

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE POLICE PENSION FUND OF THE VILLAGE OF WILLOWBROOK HELD ON WEDNESDAY, JULY 19, 2017, AT 3:00 PM, AT THE VILLAGE HALL, 835 MIDWAY DRIVE, WILLOWBROOK, DUPAGE COUNTY, ILLINOIS

1. CALL TO ORDER

The meeting was called to order at the hour of 3:16 p.m. by President Davi.

2. ROLL CALL

Those present at roll call were President Umberto Davi, Trustee Timothy Kobler, Trustee Scott Eisenbeis, Trustee Joseph Pec, Trustee Carrie Dittman and Recording Secretary Debbie Hahn. Guests included Michael Stuart from MB Financial Bank and John Falduto from Sawyer Falduto.

ABSENT: None.

3. APPROVAL - MINUTES OF THE SPECIAL MEETING - 05/03/17

The Board reviewed the Special Meeting minutes from May 3, 2017.

MOTION: Made by Trustee Pec, seconded by Trustee Eisenbeis to approve the Special Meeting minutes of May 3, 2017, as presented.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

4. APPROVAL - MINUTES OF THE SPECIAL MEETING - 05/24/17

The Board reviewed the Special Meeting minutes from May 24, 2017.

MOTION: Made by Trustee Pec, seconded by Trustee Eisenbeis to approve the Special Meeting minutes of May 24, 2017, as presented.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

5. APPROVAL OF INVESTMENTS MADE APRIL THROUGH JUNE 2017 - QUARTERLY INVESTMENT REPORT - MB FINANCIAL BANK

Michael Stuart, a representative of MB Financial Bank, thanked the Village of Willowbrook and Board members for allowing MB Financial Bank to service the pension fund over the past years. Mr. Stuart summarized the quarterly investment report for the Police Pension Board.

Mr. Stuart reported that the total fund value on 06/30/2017 is at \$20,697,813 in a thriving market. The fund is at 53.62% equities, which is close to the 55% allocation target. The portfolio allocations are targeted at 55% in equities, 45% in fixed income. The performance summary for the total fund in the second quarter of 2017 was 2.56%. The latest

five-year actual is at 6.92% vs. the benchmark at 7.07%. Equities were at 3.79% vs the benchmark of 3.66%, however the 7-year totals are looking solid. The fund out-performed in alternative strategies at 2.97% vs the benchmark of 2.86%.

MB Financial Bank noted that due to the underperformance of Kroger stock, a sell off of the stock is pending. If the Pension Board would like MB Financial Bank to sell off the stock, Mr. Stuart needs direction on that prior to transitioning to Sawyer & Falduto, otherwise MB Financial Bank can transfer this stock to Schwab. He will need signatures prior to this transaction. No action was taken on this item.

Trustee Dittman inquired what the timeframe for the transfer to Schwab would be once the proper paperwork is completed.

Mr. John Falduto advised that once the Sawyer & Falduto Investment Management Agreement and the Schwab paperwork is reviewed and approved, the paperwork will be electronically sent over to Schwab. Schwab will then open up the Schwab Custodial Account. This will take approximately five (5) days to complete. An account transfer form gives MB Financial Bank direction to transfer the assets per the delivery instructions. The assets will then be moved. Once the assets arrive, the Pension Board will have three (3) options:

- Move forward with Sawyer & Falduto's strategies
- Hold a special meeting to discuss options with Sawyer & Falduto and go over where the assets are as they transferred in and discuss strategies to continue moving forward.
- Or wait until the Board's next meeting and begin discussions and strategies at that time.

President Davi confirmed that the asset transfers will be transferred "in-kind", which Mr. Falduto advised that they have looked at all our assets and see no problems concerning that issue.

