PORTER COUNTY COUNCIL
AND
PORTER COUNTY COMMISSIONERS
FOUNDATION MEETING
September 27, 2016

The Porter County Council and the Porter County Commissioners met on Tuesday, September 27, 2015 at 5:00 p.m. in the County Administration Center, 155 Indiana-Suite 205, Valparaiso, Indiana.

Mr. Whitten called the meeting to order with the Pledge of Allegiance.

Members present were Council Member Whitten, Council Member Conover, Council Member Biggs, Council Member Graham, Council Member Jessen, Council Member Poparad, Council Member Rivas, Commissioner Evans and Commissioner Blaney. Also present was Council Attorney Harold Harper, County Attorney Scott McClure, Auditor Vicki Urbanik, Treasurer Michelle Clancy, Foundation Advisory Board Member Matthew Vessly, Foundation Advisory Board Member David Rose, Foundation Advisory Board Member David Kwaite and Council Administrative Assistant Joy Blakely. (Not present Commissioner Good)

Mr. Whitten, Thank you very much. Ok, the first thing on the agenda or I should say the next thing is the approval of the June 28th, 2016 minutes.

Ms. Conover, Move

Ms. Graham, Second

Mr. Whitten, We have a motion and a couple of seconds, any changes or discussions? Hearing none approval of approval of the Minutes please signify by saying I? Opposed? Minutes are approved.

Motion carried on a unanimous voice vote.

Capital Cities Presentation

Mr. Whitten, Capital Cities presentation.

Capital Cities Joe Bill Wiley, Thank you Councilmember Whitten. We are excited to be here tonight, once again I am Joe Bill Wiley and this is Amanda Black. You have the first full performance report for the Foundation assets. We are really excited to come and present this to you for the first time. But before I turn things over to Amanda we just want to let you know that through the collaboration of everybody on the body in front of us, Scott (Attorney Scott McClure), Michelle (Treasurer Michelle Clancy), our team, everything is fully implemented. It occurred without a operational hitch and everything is moving along very smoothly. We are reporting on a very short period of time here, so we need to keep that in mind because this is a Foundation that is set for perpetuity. But we're really excited to bring you good news in the first report that we are going to deliver. So I will turn it over to Amanda.

Capital Cities Amanda Black, Ok, great thank you all. As we cover the report tonight we will also kind of touch on the kind of things that you are seeing in the report, just so we can orient you to the types of reporting that you are going to see. So it's going to be two fold as far as giving you the news and the info, but also, showing you how the reports laid out. So, if you would turn to the very first page. This is what we call our consideration an observations page. And think of this as the agenda for the meeting or a place for us to put some kind of housekeeping or administrative items. This is always a great place to keep track of some of the moving parts. So what you see on this particular page, we note that there are some externally held municipal bonds totaling about 13.2 million dollars. Those are detailed on page 20 of the report so you don't need to worry about that, but just to show you that we are keeping track of those. And as principal and interest are received we are investing it per your investment policy into the other types of investment strategies. And then going down

the page we just have some other housekeeping notes, again these are kind of more typical of this being the first meeting, then the types of things you would see kind of quarter in and quarter out. But we mentioned the Hammond Municipal Bonds, one thing I want to note about those, those are about 7.6 million dollars and some Municipal Bonds that the Foundation holds. Those are reflected in a table that I will point to in a minute. The value of those Bonds will kind of vary slightly, that's just a market to market effect. So I just want to just mention that to you, so if you see that value kind of varying, that doesn't mean that mean that we have sold those Bonds and taken a loss or something like that, that's just normal market to market reporting. So don't worry too much about that. And then finally, we just note that the Morgan Stanley and Fifth Third Accounts were basically closed out and the proceeds were used to invest in this new investment structure, again per your investment policy. So now this is where we kind of take a look at your portfolio and its performance from the top down. So first what we always do is cover the market, often, very briefly just to tell you what was happening in the investing markets that might have had an impact on your performance. So Joe Bill is going to cover that very briefly and then I'll dive back into your performance.

