

**SOUTH BARRINGTON POLICE PENSION BOARD
30 South Barrington Road
South Barrington, Illinois 60010**

NOTICE OF SPECIAL MEETING

**To be held at
South Barrington Village Hall, 30 South Barrington Road
South Barrington, Illinois 60010**

**WILLIAM R. ROSE HALL
TUESDAY, NOVEMBER 27, 2018
4:00 pm**

AGENDA

Call to Order

1. Roll Call
2. Public Comment
3. Approval of Minutes
 - a. October 16, 2018 Special Meeting
4. Executive Session (if needed) pursuant to Section 2(c)(11) of the Open Meetings Act (5 ILCS 120/2(c)(11)), to consider the pending or probable litigation against, affecting or on behalf of the public body
5. Determine whether disability pension payment should be suspended pending medical evaluation
6. Old Business
7. New Business
8. Adjournment

Cc: South Barrington Police Pension Board
South Barrington Village Treasurer Michelle Bodie
Village President and Board of Trustees
Barrington Courier Review
Barrington Public School District
Attorney Cary Collins

Mitchell, Vaught & Taylor, Inc.
Daily Herald
Chicago Tribune
South Barrington Park District
BACOG
Storino, Ramello & Durkin

1 **SOUTH BARRINGTON POLICE PENSION BOARD**
2 **30 S. BARRINGTON ROAD**
3 **SOUTH BARRINGTON, IL 60010**
4

5 **MINUTES OF THE SPECIAL MEETING**

6 Held on Thursday, October 16, 2018 at 4:30 pm
7
8

9 Call to Order - President Cordell called the meeting to order at 4:30 p.m.
10

11 Roll Call - Roll call was taken. Present: Board President Ray Cordell, Trustee Abbate,
12 Trustee Alvarado, Trustee Lopez, Trustee Puralewski. A quorum was present. Also, present
13 were Michelle Bodie, Dr. Stagno, MVT advisor Mr. Nowicki, Lauterbach & Amen, LLP
14 CPAs Kevin Cavanaugh and Todd Schroeder. Attorney Collins arrived at 4:35 p.m.
15

16 Approval of Minutes – Trustee Abbate motioned to accept the minutes from the July 10,
17 2018 Regular Meeting. Trustee Lopez seconded. Motion carried by voice vote.
18

19 Public Comment – President Cordell congratulated Trustee Alvarado on his recent
20 appointment to the South Barrington Village Board.
21

22 Investment Committee – Trustee Lopez motioned to approve the minutes from the August 2,
23 2018 Special Meeting. Trustee Puralewski seconded. Motion carried by voice vote.
24

25 L & A Pension Fund Actuarial Valuation as of May 1, 2018 - Todd Schroeder opened with a
26 summary of what will be covered; Actuarial Assumptions, a tweak to the Funding Policy
27 that will have zero impact in terms of the current year and Long Term Planning.
28

29 Kevin Cavanaugh stated that the Current Valuation of \$863,357 is what they recommend for
30 the village levy this year for the pension fund. The Current Valuation has increased by
31 \$36,064 from the prior year; about a 4% increase, which is fairly standard across the board.
32 The breakdown of cost contributions are one-third going towards Normal Costs of \$245,736,
33 benefit accruals for active employees, and two-thirds to the Unfunded Liability of \$617,621.
34

35 The factors that affected the Contribution Recommendation change from the Initial
36 Expected of \$854,180 to the Current Valuation of \$863,357 include: Salary reduction of
37 \$(295), Demographic Changes of \$38,829 based on Percentage Change due to the aging of the

38 population, Asset Return of \$13,005 at 4.7% which was less than the expected rate of 6.25%
39 and Contributions of \$(42,362) that reduced the unfunded liability.

40

41 The impact of this year's \$400,000 village contribution, based on last year's recommendation,
42 created a \$42,000 reduction in this year's recommended contribution. The village's
43 contribution reduced the unfunded liability; recognizing the first of the fifteen amortized
44 years.

45

46 The Current Valuation of the Market Value of Assets, as of FYTD April 30, 2018, is
47 \$10,527,674. The fund returned about 5.2%, net of administrative expenses, compared to the
48 expectation of 6.25%. The Current Valuation of Unfunded Actuarial Accrued Liability is
49 \$7,190,042. This is a Funded Percentage increase of 3.67% on an Actuarial Value of Assets
50 Basis bringing the Current Valuation to 60.11%.

