

MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE POLICE PENSION FUND OF THE VILLAGE OF WILLOWBROOK HELD ON OCTOBER 30, 2019, AT 3:00 PM, AT THE WILLOWBROOK POLICE DEPARTMENT, 7760 S QUINCY STREET, WILLOWBROOK, DUPAGE COUNTY, ILLINOIS

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1. CALL TO ORDER

The meeting was called to order at the hour of 3:03 p.m. by President Davi.

2. ROLL CALL

Those present at roll call were President Umberto Davi, Trustee Kobler, Trustee Pec, and Trustee Carrie Dittman. Also present: David Harrington of Sawyer & Falduto, Recording Secretary Nancy Turville. Absent: Trustee Eisenbeis.

3. APPROVAL - MINUTES OF THE REGULAR MEETING - July 31, 2019

The Board reviewed the minutes from the July 31, 2019 meeting.

MOTION: Made by Trustee Pec, seconded by Trustee Kobler to approve the minutes of the regular meeting of the Willowbrook Police Pension Fund Board of Trustees held on July 18, 2018.

Trustee Dittman abstained as she was not present at the July 2019 meeting.

MOTION DECLARED CARRIED

4. APPROVAL - JOHN BARNACLE QILDRO (RETROACTIVE TO MAY 2019)

Trustee Dittman reviewed the QILDRO of retired Commander John Barnacle and corresponding letters with the board and advised the first payment stipulated by this agreement in the amount of \$3,476.37 each, one half going to John Barnacle and the other half going to his ex-spouse, began on May 24, 2019. Any increases will be allocated proportionately going forward in accordance with the order.

After a brief discussion by the Board, the following motion was made:

MOTION: Made by Trustee Pec, seconded by Trustee Kobler to approve the QILDRO filing in the amount of \$3,476.37 to each party with annual post-retirement increases to be allocated proportionately.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

5. APPROVAL - EXPENSES INCURRED JULY THROUGH SEPTEMBER 2019

Trustee Dittman reviewed the quarterly expense report for the period July through September 2019. Expenses include \$4,400.00 in actuary services for Art Tepfer, quarterly asset management fees were \$7,175.00, IPPFA 2019 conference fees were \$1,540.00. The retirement pension benefits for the quarter totaled \$337,442.76; non-duty disability benefits totaled \$17,692.56; and duty-disability benefits totaled \$18,022.83, as detailed out by pensioner in the attached schedule.

After Trustee Dittman reviewed the expenses, the following motion was made:

MOTION: Made by Trustee Pec, seconded by Trustee Kobler, to approve the quarterly expense report for July through September 2019.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

6. REPORT - POLICE PENSION BALANCES THROUGH SEPTEMBER 30, 2019

Trustee Dittman advised total assets were \$23,099,587.22 as of September 30, 2019. There is \$124,521.31 due back to the General Fund netted in that total.

Revenues include a year-to-date Village contribution of \$419,141.80 which aligns with the annual budgeted amount of \$986,858.00, Police contributions of \$85,124.41, interest income of \$206,903.57, unrealized gain on investments of \$471,496.51, a realized loss on investments of \$167,468.54, and a donation of \$50 resulting in a net year-to-date revenues of \$1,015,246.75.

Total expenditures as of September 30, 2019 were \$627,635.65 versus our budgeted amount of \$1,486,987.00.

The Board accepted the report as presented by Trustee Dittman.

7. REPORT - AUDITED FINANCIAL STATEMENTS - APRIL 30, 2019

Trustee Dittman reviewed the audited financial statements as of April 30, 2019.

On the Statement of Fiduciary Net Position, a total of \$22,720,359 in Assets are shown with \$8,383 due to the Village giving a Net Position of \$22,711,976.

The Statement of Changes in Fiduciary Net Position shows budgeted amounts versus actual. Village contributions of \$871,084 matches budget exactly and Police contributions actual contribution of \$204,412 versus the budgeted amount of \$198,690. Interest income actual is at \$1,007,976 versus the budget of \$500,000 and there was a Net appreciation of

investments of \$481,295, which includes both realized and unrealized gains and losses. Total investment income of \$1,489,271 and investment expense of \$27,255 which is deducted from that. Deductions include Administration expenses at \$44,510 and Benefits and refunds at \$1,356,181. The change in Net Position was \$1,136,821, which increases total Net Position to \$22,711,976.

The Board accepted the report as presented by Trustee Dittman.

8. APPROVAL - ACTUARIAL VALUATION REPORT AS OF April 30, 2019

Trustee Dittman reviewed the report prepared by Art Tepfer. The actuary's recommended funding amount using the entry age normal method is \$1,074,713 or 49.74% of current payroll and targets 100% funding by 2040. An alternative method, which is the statutory minimum amount calculated under the projected unit credit actuarial cost method, is \$720,154 or 33.33% of current payroll, assuming 90% funding by 2040. The current Village contribution is \$986,858 based on 100% funding by 2040, assuming a 7.25% investment rate of return. The actual investment rate of return for fiscal year ending 4/30/2019 was 6.61%. Over the past year there had been an 8.6% increase in pension payments to \$1.36 million, and the funded ratio has dropped to 72.87%.

President Davi abstained from the discussion and vote acting only as the Chair due to his role as Trustee on the Village Board.

