

Minutes of the Regular Meeting of the  
South Barrington Police Pension Fund  
Held on Tuesday, January 12, 2016  
4:30 p.m. in William R. Rose Hall

Call to Order

President Cordell called the meeting to order at 4:32 pm.

Roll Call

Roll call was taken. Present: Board trustees Ray Cordell, Lou Matuska, Sam Lopez, and Joe Abbate. A quorum was present. Trustee Jim Weidig was absent. Also present were Village Treasurer Michelle Bodie, Village Trustee Anthony Stagno, MVT Investment Advisors Jim Nowicki and Bill Yocius, and Attorney Cary Collins. Village President McCombie arrived at 5:10 pm.

Public Comments

None.

Approval of Minutes

Mr. Abbate motioned to accept the minutes of the October 13, 2015 Regular Meeting. Discussion: correction was made to change the period to a comma on line 31 to read \$663,557. Mr. Matuska seconded. Motion carried by voice vote.

The Board reviewed and accepted, but not for release, the minutes of Executive Session of the October 13, 2015 meeting.

Investment Advisor Report

Investment Advisor Nowicki reviewed the activities of MVT during the last quarter. He stated that they hired a new employee, Tom Dugan, who will focus on fixed income investments as an analyst and trader. Mr. Yocius stated that IDOI published their bi-annual report of all of the public pension funds for the last ten years. All of the clients in the report that MVT had for the entire ten year period are in the top quartile in the IDOI report. The return is 5.35% and we are 60.8 funded.

Mr. Nowicki summarized the highlights of the 4th Quarter 2015. The fund had a beginning value of \$7,615,407; an investment gain of \$167,028; and an ending value of \$7,782,435. The 4<sup>th</sup> quarter was a good quarter. Fixed income investments were down by .63% but equities were up by 5.41% and the total fund was up by 2.19%. Interest rates were raised by the Fed by 25 basis points so shorter maturities did better than longer ones though we still beat the benchmark. Our allocation is 51.8 in fixed investments and 48.22 in equities. On the equities side, the REIT managed investments had a good return this quarter as did T Rowe Price Healthcare. Large cap outperformed small and mid. Growth did better than value. There has been a rush to treasuries.

The portfolio weaknesses included the performance of longer maturity bonds due to the rise in interest rates. US treasuries were weak during this period. In equities the emerging

markets did not perform well. Mr. Yocius stated that their strategy is to be defensive this upcoming year. He quoted Warren Buffet by saying that the best way to make money is not to lose it. He predicted the declining S&P500 earnings will correct itself at least 20% during 2016.

Discussion took place about moving to cash. Mr. Yocius said they would consider keeping in cash maturities that come due instead of redeploying them. He recommended that this is the time to be defensive. Mr. Matuska asked that if we go to cash, what should we do with it and would we draw an equal amount from fixed and equities? Mr. Yocius stated that they recommend buying bonds of longer maturity hoping that rates will come down. The only equities he recommended were those that issue dividends.

Discussion took place about projections in the market. Rates are coming down. Treasurer Bodie stated that pension payout matches the levy. The levy will go up but so has our pension payments; our levy is \$664,000 but our pension payouts are \$670,000. The fund will not accrue additional cash from the increased levy.

Mr. Nowicki reviewed the individual investments made during the quarter. He stated that Berkshire Hathaway and Diamond Hill did well this quarter since we are looking for protection of our principle in a downside market. He also stated that they made several trades in the MVT fund. They rebalanced this quarter. We got out of Walmart, Baxter, and Arthur Daniels. We bought into Intel, Gentex and Shire. Mr. Nowicki stated that the strategy going forward is to continue to stay close to the benchmark on the fixed side and favor dividend paying stocks on the equities side.

Mr. Abbate motioned to accept the Investment Advisor's report as given. Mr. Lopez seconded; motion carried by voice vote.

2016 Schedule of Pension Payments. Treasurer Bodie presented the schedule of pension payments for calendar year 2016. Mr. Lopez motioned to approve the COLA increases and the schedule of payments as presented. Mr. Matuska seconded. Motion carried by roll call vote.

Mr. Cordell    yes  
Mr. Lopez     yes  
Mr. Abbate    yes  
Mr. Matuska   yes

FY 2016-2017 Budget. Treasurer Bodie presented the Village's budget for the Pension Fund. There is a levy of \$664,000 and contributions from officers is estimated at \$125,000 which includes Tier II pensioned officers. Interest income is estimated at \$500; investment interest is estimated at \$100,000; capital gains is estimated at \$100,000; and the change in equity is estimated at \$200,000. Total income of the FY 2017 pension fund budget is \$1,189,500. On the expense side, pension benefits are estimated at \$679,200; professional development is budgeted at \$5,000; audit and accounting expenses are budgeted at \$4,000; investment expenses are budgeted at \$16,000; and other services were budgeted at \$15,000. Discussion took place and it was agreed to raise the amount in the Other Services budget line to \$40,000. Total expenses are budgeted at \$744,200.

Mr. Matuska motioned to accept the FY2017 budget with the amendment to raise the Other Services line item to \$40,000. Seconded by Mr. Lopez, the motion carried by roll call vote.