51

52 Asset growth is important when looking at long-term cash flow out of pension fund benefit
53 payments. Benefit payments in the next 5 years are anticipated to increase 25-30% or
54 \$201,000 and 65-70% or \$471,000 in the next 10 years. These expected increases were
55 factored in to the recommended tax levy amount based on the current fund population.
56 In terms of these increases they are normally less than we would see on average among our
57 clients; due to the longer expected retirement time frame.

58

59 Trustee Alvarado posed a question to the pension board if there was a process/methodology
60 to support the selection of a discount rate. He suggested the Investment Committee
61 recommend a process for determining an appropriate discount rate for the pension fund
62 beginning in the upcoming year. President Cordell agreed and would like to see how the Levy
63 would change with different discount rates. Trustee Alvarado said it would be timely to see if
64 the 6.25% is still reasonable and to test the sensitivity range of different rates. Todd
65 Schroeder advised that they would be able to provide the information by early spring once
66 they've received the new range of rates. President Cordell stated that the new rates should be
67 discussed at the board meeting in April.

68

69 Trustee Alvarado questioned the increase in the Unfunded Liability as we hire new officers.
70 Kevin Cavanaugh explained that to manage the volatility of the Unfunded Liability would
71 be to use a Layered Amortization Policy. This would essentially close off the existing
72 Unfunded Liability of \$7,242,741 and pay it off over the 15 years. Each new year's liability
73 gains/losses would be reset for a 15 year amortization period. This achieves the goal of
74 allocating the burden to current tax payers rather than shifting it onto future generations.
75 The Government Finance Officers Association deems it a "Best Practice" for paying off

76 unfunded liabilities. The California Actuarial Advisory Panel (CAAP) recommends it as a
77 “Model Practice”.

78

79 Trustee Abbate motioned to accept the recommended Tax Levy of \$863,357. Trustee Lopez
80 seconded. Motion accepted via voice vote.

81

82 Attorney’s Report – The Attorney’s Report was heard before the Investment Advisor’s
83 Report without any objection from the board.

84

85 Attorney Collins briefed the board on the status of the Robert Rycraft Disability case. He
86 added that he is waiting for a report from INSPE. Attorney Collins departed at 6:09 p.m.

87

88 Investment Advisor/Treasurer’s Report – MVT Advisor Jim Nowicki discussed the Police
89 Pension Fund 3rd Quarter report. He stated that it is a great quarterly report with an
90 Annualized Net Return of 5.5% and Net Investment Gain of \$3,932,677 since inception. The
91 Total Portfolio returned 4.4% for the quarter vs 4.6% for the benchmark, and 6.1% YTD vs
92 6.4% YTD for the benchmark, on the net basis.

93

94 International is underperforming at -.04% with the International allocation return at 6.73%;
95 below the 7.0% target. Jim Nowicki suggested a change in the International and the
96 Emerging Market allocations due to the fund managers underperforming. He would like to
97 increase allocations into Emerging Markets. Trustee Alvarado would like to see the Duration
98 Benchmark included on the report so that we can check to ensure the fund is in compliance
99 with the policy. Mr. Nowicki agree to include on the next quarterly report.

100

101 Trustee Alvarado stated that the Fixed Income portion of the portfolio needs to be discussed.
102 He would like to mitigate exposure due to any sharp increases/decreases. He would like to
103 review and propose a recommendation, if needed, on the current duration guidelines for the
104 Fixed Income allocation in the Investment Policy.

105

106 President Cordell noted that Trustee Abbate left the meeting at 6.09 p.m. but that a quorum
107 was still present.

108

109 Trustee Alvarado asked Jim Nowicki if MVT would be able to provide a copy of all the trade
110 transactions, Equity and Fixed, at the end of every month. Jim Nowicki stated that he
111 would be able to provide those copies.

112

113 Jim Nowicki noted that MVT was able to re-negotiate fees with T. Rowe Price and save 3
114 basis points.

115
116
117
118
119
120
121
122
123
124
125
126
127
128
129
130
131
132
133
134
135
136
137
138
139
140
141
142
143
144
145
146
147
148
149
150
151
152
153

Investment Committee Chairman Alvarado motioned to accept Investment Advisor Report. Trustee Puralewski Seconded. Motion passed by voice vote.