Capital Cities Joe Bill Wiley, So this is kind of a thirty thousand foot overview we have got two charts on page one the top bar chart represents equity returns across different styles of equity investing both domestic and international. The bottom chart represents the returns for fixed income. The purple bars represent the quarterly return and the gray bar represents the trailing twelve month return for both equity and fixed income. So, April, May started out pretty good in the second quarter and we're covering the second quarter of 2016. We went into June and things were still kind of moving along well on the positive side of the equation and then June 23rd hit and that was the Brexit vote and it shocked the markets two trillion dollars evaporated in one day. It was the largest one day loss in market history. But they rebounded afterward and you can see across all styles of investing by the purple bars you saw positive returns in every style except the developed international markets. In the fixed income market place yields, basically fell and that is always positive for fixed income. And in the fixed income market place you had positive returns across all styles of income. We do this at the beginning because often times what happened in the market can help us explain what happens in your portfolio. And obviously with positive returns across both equity and fixed income, your portfolio had positive returns and Amanda is going to cover that.

Capital Cities Amanda Black, Ok, great. So on page two (2) our goal with page two (2) is to be a single page summary of everything that you as a fiduciary need to be thinking about kind of top of mind. So, at the very top we have your actual allocation across your different underlying investments, your different municipal bonds and your different mutual funds and then we compare that on the right to the strategic asset allocation to the different mix between investments that is outlined in your investment policy statement. So from a…you know first and foremost you want to look at this and say are we following our policy? And the answer is yes. Down below that we give you detail on current market values, again this is on a quarterly basis. So on the left we show you what that looks like for each of your underlying investments. And then on the right we show you your quarterly return. So once we have a yearly return we will also include that on this page but for now all we have is a three month or a one quarter return. And that return was 1.5% for your portfolio. So a very solid return, for this first period on which we are reporting. What really contributed to that return was your US stock exposure, particularly large cap stocks and small cap stocks and also value orientated stocks. What detracted a little bit was your limited exposure to non US stocks, but again still resulting in a positive return for the quarter of 1.5%. Now going down the page what we are doing behind the scenes as your advisors, we are not just looking at things from a quantitative basis only but we are also doing a qualitative review of all of your investments, kind of all the time. So, we use this stop light matrix to present that to you. What we have here is every single one of your investments and then we have kind of a section there for a qualitative review and then long term and short term performance. All of your underlying investments have a green stoplight, so of course no issues there. But if there ever was a change that would be something that we would talk about to you at the quarterly meeting, whether it just be something that we are monitoring kind of more intensely like a yellow stop light or if it's read that might indicate that we're

recommending a change, like perhaps a replacement of a fund or something like that, but nothing to report there today.

If you please turn to page three (3), as you can see now I am not going to go through every page but every page that we turn we are just getting into a little bit more details. So on page three we show you some more specifics on your allocation per your relative to your policy. And this is where we would tell you if it's time to do any rebalancing. As you can see there in the middle of the page the difference that you have between your Strategic and Actual is very small so there is no need to do any rebalancing. But that's something that we would always bring to your attention.

And then on page four (4), what we do here is we plot your portfolio's performance against a peer group. There is never a really a perfect peer group to use, but in this case we are using a peer group of mid-sized endowment and foundations across the country. Something to note about this peer group is that the Median asset allocation peer group is a bit more aggressive than yours. What I mean by that is the Median peer group member has an equity allocation of about 54% and you can find that on the left-hand side. I getting into a lot of detail here, but the point is your less aggressive than that you are more conservative, yet you still ranked very well against that peer group. And when I say you ranked well, I'm talking about your performance at 1.5% as denoted by letter A, which put you in the 33rd percentile of that peer group. So the top third of other midsized or excuse me of midsized foundation across the country, your performance put you in the top third for the quarter.

