

Minutes of the Regular Meeting of the  
South Barrington Police Pension Fund  
Held on Tuesday, October 13, 2015  
4:30 p.m. in William R. Rose Hall

Call to Order

President Cordell called the meeting to order at 4:35 pm.

Roll Call

Roll call was taken. Present: Board members Ray Cordell, Joe Abbate, Louis Matuska, and Jim Weidig. Sam Lopez was absent. A quorum was present. Also present were MVT Investment Advisors Jim Nowicki and Bill Yocius, Village President Paula McCombie, Village Treasurer Michelle Bodie, Village Attorney Adam Durkin, Attorney Cary Collins, and Todd Schroeder from Lauterbach and Amen, LLC.

Approval of Minutes

Mr. Abbate motioned, Mr. Matuska seconded, to accept the minutes of the July 14, 2015 as written. Motion carried by voice vote.

Public Comment

None.

President Cordell asked members if Agenda item 8.a “Lauterbach & Amen Pension Fund Actuarial Valuation as of May 1, 2015” could be moved up because Todd Schroeder was here to answer any questions that the Board may have regarding the valuation report. There was no objection from the Board, so Mr. Cordell gave the floor to Mr. Schroeder.

Mr. Schroeder reviewed the pension fund’s actuarial valuation process as of May 1, 2015. Specifically, he explained the assumption process and how the various contributions are made i.e. from the employer, from the employee, and from investments. Mr. Schroeder stated that the recommended contribution this year is \$663,557, almost \$80,000 more than last year.

Mr. Schroeder also identified the data that Lauterbach & Amen considered before making the recommendation for contribution. First, they gather the information they need; how much money is in the fund at the end of the fiscal year; who are the participants (beneficiary and active). Secondly, they estimate the amount of benefit payments (when might employees retire; how many disability pensions might we have, etc.); and lastly, how the village will pay for the benefits. If there is an unfunded liability, what is the recommendation for paying it down? Mr. Schroeder stated that Lauterbach & Amen has proposed two plans for paying down the liability. Their recommendation is to put money aside for active employees.

Mr. Schroeder stated that they last did an assumption study review in 2012 and will have another one ready for 2016. He stated that common practice is every four-five years.

Mr. Matuska asked about how potential future disability pensions would impact the actuarial valuation. Mr. Schroeder stated that if someone became disabled later in their career the fund

would not be as impacted as if they were disabled early in their career. An early disability retirement is more costly because the liability has not been accrued.

Mr. Schroeder stated that the Illinois statutory minimum parameters for contribution are about \$401,000. This plan requires the Village to “catch up” at the end. Mr. Schroeder recommended that the Village exceed the minimums noting that in the long run it will be more cost-effective. The Village lowered the long term expectation on investment returns this year. Two assumption changes were made. The first, they raised mortality table to allow for the higher life expectancy of pension fund recipients. Secondly, the actuarial assumption last year was 6.75%; it has been lowered this year to 6.5%.

Mr. Cordell thanked Mr. Schroeder for his time and efforts in creating the report and for briefing the Board and answering questions. Mr. Schroeder left the meeting at 4:55 pm.

#### Investment Advisor Report

Mr. Nowicki summarized the portfolio activity for the 3rd quarter 2015. He stated that it was not a good quarter all around. Beginning value of the fund was \$7,856,802 and the ending value was \$7,615,407, a loss of over \$241,000. The cumulative gain since MVT began managing the portfolio is \$1,907, 404.

Mr. Nowicki surmised that the downturn in the market was affected by China’s slowing economy and valuation. This pressured global markets, commodities tumbled, emerging markets currencies dropped, and disinflation came into play. On the domestic side, the Federal Reserve did not increase rates as expected, which negatively affected the portfolio.

Mr. Nowicki reported that fixed income prices came down but yield went up. We exceeded the benchmark by 7.38%. The US Treasuries went down by about 10%. In equities, our investments went down by 7.38%. Healthcare stocks did not perform well this quarter; it was positive going into the end of September but tanked in early October. Mr. Yocius noted that they are beginning to recover. In equities, every asset class had negative earnings except for real estate. Energy investments were down as well. Diamond Hill, although yielding negative returns this quarter, beat their target by 6 points.

Mr. Nowicki stated, given that global markets have appeared to stall, moving forward we will maintain our current durations which are short (3-4 years). In equities, we will concentrate more on dividend paying investments. Also, Mr. Nowicki stated, we believe that the healthcare investments we have will do well long term.

Mr. Abbate motioned to accept the Investment Advisor report, and seconded by Mr. Weidig. Motion carried by voice vote.

