

Minutes of the Regular Meeting of the
South Barrington Police Pension Fund
Held on Tuesday, October 11, 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, Jim Weidig, Sam Lopez, and Joe Abbate. Absent: Lou Matuska. A quorum was present. Also present were Village Treasurer Michelle Bodie, Attorney Cary Collins, Village Trustee Anthony Stagno, MVT Investment Advisor Jim Nowicki, Actuary Dennis Dressel and Todd Schroeder from Lauterbach and Amen, LLC. Village President McCombie arrived at 5:00 pm.

Public Comment

None.

Approval of Minutes

Mr. Weidig motioned to accept the minutes of the July 12, 2016 regular meeting as written. Mr. Abbate seconded. Motion carried by voice vote.

Mr. Abbate motioned to accept the minutes of the August 30, 2016 Special Meeting as written. Mr. Weidig seconded. Motion carried by voice vote.

Mr. Weidig motioned to accept but not publish the minutes of the Executive Session of the August 30, 2016 Special Meeting. Mr. Abbate seconded. Motion carried by voice vote.

Lauterbach & Amen Pension Fund Actuarial Valuation as of April 30, 2016.

Todd Schroeder from the accounting firm of Lauterbach & Amen addressed the Board and walked members through the process of determining the actuarial valuation as of April 30, 2016 and highlighting the changes from last year. He introduced Dennis Dressel, their newest actuary. Mr. Schroeder stated that there are two separate actuarial reports now; one for the pension funding and the other related to supplemental financial statements for the funding process based on new Government Accounting Standards Board (GASB) rules. He highlighted the reports for the tax levy report stating that the assumptions drive the timing and amounts of the tax levy. Every 4 to 5 years Lauterbach & Amen conducts a review of pension funds throughout the region to update their actuarial assumptions. This year a review was done.

The recommended contribution for this year is \$805,825, an increase of \$142,268 over last year. The recommendation is to make a payment on unfunded liability as well, which the Village has been doing in previous years. The prior valuation had a contribution recommendation of \$663,557; this year it is \$686,781. The current valuation of \$805,825 includes several factors that influenced the change in valuation: salary increases for police officers, demographic changes (younger officers, disabled officers, employees working longer, etc.) and asset performance. The increase in the recommended contribution is about \$20,894 this year.

Discussion took place regarding mortality tables. Mr. Stagno stated that the assumptions have not been realistic and did not reflect the true cost. Mr. Dressel countered that the mortality table is incorporated into the assumption in that we know that people are living longer. he stated that we also expect continued improvements in the mortality tables in the future. The mortality table will be updated annually and we will keep it current so as to lessen the volatility. Mr. Schroeder stated that the tables are updated annually. He added that for this review they looked at 105 police pension funds. The improvement factors (less smoking, less heart disease, etc.) have increased life expectancy of retirees.

Mr. Schroeder and Mr. Dressel fielded questions from board members. Mr. Stagno expressed concern about the fund's unfunded liability. He stated that if unfunded liability increases then we'll have to increase taxes down the road to pay for it. Treasurer Bodie reminded the Board that we have met or exceeded the state (police pension) requirement since the beginning of the pension. She added that currently we are funding the pension at over 100%. We are chipping down the unfunded liability.

Mr. Schroeder reviewed the financial statements in the GASB report. South Barrington Police Pension is funded at 113% of the actuarial ask which is higher than most pension funds. Most funds are funded at 100%. We are at 113% and are more aggressive at funding the pension. Our fund is under 10 million so our assumption is 6.5%. Once we reach 10 million we will be at a higher assumption.

Mr. Abbate motioned to accept the Actuarial Valuation for the period ending April 30, 2016. Mr. Weidig seconded the motion; motion carried by roll call vote.

Mr. Cordell yes
Mr. Lopez yes
Mr. Weidig yes
Mr. Abbate yes

Mr. Cordell thanked Mr. Schroeder and Mr. Dressel for taking the time to attend this meeting and making their presentation. He also complimented Treasurer Bodie for her efforts in making it happen.

Investment Advisor Report

Investment Advisor Nowicki reviewed the portfolio for the 3rd quarter 2016. Mr. Nowicki reported that, overall, the fund did well this quarter with a net gain of \$130,918 or 1.6%. We beat the benchmark. The beginning value of the fund was \$8,389,756 and ended the quarter at \$8,520,674. The fund's asset allocation remains approximately 55% (54.5%) in fixed and 45% (45.5%) in equities.

