

WASHINGTON POLICE PENSION FUND
BOARD MEETING
City Hall Conference Room
Monday, October 28, 2019 - **Minutes**

1. **Call to Order.** President Michael Hillary called the meeting to order at 8:30 a.m.
2. **Roll Call.** Controller Joanie Baxter took the roll.

Present

Michael Hillary, President
James Wetzel, Vice President
Greg Gordon, Secretary
James Fussner, Representative

Absent

Troi Westbrook, Assistant Secretary

Also, in attendance were Controller Joanie Baxter, Treasurer Ellen Dingledine, Accountant Jeanette Glueck, City Administrator Ray Forsythe, Alderman Lilija Stevens, Dwight Ower with Mitchell, Vaught and Taylor and Administrative Assistant Audrey Miller.

3. **Review Agenda.** The agenda was reviewed and Wetzel commented that Item 9B needed to be removed.
4. **Review of Actuarial Assumptions.** A call was made to Jason Franken with Foster & Foster to discuss the actuarial valuation results. It was agreed during previous discussions that before completing the valuations, the numbers would be ran based on the assumption changes. The Society of Actuaries released a new mortality study that is completely based on public sector data versus prior studies that were private sector based. Upon the completion of the study, they released several tables with three main groups – general employees, teachers and public safety. He recommends adopting the new mortality table based on the public safety data since it is difficult to justify using any other table due to the population that is covered under this table. The other potential change discussed was lowering the investment return on assumptions from 6.75 % to 6.50 %. Based on the value of assets being under ten million which results in investment restrictions, it becomes difficult to justify a 6.75 % rate. Both changes (new mortality table and investment return) would increase the liability to the plan by lowering the funded ratio and creating a higher contribution requirement. He mailed a letter outlining the results and a table reflecting the changes with two scenarios:

	<u>Baseline</u>	<u>Scenario 1</u>	<u>Scenario 2</u>
	<u>2019</u>	<u>New Mortality</u>	<u>Rate change & new</u>
	<u>results</u>	<u>table</u>	<u>table</u>
Actuarial Accrued Liability	\$13,615,000	\$14,082,000	\$14,566,000
Actuarial Value of Assets	\$8,350,000	\$8,350,000	\$8,350,000
Unfunded Liability (AVA – AL)	\$5,265,000	\$5,732,000	\$6,216,000
<i>Change from Baseline</i>		<i>\$467,000</i>	<i>\$951,000</i>
Funded Ratio (AVA / AL)	61.3%	59.3%	57.3%
Expected City Contribution	\$588,000	\$634,000	\$681,000
<i>Change from Baseline</i>		<i>+ \$46,000</i>	<i>+ \$93,000</i>

The baseline reflects an increase from last year of about \$38,000 which was expected. In scenario 1, the yearly contributes increases by another \$46,000 with the new mortality table. In scenario 2, the yearly contribution increases by \$93,000 with the rate change to 6.5% and

using the new mortality table. If both the rate change and new mortality table were adopted, it would result in a total annual increase of \$131,000. He still believes the mortality table change needs to be made but in regards to the reduced interest rate, there are some communities that have phased into the rate. There was discussion regarding other groups' rates which ranged from 7 – 6.5% based on their asset amounts. Those under 10 million but over 5 million averaged at 6.58%. There was also a discussion regarding the proposed pension consolidation at the State level. If it passes, then the return assumptions would be moot. All assets would be combined. Rates vary between 7 - 6.75%. IMRF is at 7.5%. All assumptions would be set at the State level. Overall contributions would not change. All the same issues would still be there. The City has been funding based on 100% target. The Illinois Pension code has a 90% target. This could result in the State paying out on the 90% contribution which could cause the plan to be under funded creating a bad situation.

5. **Investment Reporting.** Dwight Ower from Mitchell, Vaught & Taylor was present for the meeting. He reviewed the report and indicated there were gains in the 3rd quarter. Economy has been growing at 2%. The 3rd quarter GDP comes out tomorrow and is expected to be at or below the 2%. There is a slowing down in manufacturing, and, consumer spending is dropping a bit which is creating downward pressure on the economy. The Fed cut rates a couple of times over the summer to stimulate the economy. The S&P 500 hit an all-time high in July. Shortly after that, a new round of tariffs was announced causing markets to drop 6%. Just last week, we recovered back to new highs. The report mentions a couple of cyber security issues. One of them being attacks on municipalities which illustrates the importance of strong cybersecurity policies for municipalities and pensions. Victory Capital bought USAA funds. The City has had USAA technology funds which was a sector choice that MVT had made. They believe the technology funds do better than the overall market and they have been, mainly due to all the demands for technology. With the change in ownership, MVT launched a due diligence search and selected a replacement fund BGSIX through Blackrock. The fund has lower fees, better long-term performance, more global investments which allows them to buy more technology companies overseas, and no healthcare sector overlap. After all the research was complete, MVT did sell all the USAA funds back in September and bought Blackrock. The new funds have already been performing better than the previous USAA funds. Treasurer Dingledine had a question regarding the cash amount listed of \$136,636 on the Total Asset Allocation report. Dwight had mentioned they would be watching for more corporate bond opportunities and she wanted to know if the money would be spent on those and if it was their intention to move the equity rate from 40.4% to 45%. He said no and they would balance that. He explained how they got to that amount and the moves that were made. They saw the numbers at the end of the quarter and realized the balance was off and short on equities. They have already invested \$50,000 this month in equities. Part of the remaining cash would go to a little more equity and quality corporate bonds once they find ones with good investment rates and returns.
6. **Meeting Minutes Approval.** No changes needed to be made to the July 29, 2019 meeting minutes. Wetzel made a motion to approve the minutes. Fussner seconded the motion. The motion carried and the minutes were approved.
7. **Public Comment.** There were no public comments.
8. **Financial Reports.** Total cash and investment amounts and realized/unrealized gains and losses were added to the reports per request from the previous meeting. The majority of the property taxes have been received. Treasurer Dingledine brought up the current cash position which is almost 12% of the portfolio. She requested a projection through the end of the fiscal year to see if the cash position is too high and if we can move some of it from Ipava State Bank to more permanent investments through MVT for additional equity. Hillary made a

motion to approve the financial reports. Wetzel seconded the motion. All approved. Motion carried and reports were approved.

