

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE POLICE PENSION FUND OF THE VILLAGE OF WILLOWBROOK HELD ON WEDNESDAY, OCTOBER 18, 2017, AT 2:30 PM, AT THE WILLOWBROOK POLICE DEPARTMENT, 7760 QUINCY STREET, WILLOWBROOK, DUPAGE COUNTY, ILLINOIS

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1. CALL TO ORDER

The meeting was called to order at the hour of 2:32 p.m. by President Davi.

2. ROLL CALL

Those present at roll call were President Umberto Davi, Trustee Timothy Kobler, Trustee Joseph Pec, Trustee Carrie Dittman and Recording Secretary Debbie Hahn. Guests included John Falduto and David Harrington from Sawyer Falduto, and Village of Willowbrook Trustee Gayle Neal.

ABSENT: Trustee Scott Eisenbeis.

3. APPROVAL - MINUTES OF THE MEETING - 07/19/17

The Board reviewed the Meeting minutes from July 19, 2017.

MOTION: Made by Trustee Pec, seconded by Trustee Kobler to approve the Meeting minutes of July 19, 2017, as presented.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

4. APPROVAL - NEW EMPLOYEES PENSION APPLICATIONS

The Board reviewed two applications for membership into the Willowbrook Police Pension Fund as Tier II employees by new officers Eulalio Mestre and Alexander Erdmann.

Trustee Dittman advised that it should be noted that the Board has not received Officer Mestre's divorce decree from first marriage.

After a brief discussion, the following motion was made:

MOTION: Made by Trustee Pec, seconded by Trustee Kobler to approve membership into the Willowbrook Police Pension Fund as Tier II employees for Officer Eulalio Mestre, with the understanding that Officer Mestre will provide the Board with requested divorce decree.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

MOTION: Made by Trustee Pec, seconded by Trustee Kobler to approve membership into the Willowbrook Police Pension Fund as Tier II employees for Officer Alexander Erdmann.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

5. APPROVAL QUARTERLY EXPENSE REPORT - JULY THROUGH SEPTEMBER 2017

Trustee Dittman reviewed the expense report for the period July through September 2017. Expenses include \$700.00 in legal fees to Atwell & Atwell, quarterly financial advisory fees were \$8,939.98, \$85.00 for pension trustee training, \$1,500.00 IPPFA conference registration fee, pension retirement benefits for July were \$90,000.13, August and September benefits were \$94,273.32 for each month, widow's benefit was \$3,209.37 per month for July, August, and September; and disability benefits were \$5,706.62 per month for July, August, and September. The detail of the pension benefits is attached.

The pension retirement benefits increased \$14,000.00 per month due to two recent retirements. After Trustee Dittman reviewed the expenses, the following motion was made:

MOTION: Made by Trustee Kobler, seconded by Trustee Pec, to approve the quarterly expense report for July through September 2017.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

6. REPORT - POLICE PENSION FUND BALANCES - FISCAL YEAR TO DATE THROUGH SEPTEMBER 30, 2017

Trustee Dittman reviewed the Police Pension Fund balances as September 30, 2017, as compared to last year. She noted, this is a new report that reflects the ending balances from September 30, 2016 & 2017 along with the 2017-18 budgeted amount for line items. Trustee Dittman advised that the investment balances are actually as of August 31, 2017, since the September 2017 statement was not available at the time the September financial statements were prepared.

Trustee Dittman advised in the Asset section, Due to/from General Fund - under 09/30/17 column in brackets (\$103,189.31) this is what the Police Pension fund owes back to the Village's General Fund for monies fronted to the Pension fund. There is approximately \$60,000 in cash that will be used to partially pay this back. She will discuss this issue further in the report.

Revenues -As of 9/30/17 the Fund has received \$368,653.56 for village contributions, \$87,275.68 for police contributions, \$215,758.31 in interest income, \$460,841.67 in unrealized gain on investments; and \$34,847.69 in realized loss on investments.

Expenditures -As of 9/30/17 the Fund has spent \$700 in legal fees, \$4,400.00 in actuary services, \$8,939.98 in financial advisory fees, \$92.00 in training, \$1,500.00 in fees/dues/subscriptions, \$3,824.45 in Department of Insurance filing fee, \$438,989.57 pension benefits,

\$16,046.85 in widow's pension benefits, and \$28,533.10 in disability benefits. Total expenditures to date are \$503,025.95 vs \$440,440.31 for 9/30/16.