MOTION: Made by Trustee Kobler, seconded by Trustee Dittman, to accept MB Financial Bank's final quarterly report for April through June 2017, as presented.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

6. APPROVAL OF RETIREMENT APPLICATIONS - CHIEF MARK SHELTON AND OFFICER THEODORE KOLODZIEJ

Trustee Dittman provided a memo to the Pension Board regarding Chief Mark Shelton's Retirement Pension Application. She read the following for the record:

Enclosed for your review is an application for regular retirement benefits submitted by Chief Mark Shelton. As of July 2, 2017, Chief Shelton has contributed \$220,683.89 into the pension fund and contribution for his last days (July 3-14) will be deducted from his final paycheck.

As noted on the paperwork, Chief Shelton's retirement date is July 14, 2017 and his retirement pension will begin on July 15, 2017. He will have earned 30 years, 0 months, and 0 days of service credit granting him 75.0% of his current salary of \$132,266. This calculates to an annual pension amount of \$99,199.50.

The initial monthly pension will be \$8,266.63, except that the month of July is prorated and will be \$4,533.31.

The first increase in pension will occur June 1, 2020.

As required under state statute, as the Finance Director/Pension Fund Treasurer, I have attached Chief Shelton's pension calculation.

After a brief discussion, the following motion was made:

MOTION: Made by Trustee Pec, seconded by Trustee Dittman to approve the retirement benefits for Chief Mark Shelton beginning July 15, 2017.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

Trustee Dittman provided a memo to the Pension Board regarding Officer Theodore Kolodziej's Retirement Pension Application. She read the following for the record:

Enclosed for your review is an application for regular retirement benefits submitted by Officer Theodore Kolodziej. As of July 2, 2017, Officer Kolodziej has contributed \$175,043.54 into the pension fund and contribution for his last day (July 3) will be deducted from his final paycheck.

As noted on the paperwork, Officer Kolodziej's retirement date is July 3, 2017 and his retirement pension will begin on July 4, 2017. He will have earned 29 years, 5 months, and 23 days of service credit granting him 72.5% of his current salary plus longevity of \$95,756.58. This calculates to an annual pension amount of \$69,423.52.

The initial monthly pension will be \$5,785.29, except that the month of July is prorated and will be \$5,225.42.

The first increase in pension will occur August 1, 2018.

As required under state statute, as the Finance Director/Pension Fund Treasurer, I have attached Officer Kolodziej's pension calculation.

After a brief discussion, the following motion was made:

MOTION: Made by Trustee Pec, seconded by Trustee Kobler to approve the retirement benefits for Officer Theodore Kolodziej beginning July 4, 2017.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

7. APPROVAL - FINANCIAL REPORT - APRIL THRU JUNE 2017

Trustee Dittman reviewed the financial report for the period April through June 2017. Expenses include \$4,400.00 to Tepfer Consulting for actuary services, quarterly financial advisory fees were \$8,699.95, a \$563.13 IPPFA conference expense (prepaid in FY 16), \$3,824.45 for Illinois Department of Insurance annual filing fee, pension retirement benefits for April were \$79,404.25, May and June benefits were \$80,221.40 for each month, widow's benefit was \$3,209.37 per month for April, May and June; and disability benefits were \$5,706.62 per month for April, May and June. The detail of the pension benefits is attached.

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

MOTION: Made by Trustee Kobler, seconded by Trustee Eisenbeis, to approve the financial report for April through June 2017.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

8. REPORT - POLICE PENSION FUND BALANCES - FISCAL YEAR ENDING APRIL 30, 2017 (UNAUDITED)

Trustee Dittman advised that this is a new report that the Board has not seen in years past. The purpose of this report is to see what the actual figures are vs. the budget for assets, liabilities, revenues and expenditures for the last fiscal year. This has not been audited since the audit has not occurred yet but the numbers are adjusted to where they will be.

As of April 30, 2017, about the pension fund owes \$88,320.24 to the Village's General Fund as monthly benefit payments exceed monthly contributions; we are less than the break-even point so we are not sending more money to be invested at this time. By the October meeting, we will have two more pensioners' benefits coming out, and we need to take another look at this and determine if cash from the pension fund's money-market funds needs to be transferred to the Village to be caught up again.

