

MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE POLICE PENSION FUND OF THE VILLAGE OF WILLOWBROOK HELD ON JANUARY 4, 2019, AT 3:30 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 3:33 p.m. by Vice President Kobler.

2. ROLL CALL

Those present at roll call were Trustee Timothy Kobler, Trustee Joseph Pec, Trustee Scott Eisenbeis, and Trustee Carrie Dittman (via teleconference). Also present: Attorney Charles Atwell, John Falduto and David Harrington of Sawyer & Falduto, and Recording Secretary Nancy Turville.

3. APPROVAL - MINUTES OF THE REGULAR MEETING - October 17, 2018

The Board reviewed the minutes from the October 17, 2018 meeting.

MOTION: Made by Trustee Kobler, seconded by Trustee Eisenbeis to approve the minutes of the regular meeting of the Willowbrook Police Pension Fund Board of Trustees held on October 17, 2018.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

4. APPROVAL - MINUTES OF THE SPECIAL MEETING - October 19, 2018

The Board reviewed the minutes from the October 19, 2018 meeting.

MOTION: Made by Trustee Dittman, seconded by Trustee Eisenbeis to approve the minutes of the special meeting of the Willowbrook Police Pension Fund Board of Trustees held on October 19, 2018.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

5. ENTRY OF THE BOARD'S WRITTEN DECISION AND ORDER IN THE MATTER OF CHRISTOPHER M. DRAKE

Attorney Atwell prepared draft and submitted to Board prior to meeting for its review to confirm that draft is consistent with the Board's findings, its analysis, and decision. Attached are the warrant for benefits and calculations provided which set forth salary attached to rank on the date his PEDA benefits end (January 5, 2019) is \$110,909.70. "Line of duty" disability pension annual amount is \$72,091.31 resulting in a monthly pension benefit of \$6,007.61 with an effective date of January 6, 2019. Once approved Attorney Atwell will submit signature page on decision and order and also serve it on the applicant's counsel.

MOTION: Made by Trustee Eisenbeis, seconded by Trustee Pec to approve and enter the written decision and order in the matter of Christopher M. Drake.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

6. APPROVAL - QUARTERLY EXPENSES REPORT OCTOBER THROUGH DECEMBER 2018

Trustee Dittman reviewed the quarterly expense report for the period October through December 2018. Expenses include \$5,450.00 attorney fees for Atwell & Atwell, stenographer fees of \$918.90, audit fees for the pension fund were \$3,282.00, quarterly financial advisory fees were \$7,044.00, pension trustee training costs were \$2298.00. There were physical exam costs related to Drake's three independent medical evaluations needed for the disability hearing that totaled \$7,996.80. The pension benefits for October, November and December totaled \$311,367.21 and disability benefits totaled \$17,406.21, as detailed out by pensioner in the attached schedule.

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 October through December 2018.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

7. REPORT - POLICE PENSION FUND BALANCES FISCAL YEAR TO DATE THROUGH DECEMBER 31, 2018

Trustee Dittman advised total assets as of December 31, 2018 were \$21,545,730.16 and there were no liabilities. Revenues included Village contributions of \$569,554.91, police officer contributions of \$134,168.35, interest income \$288,515.28, unrealized loss on investments of (\$105,141.63), a realized gain on investment of \$17,782.74, and a \$20 donation. Legal fees, court stenographer, and physical exams are all in excess of budget, but those will conclude now that the disability hearing has concluded.

The Board accepted the report as presented by Trustee Dittman.

8. APPROVAL - MONTHLY PENSION BENEFITS AS OF JANUARY 1, 2019

Trustee Dittman reviewed the schedule as included in the packet on the statutory increases in pension benefits effective January 1, 2019. There are a few special items to note: Retirement pension for Art Svehla

increases 3% on February 1, 2019 to \$6,965.67/mo. (1-year retirement anniversary); and duty disability pension for Chris Drake begins January 6, 2019 (prorated), full monthly amount begins February 1, 2019.

Monthly benefit payments effective January 1, 2019 is \$117,251.30 and on February 1, 2019 that total will increase to \$118,423.15.