President Davi asked if the (\$34,847.69) of realized loss was due to previous financial advisors or is this the normal course. Trustee Dittman advised this was under the old financial advisors as this reflects activity through August 2017. The financial advisors determined what to sell off and our financial statements reflect the realized gain or loss that resulted from the transactions.

**\*Mr. John Falduto and Mr. David Harrington of Sawyer & Falduto joined the meeting at 2:48 p.m.**

7. REPORT - AUDITED FINANCIAL STATEMENT - APRIL 30, 2017

Trustee Dittman advised that this is for informational purposes only. She reviewed the Police Pension Fund financial statements from the April 30, 2017 audit, which was approved at the October 9, 2017 Village board meeting. The Village financial statements, which includes the Police Pension Fund, received an unmodified or "clean" opinion, as a result of the audit.

The Village's independent auditors had no adjustments or management letter comments that related to the Police Pension Fund.

Trustee Dittman advised that the statement shows changes in the fiduciary net position with the budgeted amounts vs. the actual amounts for the year ending April 30, 2017.

The ending net position as of April 30, 2017 was \$20,396,498. The fund's total contributions for the year were \$1,002,490.00, interest income was \$567,322.00, net appreciation in fair value of investments was \$890,314.00, minus investment advisors expense of \$33,774, for a total Net Investment Income of \$1,423,862.00, which brings the fund's total additions to \$2,426,352.00. Deductions include \$1,051,063.00 for administrative fees, benefits and refunds. The change in net position for the year was an increase of \$1,375,289.00, which brings the Fund's net position to \$20,396,498.

8. APPROVAL - ACTUARIAL VALUATION REPORT - AS OF APRIL 30, 2017

Trustee Dittman reviewed the Actuarial Valuation Report prepared by Tepfer Consulting Group, Ltd. This reports the value of the Fund as of April 30, 2017 and includes funding recommendations which will be used for the Village's fiscal year ending April 30, 2019. Although his report states for fiscal year ending April 30, 2018, the calculations are always a year

behind and this report is utilized as a funding mechanism for the start of our next fiscal year.

Within his report, Mr. Tepfer comes up with two different proposed contribution amounts from the Village. The first option is \$871,084.00 which is 41.18% of current payroll. This assumes 100% funding by 2040 under the entry age normal actuarial cost method. The second option is \$579,258.00 which is 27.39% of the current payroll. This assumes 90% funding by 2040 under the projected unit credit actuarial cost method which is the statutory minimum.

The #1 option is Mr. Tepfer's recommendation, which complies with the GASB's standards. The #2 option is what would comply with the state statute.

The amount from the last valuation that is being contributed this year (May 1, 2017 - April 30, 2018) is \$871,363.00, which was based on 100% funding by 2040. As in the prior valuation, this valuation assumes an investment return of 7.25%. The actual investment rate of return for the fiscal year ending April 30, 2017 was 7.39%, so the fund out-performed the actuarial valuation.

If the Fund selects funding option one, our contribution amount would decrease by around \$300.00.

The summary of actuarial assumptions used in the valuation is located on pages 20-21 of his report. No changes were made to the assumptions for this valuation, and the actuary notes in his summary that due to strong investment returns he recommends holding off lowering the interest rate assumption for now.

The contribution request for the next year needs to be approved by the Police Pension Board and will be proposed to the Village Board in the FY 18/19 budget planning process.

After a brief discussion, the following motion was made:

MOTION: Made by Trustee Kobler, seconded by Trustee Pec, to approve the Actuarial Valuation Report by Tepfer Consulting Group, Ltd. as presented.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

9. APPROVAL - REQUEST FOR ANNUAL VILLAGE CONTRIBUTION FOR THE FISCAL YEAR ENDING APRIL 30, 2019 AND REQUIRED REPORTING TO MUNICIPALITY BY PENSION BOARD

Trustee Dittman advised that this report satisfies the statutory requirement to report back to the Village on how the Pension Fund is funded, sources of income, and rate of return for the immediate past fiscal year vs the prior fiscal year. The actuary's funding recommendation represents the Employer Contributions from all other sources under the Estimated Receipts During the Next Succeeding Fiscal Year.