This quarter both emerging markets and international markets did better than domestic markets. Although we beat the benchmark; the benchmark was negative. US Treasuries rose slightly (1.49 to 1.61) so shorter bonds did better than longer term. Equities for the quarter earned about 3.5%.

Mr. Nowicki reviewed the portfolio account managers and the specific stocks within the portfolio. Oakmark had a very good quarter coming back from a lagging 2nd quarter at

13%. Fixed income investments performed poorly this quarter. The REITs were negative this quarter coming in at -1.2, its first negative return. In equities, large caps earned 4% and small caps earned 9%.

Going forward, Mr Nowicki stated that if inflation increases commodities and corporate bonds are not increasing. MVT sees that the US Treasuries are still strong and we will stay at the benchmark duration which is currently at about 3.5. In equities we will flock back to dividends and value side with a mixture of small, mid and large cap growth markets. At this time Mr. Nowicki did not recommend changing the allocation. Mr. Nowicki stated that we have been underweight on international and that has done well for us. On the domestic side, our mix of mid cap and small cap are out-performing the benchmark.

Mr. Abbate motioned, and Mr. Lopez seconded, to accept the Investment Advisor's Report as given. Motion carried by voice vote.

Treasurer Bodie reported she will close the American Charter bank account and the \$113,000 housed there to the MVT account.

Attorneys Report

Mr. Collins updated the Board on the Robert Rycraft disability case appeal. He is awaiting confirmation from the physician that he has received all of the medical records pertaining to Mr. Rycraft's injury before scheduling an appointment for his annual medical exam.

Treasurer Bodie reported that Mr. Rycraft has begun receiving duty disability in the amount of \$4,698.36 per month. She reported that he was also paid \$39,976 in back pay. He was previously receiving a non-duty related disability.

Discussion took place concerning health insurance benefits for retired personnel. Mr. Rycraft has never had insurance through the Village and he had questioned the Village about receiving waiver payments instead. Attorney Collins will contact Attorney Storino to discuss the matter.

Mr. Collins informed the Board that his office is reviewing the Rules & Regulations of the Pension Fund. He stated that in a cursory review he noticed that the travel policy and records disposal protocol need to be updated.

Mr. Lopez motioned to accept the Attorney's Report as given. Seconded by Mr. Weidig. The motion carried by voice vote.

Old Business

Rycraft Duty Disability Pension. Covered under the Attorney's Report.

New Business

Certification of the IL Department of Insurance Annual Statement ending April 30, 2016.

Mr. Lopez motioned to accept and approve the annual statement for the period ending April 30, 2016. Seconded by Mr. Abbate; the motion carried by voice vote. The certification form was signed by President Cordell and Secretary Lopez.

Required Reporting to Municipality by Pension Board for FYE 4/30/16. Treasurer Bodie presented the required reporting to municipality report for FYE 4/30/16. Mr. Lopez motioned to accept the report as written. Mr. Weidig seconded; the motion carried by voice vote.

Selection of 2017 Meeting Dates. The following dates were selected for regular meetings for calendar year 2017. All meeting will begin at 4:30 pm and held in Rose Hall.

Tuesday, January 10, 2017

Tuesday, April 11, 2017

Tuesday, July 11, 2017

Tuesday, October 9, 2017

Mr. Lopez motioned to accept the scheduled meeting dates. Mr. Abbate seconded; motion carried by voice vote.

Executive Session

None.

Payment of Bills

Mr. Abbate motioned to ratify for payment the following bills.

\$750.00 payable to Cary Collins for legal retainer Oct-Dec 2016;

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

\$3,600.00 payable to Lauterbach & Amen, LLP for preparation of the Actuarial Report for year ending April 30, 2016 (\$2,050.00 for preparation of tax levy documents; \$1,550.00 for preparation of GASB 67/68 documents);

\$800.00 payable to Lauterbach & Amen, LLP for preparation of the Illinois Department of Insurance Report for the period ending April 30, 2016.

Total amount: \$8,172.50

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

Mr. Cordell yes

Mr. Lopez yes

Mr. Weidig yes

Mr. Abbate yes

Adjournment

Mr. Weidig motioned, and Mr. Lopez seconded, to adjourn the meeting. The motion carried by voice vote. The meeting adjourned at 6:37 pm.

The minutes of the October 11, 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 _____, 2017

Signature