Mr. Cordell    yes  
Mr. Lopez     yes  
Mr. Abbate    yes  
Mr. Matuska   yes

Closing of the Illinois Funds Account. Treasurer Bodie stated that Illinois Funds is moving their accounts and going from a straight money market fund to an investment fund. In general we do not have an interest in that type of fund so we are changing to the BMO-Harris Bank to continue to do the direct deposit checks for beneficiaries that was formerly done from the Illinois Funds account. Motion was made by Mr. Abbate to close the Illinois Funds account and move all funds into the BMO-Harris account. Mr. Lopez seconded; the motion carried by voice vote.

Updating Benchmarks. Mr. Yocius stated that MVT is updating the benchmarks. He said that they are trying to match the target to what the portfolio looks like. Mid caps and small caps look more like the Russell 3000; the internationals look more like all country world index EAFA (Europe Asia Far East) and MSCI-ACWI (ex-USA). Our goal is to find a benchmark that patterns itself after our portfolio. Mr. Nowicki provided a list of top ten holdings of MSCI-ACWI that include Apple, Nestle, JP Morgan, Microsoft, Johnson & Johnson. We have those. On the U.S. side the Russell 3000 does a better job of showing the small cap, mid cap and large cap.

Mr. Stagno asked questions about the benchmarks and how they predict future performance of investments. Discussion ensued.

Mr. Matuska motioned to accept the recommendation of MVT to change the benchmarks to the Russell 3000 (36%); MSCI-ACWI (9%); Intermediate Govt (49.5%); and corporate A+ 1-5 year (5.5%). Seconded by Mr. Lopez; the motion carried by roll call vote.

Mr. Cordell    yes  
Mr. Lopez     yes  
Mr. Abbate    yes  
Mr. Matuska   yes

Review of Custodian for Potential Change. Mr. Nowicki stated that we are currently with Charles Schwab as our financial custodian. MVT recommends moving to TD Ameritrade because the fees are no higher than Schwab and MVT feels that their customer service is better. He added that TRowe Price trades are free and there are positive technical advantages to TD Ameritrade such as e-signatures through email for example.

Mr. Matuska motioned to switch from Charles Schwab to TD Ameritrade as custodian. Mr. Lopez seconded. The motion carried by roll call vote.

Mr. Cordell    yes  
Mr. Lopez     yes  
Mr. Abbate    yes  
Mr. Matuska   yes

#### Attorneys Report

Mr. Collins briefed the Board on the Robert Rycraft disability case. Mr. Collins will file the motion to appeal and motion to stay on January 26. He is coordinating with Village Attorney Adam Durkin on the case. Two briefs will be filed, the initial one and then the final one. Mr. Collins could not predict a time estimate for hearing back from the court.

Mr. Collins stated that it is time to have Mr. Rycraft undergo his annual medical examination as is required of disability pensioned officers under the age of 50. Mr. Matuska asked what doctor we would use. Mr. Collins stated that we have several doctors to choose from including an orthopedic surgeon.

#### Old Business

Fiduciary Liability Insurance. Mr. Cordell directed Attorney Collins to review the fiduciary liability insurance offered by the Solidary Protection Group and advise the Board. It will be considered at the next meeting. Mr. Collins stated that between 2/3 and 3/4 of all of the pension funds he represents have fiduciary insurance.

#### New Business

New Membership Applications. Mr. Lopez motioned to accept Enrique Palacios as a member of the South Barrington Police Pension Tier II effective December 28, 2015. Mr. Abbate seconded; motion carried by roll call vote.

Mr. Cordell    yes

Mr. Lopez     yes

Mr. Matuska   yes

Mr. Abbate    yes

Mr. Cordell also stated for the record that Officer Paul Madej, who resigned in November 2015, has not requested the return of his pension contributions.

Pensioners' Annual Verification of Eligibility Letter. Mr. Cordell stated for the record that the annual eligibility letters will be mailed to beneficiary members by the end of January.

#### Payment of Bills

Mr. Matuska motioned to accept for payment the following bills.

\$750.00 payable to Cary Collins for legal retainer Jan-Mar 2016;

\$2,942.50 payable to Mitchell, Vaught & Taylor Inc. for investment management services Jan-Mar 2016; delivered via electronic transfer;

\$200 payable to the Illinois Public Pension Advisory Committee for winter seminar.

Total amount: \$3,892.50

Seconded by Mr. Lopez, the motion carried by roll call vote.

Mr. Cordell    yes

Mr. Lopez     yes

Mr. Matuska   yes

Mr. Abbate    yes

Executive Session

There was no Executive Session.

Adjournment

Mr. Abbate motioned, and Mr. Lopez seconded, to adjourn the meeting. The motion carried by voice vote. The meeting adjourned at 6:14 pm.

The minutes of the January 12, 2016 South Barrington Police Department Police Pension Board regular meeting are respectfully submitted.

Mary Lampugnano, Recording Secretary.

These minutes were approved on

This \_\_\_\_\_ day of \_\_\_\_\_, 2015

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Signature