

MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE POLICE PENSION FUND OF THE VILLAGE OF WILLOWBROOK HELD ON OCTOBER 17, 2018, AT 3:00 PM, AT THE WILLOWBROOK POLICE DEPARTMENT, 7760 S QUINCY STREET, WILLOWBROOK, DUPAGE COUNTY, ILLINOIS

1. CALL TO ORDER

The meeting was called to order at the hour of 3:00 p.m. by President Davi.

2. ROLL CALL

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

3. VISITOR BUSINESS

None presented.

4. APPROVAL - MINUTES OF THE REGULAR MEETING - July 18, 2018

The Board reviewed the minutes from the July 18, 2018 meeting.

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

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

5. APPROVAL - APPLICATION OF NEW OFFICER JOAQUIN SILVA

New Tier 2 Officer Joaquin Silva started as a patrol officer with the Village of Willowbrook on September 10, 2018. Trustee Dittman pointed out the changes to the form that were requested at the last meeting are reflected on this form.

MOTION: Made by Trustee Eisenbeis, seconded by Trustee Dittman to approve the application for membership for Officer Joaquin Silva.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

6. APPROVAL - EXPENSES INCURRED JULY THROUGH SEPTEMBER 2018

Trustee Dittman reviewed the quarterly expense report for the period July through September 2018. Expenses include four months of legal fees for May through August from Atwell & Atwell of \$5,084.77, \$4,400.00 in actuary services for Art Tepfer, quarterly financial advisory fees were \$6,862.00,

IPPFA 2018 conference fees were \$1,500.00 and \$250.00 for Northern Illinois University training taken by Trustee Dittman. IPPFA dues were \$795.00. The pension benefits for the quarter totaled \$311,193.65; there is no more widow's benefit; and disability benefits totaled \$17,406.21, as detailed out by pensioner in the attached schedule. A separation refund to Eulalio Mestre of \$4,243.02 was also paid.

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

MOTION: Made by Trustee Eisenbeis, seconded by President Davi, to approve the quarterly expense report for July through September 2018.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

7. REPORT - POLICE PENSION FUND BALANCES FISCAL YEAR TO DATE THROUGH SEPTEMBER 30, 2018 (UNAUDITED)

Trustee Dittman advised total assets were \$22,596,402.66 as of September 30, 2018 versus \$20,991,154.41 at September 30, 2017.

Revenues include a year to date Village contribution of \$368,535.53 which aligns with the annual budgeted amount of \$871,084.00, Police contributions of \$86,237.64, interest income of \$133,746.57, unrealized gain on investments of \$1,002,228.51, and a realized gain on investment of \$9,061.12.

Total expenditures as of September 30, 2018 were \$578,561.86 versus our budgeted amount of \$1,426,210.00. We are on target with all of the line items with the exception of Legal Fees. It is anticipated that we will go over in that area.

The Board accepted the report as presented by Trustee Dittman.

8. REPORT - AUDITED FINANCIAL STATEMENTS - APRIL 30, 2018

Trustee Dittman reviewed the audited financial statement as of April 30, 2018.

On the Statement of Fiduciary Net Position, a total of \$21,580,877 in Assets are shown with \$5,722 in Accounts Payable giving a Net Position of \$21,575,155.

The Statement of Changes in Fiduciary Net Position shows budgeted amounts versus actual. Village contributions of \$871,363 matches budget exactly and Police contributions actual contribution of \$199,121 versus the budgeted amount of \$208,955. Interest income actual is at \$1,112,775

versus the budget of \$500,000 and there was a Net appreciation of investments of \$297,329 which includes both realized and unrealized gains and losses. Total investment income of \$1,410,104 and investment expense of \$27,994 which gets deducted from that. Deductions include Administration at \$24,828 and Benefits and refunds at \$1,249,109. Change in Net Position was \$1,178,657 which brings us up to our total Net Position of \$21,575,155.

The Statement of Deductions breaks down the Administrative fees and the Benefits and refunds. Legal fees came in at \$5,245 versus the budget of \$2,000 and Meetings, travel and conferences actually spent \$4,355 versus the budget of \$3,460. Total Benefits and refunds came in at \$1,249,109 versus the budgeted amount of \$1,080,948 due to the three additional retirees that were not included in the budget.

The Board accepted the report as presented by Trustee Dittman.

9. APPROVAL - ACTUARIAL VALUATION REPORT AS OF April 30, 2018

Trustee Dittman reviewed the report prepared by Art Tepfer. The actuary's recommended funding amount using the entry age normal method results in \$986,858 or 50.57% of current payroll and targets 100% funding by 2040. An alternative method is the statutory minimum amount calculated under the projected unit credit actuarial cost method which comes in at \$677,066 or 34.70% of current payroll, resulting in 90% funding by 2040. Current Village contribution is \$871,084 based on 100% funding by 2040 assuming a 7.25% investment rate of return. The actual investment rate of return for fiscal year ending 4/30/2018 was 6.68%. There had been a 21% increase in pension payments to \$1.25 million and the funded ratio has dropped 3% to 73.5%.