9. Action Items.

- A. Ratify Investment. A CD at Morton Community Bank in the amount of \$110,439.39 matured on 9/27/19. It was redeemed and a CD was purchased with Washington State Bank at 2.3% for 42 months at \$110,000.00. Gordon made a motion, seconded by Hillary to ratify the investment. Roll call vote: Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes. Motion carried.
- B. Investments Maturing before next quarter. None to approve.
- C. Ratification of Pension Fund Expenses. None to approve.
- D. Ratification of 3rd Quarter Investment Transactions with MVT. Sold USAA at \$97,752.05 on 09/26/19 and bought Blackrock for \$97,752.05 on 09/27/19. Wetzel made a motion to approve and Gordon seconded. Roll call vote: Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes. Motion carried.
- E. Ratification of pension increase for James Fussner. The first increase is due on 11/1/2019. The increase is for \$546.40/month for a total monthly benefit of \$4,189.07. Wetzel motioned to approve. Gordon seconded the motion. Roll call vote: Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – abstain. Motion carried.
- F. Ratification of annual pension increases effective Jan. 1, 2020. All increases were approved. See below for details.

Pension increases	Monthly Increase	New Monthly Amount	Motioned	Seconded	Hillary	Wetzel	Gordon	Fussner
David Densberger	\$97.94	\$3362.65	Gordon	Fussner	Yes	Yes	Yes	Yes
Mary Densberger	\$38.72	\$1329.42	Hillary	Wetzel	Yes	Yes	Yes	Yes
James Fussner	\$125.67	\$4314.74	Gordon	Wetzel	Yes	Yes	Yes	Yes
Rosalie Gerkin	\$139.33	\$4783.53	Hillary	Gordon	Yes	Yes	Yes	Yes
James Kuchenbecker	\$219.68	\$7542.25	Wetzel	Hillary	Yes	Yes	Yes	Yes
Tom Libotte	138.76	\$4764.16	Gordon	Hillary	Yes	Yes	Yes	Yes
David Stark	\$114.65	\$3936.30	Gordon	Wetzel	Yes	Yes	Yes	Yes
Don Volk	\$200.48	\$6883.19	Gordon	Fussner	Yes	Yes	Yes	Yes
Mike Williams	\$92.21	\$3165.93	Hillary	Fussner	Yes	Yes	Yes	Yes
Chuck Woolley	\$125.44	\$4306.92	Wetzel	Hillary	Yes	Yes	Yes	Yes

There are no increases for surviving spouse pensions of Marshall, Beard and Witmer.

- G. Approval of IPPFA membership for 2020. Annual membership dues amount is \$795.00. Gordon made a motion to approve. Hillary seconded the motion. Roll call vote: Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes. Motion carried.
- H. Acceptance of Annual Report. There was a question regarding Zachary Bean's salary being less than the previous year. He took a step down from Sergeant to Officer which reduced the salary. Wetzel motioned to accept the report. Hillary seconded the motion. All approved. Motion carried.
- I. Recommendation for 2019 Police Pension Tax Levy based on Actuarial Report. Notes from the Actuarial Study: FY2018-19 actual interest yield – 4.44%; 5-year smoothed actuarial rate – 4.27%. Scenarios shown include: No changes to assumptions - \$37,769 increase in the City contributions; adopt new mortality table - \$83,769 increase in the City contribution; adopt new mortality table and decrease interest rate to 6.5% - \$130,769 increase in the City contribution. Treasurer Dingledine shared the City's thoughts which

was to accept the new Mortality rates and keeping the 6.75% rate. The Committee agreed. Motion was made to adopt the new Mortality Tables for the public sector employees for an increase in the contribution of \$83,769 as presented by Jason Franken with Foster & Foster. Gordon seconded the motion. Roll call vote: Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes. Motion carried.

- J. Approval of Municipal Compliance Report for FYE 04/30/19. The report is completed based on what the City's contribution will be which does not get decided until this meeting. Since the new mortality rate was adopted and the interest will be 6.75%, the report will be adjusted to match the changes. Total assets were just over 8 million. The expected municipal contribution would be \$634,000, the funded ratio would be 59.3% and the unfunded liability would be \$5,732,000. Once it is approved and certified, it will go to the next City Council meeting. Gordon made a motion to accept the report. Hillary seconded the motion. All approved. Motion carried.

10. Discussion Items.

- A. Election of Active/Retired/Disabled Trustee. There were no other candidates so all the incumbents (Troi Westbrook and Greg Gordon) won.
- B. Training requirements and opportunities. As of August 2019, all training has been completed. Will probably receive notifications for new training around February.
- C. Approval of 2020 Meeting Schedule.
The new meeting schedule for 2020 will be January 27th, April 27th, July 27th and October 26th.
- D. Portability. Keegan Smith resigned last week and is going to a police department in Arizona. Joannie gave him the portability paperwork and asked him to check with them when he got there. The new police department should start the process in requesting the portability calculations. There is no action needed.

11. Adjournment. Gordon made a motion to adjourn. Wetzel seconded the motion. Roll call vote: Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes. Motion carried. Meeting was adjourned at 10:01 a.m.

Respectfully Submitted,



Greg Gordon, Secretary