

WASHINGTON POLICE PENSION FUND
BOARD MEETING
November 7, 2016

The meeting was called to order by President Michael Hillary at 8:31 a.m. on Monday, November 7, 2016 in the Conference Room at City Hall.

Roll Call

Present

Michael Hillary, President
Jim Wetzel, Vice President
Greg Gordon, Secretary
Troi Westbrook, Assistant Secretary
James Fussner, Representative

Absent

Also in attendance were Controller Joanie Baxter, Treasurer Ellen Dingleline, City Administrator Jim Culotta, Accountant Jeanette Glueck, David Vaught and Bill Yocius from Mitchell Vaught & Taylor, Jason Franken from Foster & Foster.

The agenda was reviewed with no changes made.

David Vaught from Mitchell, Vaught and Taylor (MVT) provided a summary of investment activity for the year. He indicated that the net gain year-to-date was \$325,262 for a net return of 8.18%. Fixed income is down due to a turn in interest rates and international has rebounded after being weak for some time. Bonds are at 2.21% right now and he believes it is time to buy more Treasury Inflation Protection Security (TIPS). Inflation is going to go above 2% and this adds great diversification and inflation protection to the portfolio. There is still \$103,000 remaining in cash that could be invested in TIPS. TIPS are considered fixed income and not equity securities.

Jason Franken from Foster & Foster, the Board's new actuary, provided an Actuarial Report with a recommended tax levy that would address the current backloading of the pension funding. He recommended making the following changes:

- Interest rate decrease from 7.00% to 6.75%.
- Mortality Rates updated from the RP-2000 Combined Healthy Mortality table with a blue collar adjustment to the RP-2000 Combined Healthy Mortality table with a blue collar adjustment, projected to the valuation date using Scale BB.
- Disabled mortality rates updated from the RP-2000 Disabled Retiree Mortality table to the RP-2000 Disabled Retiree Mortality table projected to the valuation date using Scale BB.
- The salary scale updated from a flat 5.00% to a graded scale based on service.
- The payroll growth assumption changed from 5.00% to 4.00%.

The resulting expected City contribution is \$513,651, a \$135,590 or 35.9% increase over the prior year requirement of \$378,061. Personal property replacement tax is anticipated to be between \$13,000 and \$14,000 and thus the recommended City contribution to the City Council will be \$500,000.

Jason also explained that the GASB 67/68 calculation is completely separate because what is in the Pension Code is not GASB compliant. The unfunded liability will be different and must go on the balance sheet of the City. The percent funded will also be different and GASB doesn't allow smoothing. Both interest rate and payroll growth assumptions will need to continue to be monitored and possibly tweaked in the future.

Wetzel made a motion, seconded by Fussner to approve the August 1, 2016 regular meeting minutes. Motion carried and minutes approved. Hillary made a motion, seconded by Gordon to approve the September 7, 2016 special meeting minutes. Motion carried and minutes approved. Westbrook made a motion, seconded by Wetzel to approve the September 15, 2016 special meeting minutes. Motion carried and minutes approved.

There were no public comments.

Financial reports as of September 30, 2016, were reviewed by Baxter. Wetzel made a motion to approve the reports, seconded by Hillary. Motion carried. The Board requested a Cash Flow Analysis be provided at the next meeting.

A CD at MVT – Goldman Sachs in the amount of \$40,000 matured on 8/8/16 and was combined with additional \$231,000 surplus with the result being \$55,000 to increase equities, \$100,000 to purchase a TIP and \$116,000 to purchase a corporate bond. Gordon made a motion, seconded by Hillary to ratify this transaction. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

A CD at Morton Community Bank in the amount of \$147,023.07 matured on 8/9/16 and was redeemed with the intention to purchase a \$155,000 corporate bond with a yield of 2% or higher in September. Westbrook made a motion, seconded by Wetzel to ratify this transaction. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

A CD at MVT – GE Capital Bank in the amount of \$150,000 matured on 8/10/16 and was redeemed and combined with \$110,000 Goldman Sachs CD maturing 9/15/16. Wetzel made a motion, seconded by Gordon to ratify this transaction. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

A CD at MVT – Goldman Sachs in the amount of \$110,000 matured on 9/15/16 and was redeemed and combined with \$150,000 GE Capital CD maturing 8/10/16 and two CDs were purchased each for \$130,000 – a 42 month at Washington State Bank at 1.5% and a 4 year at IPAVA at 1.5%. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

There is one CD maturing before the next quarterly board meeting. A phone poll will be done with rates obtained at the time of maturity.