Capital Cities Joe Bill Wiley, And these are the opposite of academic percentile charts. In investments you want to be in the first percentile not the hundredths.

Capital Cities Amanda Black, And then were also comparing your performance to relevant benchmarks and targets and you were certainly in-line there and again it was only a three month period. But, everything looks strong and as we have more time periods we would add those to this chart, so you would see a lot more data points on this chart. The performance has also been strong quarter to date, so I know we are talking about June 30th, but even here through yesterday you have had continued strong performance to the tune of about two and half (2 ½) more percent on top of what we're presenting for June 30th. So, strong continued performance, so again, but not quite but close to four (4) percent since inception return on these assets which is very strong.

On page five (5), we detailed any market value movements in the portfolio. So, when money is moving it can do because you are actually putting in money or taking out money. But, it also moves because of investment gains and losses and we just think it's important to detail that here. So, on this page I will just kind of direct your attention to the very bottom the investment gain/loss is 1.56 million ($1,561,660). What that means if you were to sell your entire portfolio on June 30th you would have earned 1.56 million dollars on that date. Of course you're not doing that so what this means is that is a unrealized gain, we don't want to sell it. But, that just gives you a way to kind of look at that 1.5 percent performance number and put it in terms of real dollars. And then behind that I'm not going to go into a lot of detail, but I do want to just show you that we have got pages for every single one of your underlying investments. There are lots of charts we can go into any level of detail here but what we do is we compare every one of your managers or your mutual funds to a relevant peer group and a relevant index over multiple time periods. And if we ever have an issue with one of these managers, we would likely take you to one of these pages as a way to describe perhaps that underperformance or whatever situation is going on.

With that said maybe I could draw you attention to page twenty (20), just to show you what's in this report, I mentioned that schedule of some of the municipal bond payments, that is always back here for your reference. And then on pages twenty-one (21) and twenty-two (22) we've got additional detail about your investments. We have the fee schedule for every single one of your managers. You know all the fees were very transparent in the way we report that to everyone. We think that's a key fiduciary duty that you are adhering to. On page twenty-two (22) we have just got some housekeeping detail of what's been happening in your portfolio, obviously, not a lot because, this is all just starting. And then behind that we have got things like

glossary items and then even on page twenty-six (26) we have a how to read chart. So if you ever really want to dig into this report and understand some of the charts, we have got a guide here. But please always call us we are happy to walk you through those as well. And that's really it, that's kind of the detailed view and normally what we would do is just kind of take you to some of the key points and then touch on any items that are relevant. But we really wanted to introduce you to this style of reporting. And please let us know if we can customize this to any of your needs. I will kind of cease fire there for a second to see if you have any questions.

Mr. Whitten, So are target going into this was as we have discussed ad nauseam was somewhere in the area of five percent. We wanted that in an annualized return on that for lots of reasons and some of them very obvious, that's what comes back in to the County. And it looks like nearly at the end of two full quarters we're at four percent already.

Capital Cities Amanda Black, That's right, and that five percent would be around 2.5% so half way through a year…

Mr. Whitten, We're at 4%.

Capital Cities Amanda Black, You're at 4%.

Mr. Whitten, That's very, very, very good.

Ms. Graham, Excellent.

Mr. Whitten, For our expectations. So, what questions does the Foundation have at this point? I mean we are early on at this thing and with my conversations with them early on in the month I was quite pleased with what they said initially and it seems like we are in pretty good stead at this point.

Ms. Conover, Yes it does.

Mr. Jessen, The question I have Amanda on…

Capital Cities Amanda Black, Sure.

Mr. Jessen, On the municipal bond schedule…

Capital Cities Amanda Black, Yes.

Mr. Jessen, It talks about the most resent payment that would have been July 15th on all three of them.

Capital Cities Amanda Black, Yes.

Mr. Jessen, And August 1st is the fourth.