After discussing the report, the following motion was made:

MOTION: Motion to approve the Actuarial Valuation Report, was made by Trustee Eisenbeis, seconded by President Davi.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

10. APPROVAL - REQUEST FOR ANNUAL VILLAGE CONTRIBUTION FOR FISCAL YEAR ENDING APRIL 30, 2020 AND REQUIRED REPORTING TO MUNICIPALITY BY PENSION BOARD

Trustee Dittman presented the required annual reporting to the Village by the Pension Board for fiscal year ending April 30, 2018 and clarified that the report includes the statutory minimum amounts. The recommended contribution based off the Entry Age Normal actuarial cost method amounts to \$968,858.

After Trustee Dittman reviewed the report and request, the following motion was made:

MOTION: Made by Trustee Eisenbeis, seconded by President Davi to request from the Village the amount of \$968,858 which is based on the Entry Age Normal valuation.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

11. REPORT - ANNUAL DEPARTMENT OF INSURANCE REPORT - APRIL 30, 2018

Trustee Dittman reviewed the Department of Insurance report and discussed the increase in the amount of interrogatory questions and uploaded documentation required. The submission process is more labor intensive, but no longer requires a signature on the notarized application. The report was submitted to the Dept. of Insurance on October 5, 2018.

The Board accepted the report as presented by Trustee Dittman.

12. APPROVAL - TRANSFER OF \$195,000 TO VILLAGE'S GENERAL FUND FOR REIMBURSEMENT OF POLICE PENSION EXPENSES

Trustee Dittman informed the Board that as of October 9th, 2018 the Police Pension Fund owes the Village \$130,169.24 and the recurring monthly deficit for pension benefits only is slightly over \$21,300. The request to transfer \$195,000 will cover the current and estimated shortfalls over the next three months. Mr. Harrington advised this payment should be able to be made using cash on hand without selling any investments, but he will advise tomorrow to confirm.

After discussing the transfer, the following motion was made:

MOTION: Made by Trustee Eisenbeis and seconded by President Davi to transfer \$195,000 to the Village General Fund to reimburse for Police Pension expenses.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

13. APPROVAL - QUARTERLY INVESTMENT REPORT BY SAWYER & FALDUTO: JULY THROUGH SEPTEMBER 2018

Mr. Harrington reviewed the Investment Guidelines under tab 1. There were no changes and the equity target remained at 60%.

Tab 2 - Cash Flow and Performance Review: Investment returns for the 3rd quarter of 2018 were \$587,832 over the 3-months. Total account return in the 3rd quarter was 2.68% gross and 2.65% net. The benchmark is 3.52% Year to date those returns are at 4.07% and 3.99% respectively. 3rd quarter equity return was at 4.41% and YTD was 7.60% which can be compared to the blended benchmark of 6.25% (Quarter 3) and 9.61% (year to date). Fixed income return was down 2 basis points in the 3rd quarter and Year to Date it is at -1.23%. S&P 500 Index top 3 holdings are Apple Inc., Microsoft Corp, and Amazon Inc. and compose 10.93% of S&P 500. Those three companies have year to date returns of 34.92%, 35.43%, and 71.27% respectively and accounted for 4.99% on the total 10.56% Index return. Recent changes to the portfolio outperformed the previous funds. New Victory Sycamore fund was at 4.75% versus the old Hennessy Focus at 2.54% and Goldman Sachs Small Cap returned 3.12% versus Homestead Small Company at -.054%.

Tab 3 - Tax Reform - Mr. Harrington explained that the tariff issues continue to influence market volatility. Federal Reserve raised short-term interest rates in September and forecasted one additional increase in December and two to three more next year. U.S. Economy continues to grow at an annualized pace of 4.2%. Year to date, S&P 500 Index is at +10.56%, Russell 2000 Index is at +11.51%, and the MSCI-EAFE Index is at -0.98%.

Tab 4 - Portfolio Statement - Mr. Harrington advised the portfolio allocations as of September 30, 2018 are on target with Equities at 61.7%, Fixed Income at 38.0%, and Cash Equivalent at 0.3%.

Tab 6 - Fixed Income Portfolio - Mr. Harrington noted that the fixed income portfolio yield-to-maturity is at 3.26%. The duration is at 4.80 years compared to the benchmark of 5.91 years.

Tab 7 - Mr. Harrington briefly reviewed the Transaction Ledger Report for the third quarter.

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

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

14. NEW BUSINESS

A. RECORD RETENTION

Recording Secretary Turville asked about the Board's opinion on digitizing the Police Pension Board's files. After discussing the following motion was made.

MOTION: Made by Trustee Dittman, seconded by Trustee Eisenbeis to authorize Recording Secretary Turville to investigate and spend

up to \$2,000 to scan and digitize the Police Pension Board files.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

15. OLD BUSINESS

- A. Recording Secretary Turville brought up missing items from the member files and the Board discussed possible ways of obtaining the missing records.

16. COMMUNICATIONS

- A. Trustee Dittman reminded the Board that the disability hearing for Sgt. Drake is Friday, October 19th at 1 p.m.

17. ADJOURNMENT

MOTION: Made by Trustee Eisenbeis, seconded by Trustee Dittman to adjourn the Board of Trustees meeting of the Police Pension Fund at the hour of 4:07 p.m.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

PRESENTED, READ and APPROVED,

Date

President

Minutes transcribed by Nancy Turville.