Prospect Heights Police Pension Board

Prospect Heights Police Pension Board
PENSION BOARD MEETING MINUTES
City Hall Council Chambers
8 North Elmhurst Road
Prospect Heights, IL 60070
Tuesday
April 10, 2018

3:00 PM Police Pension Board Regular Meeting

Call to Order - At 3:08 PM, President Smith called to order the April 10, 2018 Police Pension Board Quarterly Meeting at 8 North Elmhurst Road, Prospect Heights, IL 60070.

Roll Call - Secretary Schultheis called roll. A quorum was present.
Trustees Present: President Smith Trustees – Minniear, Lange, Kearns
Trustees Absent – Palazzolo (by previous notification)
Other officials present – Secretary Schultheis, Treasurer Tibbits (arrived at 3:18 PM), Richard Reimer Pension Attorney Brian LaBardi, Lauterbach and Amen CPA Jessica Fain (to explain the assumptions), Pension Board Investment Manager Wall, Pension Board Investment Associate Stephen McLeod, and Lauterbach and Amen Pension Board Accountant May

Approval of Minutes
A. January 9, 2018 Regular Meeting Minutes – **President Smith moved to approve the January 9, 2018 Regular Meeting Minutes as presented; seconded by Trustee Lange.**
VOICE VOTE: All Ayes, No Nays

Motion carried 4 – 0; Trustee Palazzolo absent.

Public Comments - None

Approval of Expenditures
A. Richard Reimer Pension Board Legal Counsel Payment -

a. Quarterly Retainer - **$750.00**

B. Karen Schultheis, Recording Secretary
April 2018 2nd Quarter Meeting **$ 125.00**

C. Approval of Annual Dues - **$795.00**

D. Approval of Pending Expenses

President Smith moved for omnibus approval of the Richard Reimer Pension Board Legal Counsel Quarterly Retainer Payment of $750.00, the April 2018 Second Quarter Recording Secretary Payment to Karen Schultheis of $125.00; and the annual dues of $795.00; seconded by Trustee Lange.

ROLL CALL VOTE:	AYES –	Smith, Lange, Minniear Kearns
	NAYS –	None
	ABSENT -	Palazzolo

Motion carried 4 – 0; one absent

Pension Board Investment Report

It was noted that Stephen McLeod has joined the firm and us the VP of the Midwest Region. It was also noted that Wall Capital Group has changed its email address. Attorney LaBardi stated that he had reviewed the policy. It was noted by Investment Manager Wall that the target rate of return is 7%. He said that the portfolio is 58% pure equities. 9.6% of the portfolio is in Non-US instruments. As of April 9, 65% of the assets are in equities because of the addition of ETF's – the fiscal year ends April 30th. The funds must be in targeted asset allocation proportions by end of the fiscal year. It was noted by Investment Manager Wall that $583,500 had been moved into the Small Caps Portfolio.

Trustee Kearns asked to build a custom benchmark to do comparisons.

A. Discussion of Strategic Beta –

There was discussion regarding the Dynamic Risk Management Factors Strategy -
It was noted that YTD this strategy was 70-80 points ahead of the S&P 500. There are no changed in costs to from Wall Capital Group to use this strategy. Money for the implementation of this strategy would come from the Global Equity Fund; and the Pension would need to open up another Schwab account. The Fund would need $250,000.

There were questions regarding back testing? It was noted by the Investment Manager that ETF's barely have a five-year history, and that proxies were created to show ETF's going back to 1981 on the graphs.

President Smith moved to authorize the opening of another Charles Schwab custodial account to hold the strategy beta assets; seconded by Trustee Lange.

ROLL CALL VOTE:	AYES –	Smith, Lange, Minniear Kearns
	NAYS –	None
	ABSENT -	Palazzolo

Motion carried 4 – 0; one absent

It was noted that Investment Manager Wall had been given direction to move $250,000 from the Global Equities Fund to the Strategic Beta Fund.

President Smith moved to approve and accept the Investment Report as presented; seconded by Trustee Lange.

ROLL CALL VOTE:	AYES –	Smith, Lange, Minniear Kearns
	NAYS –	None
	ABSENT -	Palazzolo

Motion carried 4 – 0; one absent

Pension Board Legal Counsel Report –
Attorney Labardi discussed the Disability Annuals saying that there are no records for Allegretti.
Wagner – will not give information, and there are no prior medical records that were released. Mr. Wagner has until April 30th to release these records or his pension could be suspended. President Smith said that he would call him, but noted that he does not know him personally. Former Pension Trustees Officers Suerth and Coglianese would also be contacted to see if they could contact Mr. Wagner. He will not be able to be revisited next year because he will be turning 50. – **No further action was to be taken at this time.**
Attorney LaBardi discussed Legislative cases and findings. It was also noted that the *Sun Times* April 9, 2018 article regarding the consolidation of police and fire pension funds in the state.
Divorcees – It was noted that pension tier is not reflected in this matter.