MOTION: Made by Trustee Kobler, seconded by Trustee Pec, to approve the Required Report to the Municipality by the Pension Board and to request the annual contribution of \$871,084.00 from the Village for the next fiscal year.

Ayes: Trustee Eisenbeis, Trustee Dittman, Trustee Kobler, and Trustee Kobler. President Davi abstained from the vote.

MOTION CARRIED.

10. REPORT - ANNUAL DEPARTMENT OF INSURANCE REPORT - APRIL 30, 2017

Trustee Dittman reviewed the annual filing of the Police Pension Fund for fiscal year ending April 30, 2017. This report reports explicit details of all the balances by individual investment, all investment transactions, realized gains and losses, and all income and expenses in detail.

Trustee Dittman noted that the report also requires, beginning on page 34, the detail of all the active officers, retirees, and other beneficiaries, including their salaries as of April 30, 2017 along with accumulated contributions. All personal information is redacted since it goes to the board in an open meeting. At the end of the report are required interrogatory questions that needed to be answered as required by the Department of Insurance.

This report was prepared and submitted to the Department of Insurance on October 10, 2017. The required certification form must be signed by the board officers, notarized and submitted to the Department of Insurance by their October 31, 2017 deadline.

11. APPROVAL - TRANSFER TO VILLAGE'S GENERAL FUND FOR REIMBURSEMENT OF POLICE PENSION EXPENSES

Trustee Dittman reported that as of September 30, 2017, the Police Pension Fund owed the General Fund \$103,189.30 and only had about \$62,000.00 of available cash. This is a deficit of \$41,189.30 owed. In addition, disbursements from October 9, 2017 are not reflected in the reports, which brings the current deficit to \$46,315.00. This amount will grow with

monthly contribution shortfalls to about \$90,000.00 through December 31, 2017.

A reimbursement of \$90,000.00 from the Charles Schwab Police Pension account to the Village's General Fund is necessary to cover the existing and estimated shortfalls over the next three (3) months. The amount due to the General Fund will be revisited at the January 2018 pension board meeting. John Falduto noted that a board member needs to send an email to Sawyer Falduto requesting the transfer of funds and noting the amount required. Trustee Dittman will send the email after the board approves at today's meeting.

MOTION: Made by Trustee Pec, seconded by President Davi, to reimburse the Village \$90,000.00 from the Pension Fund's money market account

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

12. APPROVAL - QUARTERLY INVESTMENT REPORT JULY THROUGH SEPTEMBER 2017 - SAWYER & FALDUTO

Mr. John Falduto and Mr. Dave Harrington introduced themselves. Mr. Falduto advised he had a few documents that the Pension Board signed; which includes the Schwab documentation along with the addendum that does not require personal information such as social security numbers, dates of birth, home addresses, etc.; the RAPP Arrangement sheet that details custodial fees (we do not pay Schwab directly every month, instead Sawyer & Falduto writes a check for this service); the MBMS Advisory Agreement between Sawyer & Falduto and the Pension Board which includes the fee schedule; the transfer form for the former custodial account; and the Money Link form.

Mr. Falduto advised since Willowbrook's fee schedule is lower than most boards, the A.D.V. schedule will be updated at the next update and forwarded to the board for their records.

Mr. Falduto summarized the quarterly/initial report for the pension fund beginning with the Transaction Ledger report. This report is the transfer of all the receipts of securities, dividends, principal and interest for the accounts. Trustee Dittman advised that she checked to ensure each of the securities from MB Financial were transferred over at the correct value to Schwab, however the par values of the fixed incomes were all just slightly off by minor amounts.

The Portfolio Allocation is at 58.6% in equities, 38.2% in fixed income and 3.2% in cash. The board discussed and agreed the target for equities will be 60% with a range of 55%-65%; 40% target in fixed income with a range of 35%-45%; and 0% target in cash with a range of 0%-5%.

Mr. Falduto suggested that the Investment Policy be reviewed to make the appropriate adjustments to correlate to the above targets and ranges. This will be discussed at the next pension board meeting in January.