Police pension expenses since the last meeting were as follows:

- Mesirow Insurance Services – paid \$3,058.00 on September 16, 2016 for the fiduciary insurance policy.

Gordon made a motion to ratify these expenses, seconded by Hillary. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

The 2017 membership dues for IPPFA were presented for approval in the amount of \$795.00. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

Hillary made a motion, seconded by Gordon to ratify the investment transactions by MVT for the quarter ended September 30, 2016. On roll call the vote was, Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

The Annual Financial Report for the fiscal year ended April 30, 2016 was reviewed and discussed. Gordon made a motion, seconded by Wetzel to approve the Annual Financial Report as presented. Motion carried by voice vote.

The actuarial recommendations were reviewed and discussed. Wetzel made a motion, seconded by Gordon to accept the recommendations presented by Foster & Foster and to recommend the City Council approve a contribution of \$513,651 which net of personal property replacement taxes would equate to a 2016 tax levy for the Police Pension Fund of \$500,000. Motion carried.

Annual pension increases effective January 1, 2017 were discussed and reviewed as follows:

Britt Beard – increase of \$46.04 per month on current pension of \$2,731.46 to result in new pension of \$2,777.50. Wetzel made a motion, seconded by Hillary to approve. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

David Densberger – increase of \$89.63 per month on current pension of \$2,987.66 to result in new pension of \$3,077.30. Gordon made a motion, seconded by Fussner to approve. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

Mary Densberger (QILDRO) – increase of \$35.44 per month on current QILDRO of \$1,181.17 to result in new QILDRO of \$1,216.61. Fussner made a motion, seconded by Hillary to approve. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

Rosalie Gerkin – increase of \$127.50 per month on current pension of \$4,250.10 to result in new pension of \$4,377.60. Gordon made a motion, seconded by Westbrook to approve. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

Thomas Libotte – increase of \$126.99 per month on current pension of \$4,232.89 to result in new pension of \$4,359.88. Gordon made a motion, seconded by Hillary to approve. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

David Stark – increase of \$104.92 per month on current pension of \$3,497.35 to result in new pension of \$3,602.27. Gordon made a motion, seconded by Wetzel to approve. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

Michael Williams – increase of \$84.39 per month on current pension of \$2,812.88 to result in new pension of \$2,897.27. Westbrook made a motion, seconded by Wetzel to approve. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

William Witmer – increase of \$83.90 per month on current pension of \$2,796.80 to result in new pension of \$2,880.70. Westbrook made a motion, seconded by Wetzel to approve. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

Charles Woolley – increase of \$114.80 per month on current pension of \$3,826.65 to result in new pension of \$3,941.45. Hillary made a motion, seconded by Wetzel to approve. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

The Municipal Compliance Report per Public Act 95-950 for the fiscal year ended April 30, 2016 was reviewed and discussed. Wetzel made a motion, seconded by Hillary to approve the Report. Motion carried.

Glueck reported that all trustees were in compliance with the training requirements as of August 13, 2016.

Glueck reported that a letter was received indicating a refund will be made to the Police Pension Fund in the amount of \$27,335.51 as a mutual fund share class remediation from R.W. Baird.

Glueck indicated that IPAVA Bank is now in compliance with Predatory Lending Laws and the Board may do business with them.

Fussner indicated that he would be unable to attend a January meeting, whether it is scheduled for January 23 or January 30. The meeting will stay at January 23.

There being no further business to come before the Board, Gordon made a motion to adjourn the meeting, seconded by Fussner. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. The meeting was adjourned at 10:32 a.m.

Respectfully Submitted,


Greg Gordon, Secretary