Executive Session – None

Old Business – Investment Committee Chairman Alvarado advised the board that the MVT Investment Management Agreement approved at the August 2, 2018 meeting needs amending. The Acknowledgement of Fiduciary, page 4 paragraph 3, needs to be completed and initialed by MVT advisors John Mitchell and Jim Nowicki.

New Business

- a. Trustee Lopez motioned to accept the Il Department of Insurance Annual Statement ending April 30, 2018. Trustee Puralewski seconded. Motion was passed by voice vote.
- b. Trustee Puralewski motioned to accept the Required Report to Municipality by Pension Board for FYE April 30, 2018. Trustee Lopez seconded. Motioned passed by voice vote.

c. Selection of 2019 meeting dates

Pension Board moving meetings to the third Tuesday at 4:30 p.m.

January 15, 2019

April 16, 2019

July 16, 2019

October 15, 2019

Investment Committee meetings will be on the second Thursday at 4:30 p.m.

January 10, 2019

April 11, 2019

July 11, 2019

October 10, 2019

President Cordell wanted to advise the board about the anticipated changes to the downstate pensions. The Illinois Municipal League, ILM, is working with the General Assembly to pass legislation to consolidate more than 650 downstate pension funds. More information can be found on the ILM website.

Approval of Bills – President Cordell read the bills for approval. Trustee Lopez made a motion to approve the bills. Trustee Alvarado seconded. Motion passed by voice vote.

\$775.00 Payable to Collins & Radja for legal retainer Oct-Dec 2018

\$1,800.00 payable to INSPE Associates, LTD. Re: Rycraft, Robert File No. 2939

154 Check #2254 was issued to INSPE.
155
156 \$900.00 payable to Lauterbach & Amen, LLP for preparation of Illinois Department of
157 Insurance report for the fiscal year ended April 30, 2018
158
159 \$300.00 payable to IPPAC, Inc. for Edgar Alvarado's Continuing Education and Ethics
160 Training August 25 & 26, 2018
161
162 \$250.00 payable to IPPAC, Inc. for the Winter Seminar on November 30, 2018
163
164 \$2,942.00 payable to MVT for investment management services July-September, 2018;
165 electronic transfer from TD Ameritrade.
166
167 Total amount: **\$6,967.00**

- 168
- 169 President Cordell yes
- 170 Trustee Alvarado yes
- 171 Trustee Lopez yes
- 172 Trustee Puralewski yes

173
174 Adjournment – Trustee Puralewski motioned to adjourn the meeting and Trustee Lopez
175 seconded. The meeting was adjourned at 6:44 p.m.

176
177 The minutes of the October 16, 2018 South Barrington Police Department Pension Board
178 Special Meeting are respectfully submitted.
179 Susan Ardizzone, Recording Secretary

180
181 These minutes were approved on
182 This _____ day of _____ 2019.

183
184
185 _____
186 Signature

Bodie, Michelle

From: Cary J Collins <cjcollins4@aol.com>
Sent: Monday, November 19, 2018 10:49 AM
To: scuba24@wideopenwest.com; Lopez, Sam; Joseph Abbate (C); edgarbalvarado1@gmail.com; Puralewski, Adam
Cc: Bodie, Michelle
Subject: RYCRAFT

Cary,

40 ILCS 5/3-115, see below, appears to address your inquiry. It would appear from the language, "Medical examination of a police officer retired for disability shall be made at least once each year prior to attainment of age 50, as verification of the continuance of disability for service as a police officer.", that the board has the ability to suspend an officer's disability pension if "verification of the continuance of disability for service as a police officer" is not made, or until it is made.

(40 ILCS 5/3-115) (from Ch. 108 1/2, par. 3-115)

Sec. 3-115. Certificate of disability. A disability pension shall not be paid unless there is filed with the board certificates of the police officer's disability, subscribed and sworn to by the police officer if not under legal disability, or by a representative if the officer is under legal disability, and by the police surgeon (if there be one) and 3 practicing physicians selected by the board. The board may require other evidence of disability. Medical examination of a police officer retired for disability shall be made at least once each year prior to attainment of age 50, as verification of the continuance of disability for service as a police officer. No examination shall be required after age 50.

(Source: P.A. 83-1440.)

Cary J Collins