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

MOTION: Made by Trustee Kobler, seconded by Trustee Eisenbeis, to approve the statutory increases in pension benefits for eligible participants effective January 1, 2019.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

9. APPROVAL - TRANSFER TO VILLAGE'S GENERAL FUND FOR REIMBURSEMENT FOR POLICE PENSION TO THE VILLAGE'S GENERAL FUND - \$90,000

Trustee Dittman explained that as presented in the accompanying spreadsheet, due to recent retirements, the fund is paying out more in monthly benefit payments than is coming in through officer and Village contributions. The Village's General Fund fronts the payments for pension and administrative benefits and is reimbursed by the Police Pension Fund, essentially acting as a check writing agent for the Fund. Each month the total officers' contributions are approximately \$16,579.18 and the Village contributions are about \$72,590.33 resulting in a monthly deficit of about \$29,250.00.

Thus, a reimbursement of funds from the police pension account at Sawyer Falduto to the Village's General Fund in the amount of \$90,000.00 is necessary to cover the estimated shortfalls over the next 3 months.

Trustee Kobler reiterated that the Police Pension Fund has sufficient assets to cover all of the expenses that are incurred monthly. The Officer and Village contributions provide cash assets and these additional transfer requests come from the Fund's investments.

MOTION: Motion to transfer \$90,000 from the Sawyer Falduto account to the Village's General Fund was made by Trustee Pec, seconded by Trustee Kobler.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

10. APPROVAL - QUARTERLY INVESTMENTS MADE OCTOBER THRU DECEMBER 2018 - SAWYER & FALDUTO

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

Tab 2 - Cash Flow and Performance Review: Beginning market value YTD was \$21,825,625 and after distributions and expenses of \$370,193 and investment loss that brought the ending market value to \$20,465,556. Investment returns for the 4th quarter of 2018 were negative \$989,876 over the 3-months. Total account return year to date was -4.62% gross after a 4th quarter return of -8.35%. YTD total account return was -4.73% net after -8.38% in the 4th quarter. The YTD benchmark is -3.33%. 4th quarter equity return was at -14.76% and YTD was -8.28% which can be compared to the blended benchmark of -14.77% (Quarter 4) and -6.58% (year to date). Fixed income return was at 2.21% in the 4th quarter and Year to Date it is at 0.95%. Cash equivalent year to date is at 0.72%. 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 4th quarter returns of -29.88%, -10.80%, and -25.01% respectively and contributed to the total -13.52% Index return. Total gain since 8/22/2017 when Sawyer Falduto took over as investment manager for the fund is at \$35,229.

Tab 3 - Tax Reform: David Harrington discussed the Equities Market and global growth fears. The equity market declined sharply during the 4th quarter. The Federal Reserve raised its benchmark interest rate four times in 2018, but the overall rate change was not as bad as everyone thought. There is talk of only a couple rate changes in 2019 with the possibility of a decrease.

Tab 4 - Portfolio Statement: Mr. Falduto advised the portfolio allocations as of December 31, 2018 are Equities at 58.0%, Fixed Income at 41.9%, and Cash Equivalent at 0.1%.

Tab 5 - Equity Portfolio: Mr. Harrington discussed the two commodities plays this quarter. AQR Large Cap Defensive has reasonable fees and has beat 99% over five years. MFS International Growth I replaced Oppenheimer and focuses on sustainable competitive advantage. Over ten year period it beat 80% of funds in this category. Mr. Falduto reviewed the Morningstar Category rankings and pointed out two funds that will need to be addressed, LSV Equity Value and Bridgeway Ultra-Small Co. Mkt.

Tab 6 - Fixed Income Portfolio - Mr. Harrington noted that the fixed income portfolio yield-to-maturity is at 2.88%. The duration is at 4.85 years compared to the benchmark of 6.02 years.

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

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

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

11. VISITOR BUSINESS

None presented.

12. NEW BUSINESS

A. ANNUAL AFFIDAVIT FOR PENSIONERS

Recording Secretary Nancy Turville advised that in the next week, the annual address confirmation form for benefit distribution, which must be signed and notarized by the beneficiary, will be mailed to all pensioners.

13. OLD BUSINESS

None presented.

14. COMMUNICATIONS

Trustee Dittman shared information on a training opportunity in Addison on May 3, 2019 that fulfills 8 of the 16 hour annual pension trustee training requirement.

15. ADJOURNMENT

MOTION: Made by Trustee Kobler, seconded by Trustee Eisenbeis to adjourn the Board of Trustees meeting of the Police Pension Fund at the hour of 4:34 p.m.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

PRESENTED, READ and APPROVED,

Date

President

Minutes transcribed by Nancy Turville.