After discussing the report and the differences between the two actuarial cost methods, the following motion was made:

MOTION: Motion to approve the Actuarial Valuation Report, was made by Trustee Pec, seconded by Trustee Kobler.

MOTION DECLARED CARRIED

9. APPROVAL - REQUIRED REPORTING TO MUNICIPALITY BY PENSION BOARD AND REQUEST FOR ANNUAL VILLAGE CONTRIBUTION FOR FISCAL YEAR ENDING APRIL 30, 2021

Trustee Dittman presented the required annual reporting to the Village by the Pension Board for fiscal year ending April 30, 2019 as prepared by Art Tepfer, and clarified that the report includes the statutory minimum amounts. The recommended contribution based off the Entry Age Normal actuarial cost method amounts to \$1,074,713.

President Davi abstained from this discussion and vote acting only as the Chair due to his role as Trustee on the Village Board.

After Trustee Dittman reviewed the report and request, the following motions were made:

MOTION: Made by Trustee Pec, seconded by Trustee Kobler to approve the report to the municipality.

MOTION: Made by Trustee Kobler, seconded by Trustee Pec to request from the Village the amount of \$1,074,713 for the 2020 funding allocation which is based on the Entry Age Normal valuation.

MOTION DECLARED CARRIED

10. APPROVAL - ANNUAL DEPARTMENT OF INSURANCE REPORT - APRIL 30, 2019

Trustee Dittman reviewed the Department of Insurance report and discussed the increase in the amount of interrogatory questions and uploaded documentation required. The report was submitted to the Department of Insurance on October 25, 2019.

MOTION: Made by Trustee Pec, seconded by Trustee Kobler to approve the Annual Department of Insurance report as filed by Trustee Dittman.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

11. APPROVAL - INVESTMENT POLICY REVIEW AND UPDATES

Mr. Harrington reviewed changes to the fixed income section on page 5 of the Investment Policy. The allocation ranges have been tightened and better clarify what the target is.

After a brief discussion by the Board, the following motion was made:

MOTION: Made by Trustee Dittman and seconded by Trustee Pec to adopt the revised Investment Policy as presented.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

12. APPROVAL - INVESTMENTS MADE JULY THROUGH SEPTEMBER 2019 - QUARTERLY INVESTMENT REPORT - SAWYER FALDUTO

Mr. Harrington reviewed the Investment Guidelines noting there were no changes and the equity target remained at 60%. Mr. Harrington highlighted year-to-date Investment returns in 2019 were \$2,858,274 over the 9-months. Total account return in the 3<sup>rd</sup> quarter was 1.13% gross and 1.10% net. The

benchmark is 1.33%. Year-to-date those returns are at 14.03% and 13.92% respectively. 3<sup>rd</sup> quarter equity return was at 0.45% and YTD was 18.24% which can be compared to the blended benchmark of .60% (Quarter 3) and 18.57% (year-to-date). Fixed income return was at 2.15% in the 3<sup>rd</sup> quarter and year-to-date it is at 8.00%. Investment gain since portfolio inception is \$2,872.978. Mr. Harrington discussed the economic overview and pointed out the Consumer Confidence Index continues in a positive trend and noted that the anticipated interest rate cut had little effect on the market. Mr. Harrington pointed out that while there is a significant divergence between large and small cap equities (4.25% -8.92%) in the last twelve months, the fund was insulated from the volatility as 70% of the fund's asset base are in large cap equities. Mr. Harrington advised the portfolio allocations as of September 30, 2019 are on target with Equities at 59.8%, Fixed Income at 40.0%, and Cash Equivalent at 0.2%. Mr. Harrington reviewed the Fixed Income Portfolio and noted that the maturity distribution the fund currently has will insulate it from the lower rate environment.

MOTION: Made by Trustee Pec, seconded by Trustee Dittman to approve Sawyer & Falduto's Quarterly report.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

13. VISITOR BUSINESS

None presented.

14. NEW BUSINESS

- A. Trustee Kobler informed the board of the memorial for retired Sergeant David Gaddis and started the discussion of the transition of his pension to a surviving spouse benefit. Trustee Dittman clarified that Mrs. Gaddis will receive any approved retro-active pay and adjustments to the benefit amount will be made once the collective bargaining agreement is approved. Written communication will be sent to Mrs. Gaddis.
- B. Trustee Dittman discussed sending disabled Sergeant Chris Drake for his annual medical evaluation. The Board will look to Charles Atwell for legal guidance as to the process that should be followed and all are comfortable following Mr. Atwell's advice.
- C. Trustee Dittman informed the Board of the audit of the pension fund currently being performed by the State of Illinois Department of Insurance and provided a status update.
- D. Trustee Pec asked the Board to consider sharing information with the Village Board of Trustees about the proposed legislation affecting

the investment portion of the police pension funds and what it might mean to the pension funds over the times.

Trustee Kobler abstained from the discussion due to his position with the Pension Fund Task Force.

President Davi suggested Trustee Pec bring the information to the Village Board as Visitor Business at the next Village Board meeting on November 11, 2019 at 6:30 p.m.

15. OLD BUSINESS

None presented.

16. COMMUNICATIONS

None presented.

17. ADJOURNMENT

MOTION: Made by Trustee Kobler, seconded by Trustee Pec to adjourn the Board of Trustees meeting of the Police Pension Fund at the hour of 4:12 p.m.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

PRESENTED, READ and APPROVED,

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Date

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President

Minutes transcribed by Nancy Turville.