

MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE POLICE PENSION FUND OF THE VILLAGE OF WILLOWBROOK HELD ON JULY 18, 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 3:02 p.m. by President Davi.

2. ROLL CALL

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

3. VISITOR BUSINESS

None presented.

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

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

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

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

5. APPROVAL - EXPENSES INCURRED APRIL THROUGH JUNE 2018

Trustee Dittman reviewed the quarterly expense report for the period April through June 2018. Expenses include three months of legal fees from Atwell & Atwell of \$4,395.31, quarterly financial advisory fees were \$6,765.00, IPPFA conference fees from October 2017 were \$1,727.07 and the conference hotel cost deposit for October 2-5th 2018 was \$685.72. Dept. of Insurance filing fee was \$4,096.96. The pension benefits for April, May, and June totaled \$310,846.53; widow's benefit was \$6,418.74 (April and May); and disability benefits totaled \$17,406.21, as detailed out by pensioner in the attached schedule. A separation refund to Joel Rudnick of \$5,081.01 was also paid.

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 April through June 2018.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

6. REPORT - POLICE PENSION BALANCES THROUGH April 30, 2018 (UNAUDITED)

Trustee Dittman advised total assets were \$21,580,877.53 as of April 30, 2018 vs \$20,396,498.83 at April 30, 2017. At April 30, 2018 there is \$5,722.38 in Accounts Payable.

Revenues for the fiscal year 2018 are Village contribution of \$871,362.96, which equals the budget based on the actuary's recommended contribution, and Police contributions of \$199,070.84. Total revenues are \$2,480,587.39 vs budget of \$1,580,318.00.

Total expenditures as of April 30, 2018 were \$1,301,931.07 and the budgeted expenditure amount was \$1,136,105.00. The main line item that affected this was Police Pension Retirement Benefits which were higher than budgeted due to additional officer retirements during the year that were not contemplated when the budget was adopted.

The Board accepted the report as presented by Trustee Dittman.

7. REPORT - POLICE PENSION BALANCES THROUGH JUNE 30, 2018

Trustee Dittman reviewed the police pension fund trial balance as of June 30, 2018.

Village contribution of \$134,012.92, police contributions of \$32,008.72, interest income of \$31,076.91, unrealized gain on investments of \$340,419.51, and loss on investment of (\$3,216.85) are included in the total revenues of \$534,301.21.

Total expenditures as of June 30, 2018 were \$226,827.21 vs. June 30, 2017 of \$186,506.23. The main cause of this increase is the additional officer retirements.

Trustee Pec asked if the reimbursement to the Village's General Fund was up to date. Trustee Dittman advised the reimbursements are current as of June 30 and another will be needed in August or September and will be ratified at the October meeting.

The Board accepted the report as presented by Trustee Dittman.

8. APPROVAL - ELECTION OF POLICE PENSION BOARD OFFICERS

After a discussion was held clarifying that the current officer positions are: President Davi, Vice President Kobler, Secretary Eisenbeis, Treasurer Dittman, and Assistant Secretary Pec, the board made the following motion:

MOTION: Motion to keep officer positions the same, was made by Trustee Pec, seconded by Trustee Dittman.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

9. APPROVAL - APPLICATION OF NEW OFFICER TERESA ESQUEDA

New Tier 2 Officer Teresa Esqueda started as a patrol officer with the Village of Willowbrook on May 14, 2018. President Davi requested the application be updated to include application date, tier level, clarify the applicant's signature line, and application completely filled in, as the spaces for spouse and children were left blank. These should be completed or marked "N/A."

MOTION: Made by Trustee Kobler, seconded by Trustee Pec to approve the application for membership for Officer Teresa Esqueda after corrections have been made.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

10. APPROVAL - REFUND OF CONTRIBUTIONS TO OFC EULALIO MESTRE- \$4,243.02

Trustee Dittman noted that former Officer Eulalio Mestre separated from employment with the Village on April 2, 2018, and Officer Mestre requested a refund of accumulated pension contributions payable directly to him, which was received June 12, 2018. Gross contributions are \$4,243.02 before taxes and there is no interest component to that. The refund can be issued on next Village payroll after approval by the board. Taxes will be withheld through payroll.

MOTION: Made by Trustee Pec, seconded by Trustee Kobler to approve a refund of pension contributions to Officer Eulalio Mestre in the amount of \$4,243.02.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

11. APPROVAL-MILITARY SERVICE TIME BUYBACK REQUEST-OFFICER ALEX ERDMANN-\$46,525.58

Trustee Dittman advised that a request was received on July 9, 2018 from Officer Erdmann to buyback the maximum allowable military service credit, which is 24 months. Actuary Art Tepfer and Trustee Dittman both calculated the cost and determined the amount would be \$46,525.58 as of August 1, 2018. The Board could allow Officer Erdmann to make payments up to 5 years as long as the payment was made in full before termination of employment. Officer Erdmann withdrew his request after consideration of

the cost associated with it. This information will be added to his pension file and no approval is now needed.

12. APPROVAL- DEATH OF SURVIVING SPOUSE BENEFICIARY MARTHA KLEVIN, TERMINATION OF PENSION BENEFITS AND RETURN OF PENSION OVERPAYMENTS

On June 6, 2018, Trustee Dittman received notice from Martha's son-in-law, Tom Novotny, that Mrs. Klevin passed away May 30, 2018 at the age of 84. Obituary notices are included in the packet and the death certificate has now been received. According to Mr. Novotny, there are no surviving minor or disabled dependent children, which was confirmed via a review of Richard Klevin's pension file. The May benefit payment was made to Martha on May 25, 2018 and according to the Pension Board attorney, Charlie Atwell, the board could request repayment for the portion of the month that the beneficiary was deceased. This would be for only one day, May 31, 2018, and would total \$103.53. The board has the ability to waive the collection of the overpayment.

