian of each such child for the support and maintenance of each such child until the child reaches 18.

- The total pension must not exceed 75% of the monthly salary of the deceased firefighter when paid to the survivor of a firefighter who dies as a result of illness or accident, when paid to the survivor of a firefighter who dies from any cause while in receipt of a disability pension, or when paid to the survivor of a deferred pensioner.
- The changes made to this subsection apply without regard whether the deceased firefighter was in service on or after the effective date



Ottosen DiNolfo  
Hasenbalg & Castaldo, Ltd.

1804 North Naper Boulevard, Suite 350, Naperville, IL 60563  
Phone 630.682.0085 ♦ Fax 630.682.0788 ♦ www.ottosenlaw.com

January 23, 2020

Board of Trustees  
Wilmette Firefighters' Pension Fund  
1850 Lewis Avenue  
Wilmette, IL 60091

**RE: Engagement Letter for Legal Services**

The Law Firm of OTTOSEN DINOLFO HASENBALG & CASTALDO, LTD. is pleased to confirm our understanding of the terms and objectives of our engagement, and the nature and the limitations of the legal services the Firm's attorneys will provide, for the BOARD OF TRUSTEES OF THE WILMETTE FIREFIGHTERS' PENSION FUND.

**CLIENT:** The client for purposes of this Agreement will be the BOARD OF TRUSTEES OF THE WILMETTE FIREFIGHTERS' PENSION FUND ("the Client.")

**SCOPE:** The Client does hereby retain the law firm of Ottosen DiNolfo Hasenbalg & Castaldo, Ltd. (the "Firm"), comprised of attorneys licensed to practice law in the State of Illinois, to serve as the legal counsel for the Client. While serving as legal counsel, the Firm shall represent the Client in all legal matters and shall be responsible to attend to various miscellaneous legal needs of the Client, including, but not limited to, communications with the Client and its staff, attending meetings, preparing or reviewing documents, conducting legal research, handling hearings, and representing the Client in matters before administrative agencies and courts of law. The Client may agree to expand or limit the scope of the Firm's representation of the Client in other legal matters from time to time; however, any expansion or limitation must be confirmed in writing by the Client to the Firm.

**DUTIES OF THE PARTIES:** The Firm agrees to provide legal services within the standard of care of attorneys practicing law within the State of Illinois. The Client agrees to be truthful with the Firm, to cooperate, to keep the Firm informed of developments affecting the representation of the Client, to abide by the terms of this Agreement, to pay the Firm's bills on time, and to keep the Firm advised of any change to its address and other contact information.

**TERM:** This Agreement shall be in effect until DECEMBER 31, 2020. Either the Client, or the Firm may terminate the Firm's engagement at any time for any reason with ten (10) days notice to the other; however, the Firm's right to terminate may be limited by the applicable provisions of the Illinois Rules of Professional Responsibility. In the event the Firm terminates this Agreement, the Firm will take such steps as may be reasonably practicable to protect the Client's interests. If a court or administrative agency requires permission for withdrawal, the Firm will promptly apply for that permission, and the Client will engage successor counsel to represent the Client.

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Wilmette Firefighters' Pension Fund

**PERSONNEL:** **Carolyn Welch Clifford** will be the principal attorney responsible for handling the legal services for the Client. The Firm shall have reasonable discretion to delegate portions of the legal work and responsibilities to other attorneys and/or staff employed by the Firm. In addition, if in the opinion of the Firm, it is necessary for the timely or proper handling of a matter, the Firm may on behalf of the Client, with the Client's consent, retain court reporters, expert witnesses or advisors.

**FEES:** The legal fees associated with the work under this Agreement will be based on the time spent on matters, including reasonable travel time. The Firm's hourly billing rates for attorneys providing the legal services provided hereunder shall be **\$230 per hour**. The Firm's hourly billing rates for non-attorneys providing legal services hereunder shall be **\$155 per hour** for administrative staff and paralegals and **\$165 per hour** for law clerks. The Firm may adjust these billing rates from time to time, typically on a biannual basis. The Firm will notify the Client of any such required adjustment, and Client will be responsible for paying the rates in effect following any such notice.