Mr. Falduto reviewed the different sections of the quarterly report to show the changes from MB Financial vs Sawyer Falduto's report.

Trustee Kobler inquired if this is the right time to rearrange the portfolio or should the board wait. Mr. Falduto and Mr. Harrington explained their investment strategies.

MOTION: Made by Trustee Pec, seconded by Trustee Kobler, to approve Sawyer & Falduto's first quarterly investment performance report for July through September 2017, as presented.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

13. APPROVAL - INVESTMENT DIRECTION FOR SAWYER & FALDUTO

President Davi asked the board if they had any additional recommendations/direction for Sawyer Falduto other than what was discussed in Item 12. Trustee Dittman noted that at the last meeting the Board had discussed that they would give direction to Sawyer Falduto as to how to execute their investment strategy. She asked what Sawyer Falduto's plan was regarding migrating our existing assets to their investment strategy; would they do a massive selloff, would they wait for bonds to mature, or something else? Mr. Harrington said that there would be a transition period of 2-4 weeks for major items and that most assets would be liquidated by the first quarter. Mr. Harrington said that they will review each security and factor in credit quality, maturity date, etc. to determine the liquidation date. Bonds would need to go out to bid before they are sold off. With no further discussion, the following motion was made:

MOTION: Made by Trustee Dittman, seconded by Trustee Pec to set the allocation of cash/short-term target at 0% with a range of 0-5%, Fixed income target at 40% with a range of 35% - 45%, and Equities target at 60% with a range of 55% - 65%, as presented under Item 12 of the agenda, the Investment Report - Tab 1 from Sawyer and Falduto.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

MOTION: Made by Trustee Dittman, seconded by President Davi to direct Sawyer & Falduto to review each security in the current portfolio and to investigate the liquidation dates over the next quarter to move to Sawyer & Falduto's recommended portfolio.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

14. VISITOR BUSINESS

Visitor Trustee Gayle Neal thanked the Board for allowing her to be at this meeting. She added it was a very insightful meeting.

15. NEW BUSINESS

A. 2018 Quarterly Meeting Dates

The Board agreed on the following dates to hold the Willowbrook Police Pension quarterly meetings. They will be held on the third Wednesday of each quarter which are: January 17, 2018, April 18, 2018, July 18, 2018 and October 17, 2018. These meetings will be held at 3:00 p.m. at the Willowbrook Police Department Training Room, 7760 Quincy Street.

MOTION: Made by Trustee Dittman, seconded by Trustee Pec to approve the 2018 Village of Willowbrook Police Pension quarterly meeting dates, as presented.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

16. OLD BUSINESS

A. OFFICER HIRING PRACTICES

Trustee Dittman reported back on a question that was raised at the last pension meeting, "Can the Pension Board deny the membership application of a potential new member to the fund once they have been hired by the Village of Willowbrook based on a pre-existing condition, disability, etc., where the pension board would eventually have to pay out for that condition in the future"? Trustee Dittman provided the board with the Board of Police Commissioners police applicant's requirements for hire. The Illinois Law Enforcement and Standards Board established the "Peace Officer Wellness Evaluation Report (POWER)" test. When the test is passed, a card is issued and the card is required to apply and must have been issued by a licensed agency within 6-months prior to the written examination. The POWER test takes the place of individual physical exams. Trustee Dittman contacted Pension Attorney Atwell and he advised that in 1992, the Federal ADA was enacted and that based on a lawsuit, the Illinois Police Pension Code was amended to eliminate the "fitness for duty" examination as it conflicted with Federal law. Because of the precedent, departments cannot deny an applicant into the fund based on a pre-existing physical or mental condition. Trustee Kobler advised that this is only a requirement to get placed on the list. There are additional requirements the applicant must complete as well to qualify to be on the list.



17. COMMUNICATIONS

None presented.

18. ADJOURNMENT

MOTION: Made by Trustee Dittman, seconded by Trustee Pec to adjourn the Board of Trustees meeting of the Police Pension Fund at the hour of 4:31 p.m.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

PRESENTED, READ and APPROVED,

\_\_\_\_\_  
Date

\_\_\_\_\_  
President

Minutes transcribed by Debbie Hahn.