MOTION: Made by Trustee Kobler and seconded by Trustee Pec to waive the collection of the overpayment of one day of pension benefits with the proviso that this will not set a precedent for future action.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

MOTION: Made by Trustee Pec and seconded by President Davi to acknowledge beneficiary Martha Klevin passed away on May 30, 2018 and pension benefits have been ceased as of June 1, 2018.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

President Davi requested a moment of silence to honor Chief Richard Klevin and his wife Martha Ruth Klevin.

13. APPROVAL - INVESTMENT POLICY

Trustee Dittman discussed changes that have been made to the investment policy after discussion was held with the Pension Fund's auditors. The two items of discussion were collateralization of deposits, denoted as item "23" on the existing policy in the packet, and the table of expected long term rates of return on investments. Trustee Dittman and the auditors provided revised language to say "Collateralization

It is the policy of the Pension Fund to require that all deposits in excess of FDIC insurable limits (applies to bank Certificates of Deposit and other cash deposits) be secured by collateral in order to protect deposits in the event of the bank's default. Eligible collateral instruments are U.S. Government Securities, Obligations of Federal Agencies, Obligations of the State of Illinois and/or local and municipal bonds rated "A" or better by Moody's. Collateral must be evidenced by a written agreement and held in safekeeping by a third party."

Trustee Dittman worked with John Falduto to incorporate this language in the policy. The auditors also stated that the Long-Term Expected Rates of Return (as required by GASB 67) is good to have in the policy for transparency purposes. As discussed at the last meeting, it will be included as an addendum at the end of policy and updates can be approved separately each year as rates change.

MOTION: Made by Trustee Dittman and seconded by Trustee Pec to accept the revised Investment Policy as prepared by Sawyer Falduto and reviewed by the Board.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

14. APPROVAL-BOARD SELECTED PHYSICIANS FOR SERGEANT CHRISTOPHER DRAKE

Trustee Dittman advised that Police Pension Board Attorney Charlie Atwell was not available for the meeting, but updated her that he received all the required documents that were subpoenaed for Sgt. Drake's disability application and forwarded them to INSPE. INSPE suggested three doctors, Dr. Scott Sagerman and Dr. William Vitello, that specialize in Orthopaedics, and Dr. Daniel Samo that is an ER specialist. The curriculum vitae are included in the packet. The board discussed their qualifications and whether to ask INSPE to substitute another doctor that has more expertise specifically in shoulder injuries, which is the injury alleged to have been sustained by Sgt. Drake. Ultimately, the board decided that the three doctors currently being suggested by INSPE have sufficient experience to be used in evaluating Sgt. Drake. Upon approval by the pension board, Attorney Atwell will send all three doctors the subpoenaed documents and they will each examine Sgt. Drake independently to perform their analysis.

MOTION: Made by Trustee Dittman and seconded by Trustee Kobler to approve the three INSPE selected doctors to evaluate Sergeant Christopher Drake.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

15. APPROVAL - QUARTERLY INVESTMENT REPORT BY SAWYER & FALDUTO: APRIL THROUGH JUNE 2018-

Mr. Falduto reviewed the Investment Guidelines under tab 1. The proposed legislation affecting pension funds was not passed and policy does not need to be changed.

Tab 2 - Cash Flow and Performance Review: Investment return for the 2nd quarter of 2018 were \$418,239 over the 3-month period and the year-to-date Investment return was \$294,717. Total account return in the 2nd quarter was 1.94% gross and 1.91% net. Year to date those returns are at 1.36%

and 1.31% respectively. The benchmark is 1.57%. 2nd quarter equity return was at 3.20% and YTD was 3.06% which can be compared to the blended benchmark of 3.86% (Quarter 2) and 3.16%(year to date). Fixed income return was up 2 basis points in the 2nd quarter and Year to Date it is at -1.20%.

Tab 3 - Tax Reform - Mr. Harrington explained that the tariff issues are the biggest influence on market volatility. Federal Reserve raised short-term interest rate (for the 7th time) and forecasted two additional increases this year. Year to date, S&P 500 Index is at +2.65%, Russell 2000 Index is at +7.66%, and the MSCI-EAFE Index is at -2.37%.

Tab 4 - Portfolio Statement - Mr. Falduto advised the portfolio allocations as of June 30, 2018 are on target with Equities at 61.0%, Fixed Income at 38.5%, and Cash Equivalent at 0.5%.

Tab 5 - Mr. Falduto highlighted the two new mutual funds that have been added to the equity portfolio. Goldman Sachs Small Cap Eq Insights Instl ranked in the 4% for quarter 1, 8% in 2nd and 3rd quarter and 20% in the 4th quarter. Victory Sycamore Established Value I, a mid-cap fund, ranked in the 24% for quarter 1, 7% for quarter 2, 2% in 3rd quarter and 13% in the 4th quarter.

Tab 6 - Fixed Income Portfolio - Mr. Falduto noted that the fixed income portfolio yield-to-maturity is at 2.85% and will be getting to 3% soon.

Tab 7 - Mr. Falduto pointed out the buy and sell transactions that occurred on June 13th and June 25th. The importance of the purchases and sales occurring on the same days was explained.

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

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

16. NEW BUSINESS

None presented.

17. OLD BUSINESS

None presented.

19. COMMUNICATIONS

None presented.

20. 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 4:06 p.m.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

PRESENTED, READ and APPROVED,

Date

President

Minutes transcribed by Nancy Turville.