The minimum billing increment of time to be billed by the attorney performing services shall be one-tenth of any hour. Communications by telephone or by e-mail shall be billed at no less than three-tenths of an hour; written correspondence shall be billed at no less than five-tenths of an hour. Any fees for specific legal services that are to be provided to the Client under a flat fee or retainer arrangement shall be attached to this Agreement in **Appendix A**.

**COSTS AND EXPENSES:** In the course of providing legal services for the Client, the Firm may incur costs and expenses. The Client agrees to pay for all costs, disbursements and expenses in addition to the hourly fees set forth in this Agreement. Such costs and expenses may include, but are limited to, fees fixed by law or assessed by third parties, such as public agencies (including fees imposed by the courts or administrative agencies for such items as recording or certifying documents, and filing fees); process servers; couriers, messengers, overnight delivery, and other delivery fees; witnesses and expert witnesses; IME physicians and related medical testing; court reporters; postage; document fees; and photocopying and other reproduction costs. These expenses may also include, but are not limited to, charges for electronic legal research, transcripts, and investigations. The Firm shall bill the Client for such costs as they are accrued, or forward the invoices for such services to the Client for direct payment to a third party.

**BILLING:** The Firm shall submit billings on a monthly basis. All billings shall be due and payable in accordance with the Local Government Prompt Payment Act (50 ILCS 505/1 *et seq.*).

**CONFLICTS:** Whenever the Firm shall report to the Client that it has a conflict of interest with respect to any matter, the Client shall either appoint a special counsel to represent the Client at its expense in connection with such matter, or waive the conflict and direct the Firm to represent the Client notwithstanding the conflict. Any waiver of a conflict, or possibility of conflict, or appearance of conflict shall be made by and with the approval of the Board. However, it shall not constitute a breach of this Agreement for the Firm to decline to represent the Client on any matter which the Firm has a conflict of interest which cannot be waived under the applicable standards of legal ethics, the Code of Professional Responsibility adopted by the Illinois Supreme



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Court, or rules of any court in which the matter may be pending, and which the Firm cannot eliminate or avoid at such time.

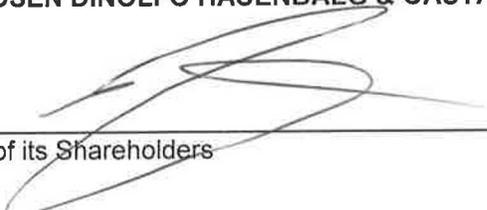
**INFORMATION PROTECTION:** The Firm acknowledges that, pursuant to Section 45(b) of the Illinois Personal Information Protection Act (815 ILCS 530/45(b)), it is obligated to implement and maintain reasonable security measures to protect personal information from unauthorized access, acquisition, destruction, use, modification, or disclosure.

**ACKNOWLEDGEMENT:** This Agreement sets out the entire agreement and understanding between the Client and the Firm with respect to the representation and supersedes and cancels any prior communications, understandings and agreements, both written and verbal, between the parties with respect to this Agreement.

Please indicate your acceptance of the above understanding and terms of this Agreement by signing below. The Firm appreciates the opportunity to provide legal services to the WILMETTE FIREFIGHTERS' PENSION FUND and looks forward to working with you.

Very truly yours,

**OTTOSEN DINOLFO HASENBALG & CASTALDO, LTD.**

  
\_\_\_\_\_  
One of its Shareholders

**TERMS OF ENGAGEMENT LETTER APPROVED:** This Legal Services Engagement Letter correctly sets forth the understanding of the BOARD OF TRUSTEES OF THE WILMETTE FIREFIGHTERS' PENSION FUND.

Date: \_\_\_\_\_

By: \_\_\_\_\_

Print: \_\_\_\_\_

Title: \_\_\_\_\_