At the end of the fiscal year, the fund has seen an increase of \$1,375,291.07. This report is for informational purposes. If the Board would like to see this report on a quarterly basis, Trustee Dittman will make it part of the quarterly packet. She is looking for direction from the Board.

President Davi asked that the report stay on the agenda for informational purposes.

9. REPORT - REVENUE AND EXPENDITURE REPORT FOR POLICE PENSION FUND THROUGH JUNE 30, 2017

Trustee Dittman advised the previous report presented assets, liabilities, revenues and expenditures. This report shows summary totals May 2017 to June 2017 of the budgeted amount, availability of funds and percent of budget that's been collected or spent.

Under revenues, the fund has collected 15.38% of the budgeted annual village contribution, 16.17% of police contribution, and 9.10% of interest income.

Under expenditures, we have spent 100% of the annual budgeted actuary services, 100.54% of the Department of Insurance filing fee, 16.48% for pension retirement benefits, 16.67% for widow's pension, and 16.57% for disability benefits.

- **Mr. Michael Stuart of MB Financial Bank left the meeting at 3:45 p.m.**

10. APPROVAL - INVESTMENT ADVISORY AGREEMENTS - SAWYER & FALDUTO

Trustee Dittman advised that Mr. John Falduto previously emailed the Investment Advisory Agreement, Company Retirement Account Application, Company Retirement Account Application Agreement, and the Account Agreement Addendum for Company Retirement Account Application Agreement. These were then forwarded to pension attorney Charles Atwell for his review and approval. Mr. Atwell advised the documents were fine with no additions or modifications needed to them. Mr. Falduto then completed the forms adding the Willowbrook data and compiled the additional agreements which are the Addendum to Schwab Account Application for Wrap Fee Arrangement, Transfer Your Account to Schwab form, Schwab Moneylink Electronic Funds Transfer form, and the Sawyer & Falduto Privacy Notice. All the agreements are included in today's packet for review.

Mr. Falduto reviewed the process of these forms with the Board. Trustee Dittman asked for clarification on document H - Sawyer & Falduto Privacy Notice, page 5 under Fee Differential/Conflict of Interest. Where it states ...a Program fee based upon a percentage (%) of the market value of the assets placed under management (*between 0.20% and 1.00%*)". Trustee

Dittman noted that the quoted fee from Sawyer and Falduto was .125%. She asked for clarification on this number. Trustee Dittman noted that the same incorrect fee language appeared on the ADV Part 2A, Appendix 1 Wrap Fee Program Brochure on pages 3 and 6.

Mr. Falduto stated that was an error on their part and will update and forward a corrected copy with the program fee of 0.125%.

MOTION: Made by Trustee Pec, seconded by Trustee Kobler, to accept and approve the Investment Advisory Agreement, Company Retirement Account Application, Company Retirement Account Application Agreement, the Account Agreement for Company Retirement Account Application Agreement, Addendum to Schwab Account Application for Wrap Fee Arrangement, Transfer Your Account to Schwab form, Schwab Moneylink Electronic Funds Transfer form, and the Sawyer & Falduto Privacy Notice (with fee correction).

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

11. VISITOR BUSINESS

None present.

12. NEW BUSINESS

Trustee Eisenbeis raised the question of whether the Police Pension board could review the medical records of new hires and reject an application for admission to the pension fund if the new hire had a pre-existing disability. There was some discussion on past practice and possible HIPPA implications. Trustee Dittman commented that the Board of Police Commissioners does the screening of new applicants and publishes a list that the Village must use to hire from. She commented that she was not aware of the Village's ability to deviate from the list. She noted that she would inquire of the pension board attorney Charles Atwell for his guidance.

13. OLD BUSINESS

None presented

14. COMMUNICATIONS

None presented.

15. ADJOURNMENT

MOTION: Made by Trustee Pec, seconded by Trustee Dittman to adjourn the Board of Trustees meeting of the Police Pension Fund at the hour of 4:17 p.m.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

PRESENTED, READ and APPROVED,

Date

President

Minutes transcribed by Debbie Hahn.