Pension Board Lauterbach and Amen Monthly Financial Report
A. Cost for Lauterbach and Amen to issue an affidavit that would keep track of the mortality of pensioners with three mailings per year – It was noted that Prospect Heights is mislabeled as Village, it is a City.

B.Approval of Lauterbach and Amen Actuarial Studies on Rates of Return – requires Board approval to direct actuaries on Return Rate – Jessica Fain said that rate of return proposed is 6.75%. She introduced an Actuarial Assumption Summary report including the reasons behind the assumptions. Trustees questioned whether it might not be better to go to a more reasonable rate of return of 6.5%. It was noted that the DOI interest rate for a Pension Fund of the City's size is 6.5%.

President Smith moved to assume a rate of Return on the Pension of 6.5%and accept the investment policy; seconded by Trustee Kearns.

ROLL CALL VOTE:	AYES –	Smith, Lange, Minniear Kearns
	NAYS –	None
	ABSENT -	Palazzolo

Motion carried 4 – 0; one absent

President Smith moved to reduce the assumed rate of return and to edit the policy to reflect the new assumed rate; seconded by Trustee Lange

ROLL CALL VOTE:	AYES –	Smith, Lange, Minniear, Kearns
	NAYS –	None
	ABSENT -	Palazzolo

Motion carried 4 - 0; one absent

C. Lauterbach and Amen Calculation Sheets – It was noted that Sgt. Coglianese would have his first benefit in July. His retirement day is set for July 13.

D. Discussion and Approval of a New Engagement Letter with Lauterbach and Amen including costs for Affidavits – There is a three and five-year engagement letter. The five year has a 2% increase each year. The three year has a 3% increase each year. The added item is the Affidavit of Eligibility – which will be sent out in June. The affidavits will be a flat rate.

President Smith moved to approve a five-year engagement with Lauterbach and Amen with affidavits, as presented; seconded by Trustee Lange.

ROLL CALL VOTE:	AYES –	Smith, Lange, Minniear Kearns
	NAYS –	None
	ABSENT -	Palazzolo

Motion carried 4 – 0; one absent

Old Business

A. Presentation - Mesirow Insurance Agent Regarding Fiduciary Liability Coverage – Mesirow Agent did not show up. It was noted that the Pension Board never heard back from the other insurance agency that was contacted. A quote was gotten but application had been furnished by Mesirow, and Lauterbach and Amen did not pay any insurance bills. The prior coverage lapsed on December 15, 2017. **President Smith will call Trustee Palazzolo for an update.** – **No action was taken.**

B. Marriage licenses for several officers – marriage licenses are needed from all of the recently married officers. Attorney LaBardi said that the pension holders must file marriages and/or judgment of divorce and QDRO. – **No action was taken.**
C. Trustee Minniear – salary adjustments due to contract negotiations – The retro payment was received by Trustee Minniear. – **No action was taken.**
D. Alan Thibeault Military Buyback – It was noted that this issue had been resolved and that the money would be taken out monthly. Three payments had already been made. – **No action was taken.**

New Business
A. Rebalance Portfolio to Conform with statutory asset allocation prior to close of fiscal year – This was handled previously. – **No action was taken.**
B. Election of Active/Retired/Disabled Trustees – **No action necessary.**
C. Review and/or modification of Board's investment policy – **This had been done previously in the meeting.**
D. Authorize Payment of Annual Department of Insurance Compliance Fee - **President Smith moved to approve the mandatory review of the Board's Investment Police based upon its fund size; seconded by Trustee Kearns.**

ROLL CALL VOTE:	AYES –	Smith, Lange, Minniear Kearns
	NAYS –	None
	ABSENT -	Palazzolo

Motion carried 4 – 0; one absent

E. Authorize Preparation of Annual Department of Insurance Report – This is handled by Lauterbach and Amen, including the Engagement letter. – **No action taken.**
F. Status of Independent Audit Report (Due within six months of close of fiscal year beginning with F.Y. 2016) – **This has been filed with the DOI.**
G. Review and/or Modification of Board's Administrative Rules and Regulations – **there has been no change.**
H. Annual filing of statement of economic interest statements for each Trustee
I.   Approval of Review of Small-Cap Equities Guideline- **Discussed and completed previously in the Meeting.**
J. Approval of Jerry Coglianese retirement – if necessary - **Deferred**

Next Meeting Date – July 10, 2018 at 3:00 PM – 8 North Elmhurst Road, Prospect Heights, IL 60070

Adjournment – At 5:00 PM, President Smith moved to Adjourn; seconded by Trustee Kearns.

VOICE VOTE: All Ayes, No Nays

Motion carried 4 – 0; Trustee Palazzolo absent.

Approved by the Prospect Heights Police Pension Board on July 10, 2018.

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President Michael Smith Secretary Salvatore Palazzolo