#### Attorney’s Report

Mr. Collins briefed the Board on the order issued on September 30, 2015 with regard to Robert Rycraft granting the petition for administrative review. Mr. Collins stated that he believes the order is appealable. He stated that he is prepared to discuss potential further litigation in the Executive Session.

#### Old Business

Fiduciary Liability Insurance. Mr. Cordell tabled this item until the next meeting. He stated that Treasurer Bodie sent the interrogatories out but that they are not yet returned.

New Business

IL Department of Insurance Annual Statement. Mr. Cordell asked for a motion to accept the Illinois Department of Insurance Annual Statement ending April 30, 2015. So motioned by Mr. Weidig and seconded by Mr. Abbate. The motion carried by voice vote.

IDOI Pension Fund Actuarial Valuation as of May 1, 2015. Mr. Cordell called attention to the completed report that was distributed to members. No action taken.

Required Reporting to Municipality by the Pension Board for FYE April 30, 2015. The report has been completed. Mr. Cordell asked for a motion to accept the report to the municipality for fiscal year ending April 30, 2015. So motioned by Mr. Matuska and seconded by Mr. Weidig. Motion carried by roll call vote.

Mr. Cordell    yes  
Mr. Weidig    yes  
Mr. Matuska   yes  
Mr. Abbate    yes

Selection of 2016 Regular Meeting Dates. Mr. Abbate motioned to accept the following meeting dates for 2016 at 4:30 pm in William Rose Hall.

Tuesday, January 12, 2016

Tuesday, April 12, 2016

Tuesday, July 12, 2016

Tuesday, October 11, 2016

Mr. Matuska seconded the motion; carried by voice vote.

Executive Session

Mr. Matuska motioned to move into Executive Session pursuant to Section 2(c)(1) of the Open Meetings Act (5 ILCS 120/2(c)(1)), to consider the appointment, employment, compensation, discipline, performance or dismissal of specific employees of the public body. Seconded by Mr. Abbate; carried by voice vote. The Board moved into Executive Session at 5:45 pm.

The Executive Session was audio recorded.

Mr. Abbate motioned to move out of Executive Session back into Regular Session. Seconded by Mr. Weidig and carried by voice vote, the Board moved back into regular session at 6:06 pm.

Mr. Abbate motioned to direct Attorney Collins to file an Appeal of the September 30, 2015 decision made by Judge David Atkins with regard to Robert Rycraft's complaint for administrative review. Seconded by Mr. Matuska; the motion carried by roll call vote.

Mr. Cordell    yes  
Mr. Weidig    yes  
Mr. Matuska   yes  
Mr. Abbate    yes

Approval of Bills

Mr. Weidig motioned, and Mr. Abbate seconded, to accept and approve the bills in the total amount of \$11,241.05.

\$750.00 payable to Cary Collins for legal retainer Oct-Dec 2015.

\$2,942.50 payable to Mitchell, Vaught & Taylor Inc. for investment management services Oct-Dec, 2015; delivered via electronic transfer;

\$1,925.00 payable to Collins & Radja for review of documents and court appearance for oral arguments on 6/24/15 and 9/29/15 regarding *Robert Rycraft vs. South Barrington Police Pension Board et al.*

\$513.55 payable to Kathleen W. Bono, CSR for court reporter and transcription services provided in deposition of Dr. Gregory Portland regarding *Robert Rycraft vs. South Barrington Police Pension Board et al.*

\$750.00 payable to Dr. Gregory Portland for ½ hour additional time spent in deposition on 9/20/15 regarding *Robert Rycraft vs. South Barrington Police Pension Board et al.*

\$860.00 payable to Lauterbach & Amen, LLP for preparation of the IL Dept of Insurance report for the fiscal year ending 4/30/15.

\$2,000 payable to Lauterbach & Amen, LLP for preparation of the Actuarial Report for the fiscal year ending 4/30/15.

\$1,500 payable to Lauterbach & Amen, LLP for preparation of the Actuarial Report GASB 67/68 for the fiscal year ending 4/30/15.

Motion carried by roll call vote.

Mr. Cordell    yes

Mr. Weidig    yes

Mr. Matuska   yes

Mr. Abbate    yes

Adjournment

Mr. Abbate motioned to adjourn and Mr. Matuska seconded. Motion carried by voice vote. The meeting adjourned at 6:13 pm. Next meeting is scheduled for January 12, 2016.

The minutes of the October 13, 2015 South Barrington Police Department Police Pension Board regular meeting are respectfully submitted.

Mary Lampugnano, Recording Secretary.

These minutes were approved on  
This \_\_\_\_\_ day of \_\_\_\_\_, 2016

\_\_\_\_\_  
Signature