Capital Cities Amanda Black, Yes.

Mr. Jessen, Have those all been paid even though they are not quite reflected those as paid.

Capital Cities Amanda Black, Yes, so those payments totaled about 3.3 million dollars and on August 19th they were transferred into Schwab. And when I say Schwab that's all kind of your mutual funds and those were invested accordingly. So, that will be reflected in the September 30th, or the third quarter report that you see next. And you will see that in that market value table, it will show the movement.

Mr. Jessen, Ok, great thank you.

Capital Cities Amanda Black, Yep, thank you.

Mr. Whitten, So when should we be planning to regroup for a detailed report on the next quarter or the third quarter?

Capital Cities Joe Bill Wiley, It'll generally be mid November.

Mr. Whitten, Scott, do you have something to add?

County Attorney Scott McClure, Well what we had been doing....November is fine but what we had been doing is the last Council meeting of the quarter.

Mr. Whitten, Right.

County Attorney Scott McClure, But that of course would put us somewhere at the end of December.

Mr. Whitten, That puts us into Christmas. So do you want to shoot for November? So we will determine that date somewhere to the mid or end of November. Or try to coordinate that with our Council meeting?

County Attorney Scott McClure, Ok you want to do the regular November Council meeting?

Mr. Whitten, That's fine with me.

Capital Cities Joe Bill Wiley, That's fine with us.

Mr. Whitten, Because we have Thanksgiving and all that stuff going on.

Ms. Graham, The 22nd?

Mr. Whitten, Thanksgiving is the 24th so perhaps we should have our meeting....

Mr. Poparad, The 29th?

Mr. Whitten, The 29th.

Mr. Poparad, Why don't we combine December we always do?

Mr. Whitten, Yeah, we might do that.

Ms. Conover, That sounds better.

Mr. Whitten, Let's shoot for the 29th of November or the first week in December, I don't care.

County Attorney Scott McClure, It's just so much easier if we set it now and everybody gets it on their calendar.

Mr. Whitten, So we could either do...or if we are going to try to shoot for a combined November/December. We could either do a November 29th or a December 6th.

Ms. Graham, Either one.

Mr. Whitten, Do you guys want to shoot for a December 6th? Is there a problem with that date?

Ms. Conover, December 6th?

Mr. Whitten, Are you guys good with that?

Capital Cities Joe Bill Wiley, Yeah, we're good with that.

Capital Cities Amanda Black, Yeah, it looks good to us, thank you.

Mr. Whitten, Thank you very much, this is exciting news.

Capital Cities Joe Bill Wiley, 5:00 p.m.

Mr. Whitten, Yes.

Capital Cities Joe Bill Wiley, Central Standard time.

Mr. Whitten, Yes.

Capital Cities Joe Bill Wiley, Alright.

Capital Cities Amanda Black, Great.

Mr. Whitten, Alright guys, thank you very much.

Mr. Evans, Hey, next time when you come could you bring a thumb drive so the people in the audience can see what we are talking about.

Capital Cities Amanda Black, Oh yes, absolutely.

Capital Cities Joe Bill Wiley, Sure.

Mr. Evans, Thank you.

Capital Cities Amanda Black, Good idea.

Mr. Whitten, Alright thank you. With that a motion to adjourn?

Mr. Rivas, So moved.

Mr. Whitten, Second. All in favor? signify by saying I? Meeting adjourned.

Motion carried on a unanimous voice vote.

There being no further business, meeting was adjourned.

PORTER COUNTY COUNCIL
PORTER COUNTY, INDIANA

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Jim Biggs

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Karen Conover

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Sylvia Graham

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Mike Jessen

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Bob Poparad

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Jeremy Rivas

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Dan Whitten

PORTER COUNTY COMMISSIONERS
PORTER COUNTY, INDIANA

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John Evans

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Laura Blaney

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Jeff Good

Attest:_____
Vicki Urbanik, Auditor