

**WASHINGTON POLICE PENSION FUND
BOARD MEETING
October 30, 2017**

The meeting was called to order by President Michael Hillary at 8:30 a.m. on Monday, October 30, 2017 in the Conference Room at City Hall.

Roll Call

Present

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

Absent

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

The agenda was reviewed with no changes noted.

Dwight Ower from Mitchell, Vaught and Taylor (MVT) provided a summary of investment activity for the quarter. He indicated that it had been a good quarter, despite the hurricanes. The economy is good and the annualized net return of the portfolio is 12.13% with a net investment gain of \$844,299 since inception. Currently, the portfolio is comprised of 62.7% equities and 37.3% fixed income. Rebalancing will occur to keep limits within statute. MVT recommends transitioning into government bonds at this time. More diversification leads to less risk and government bonds are less likely to be downgraded than corporate bonds. They are also not as impacted by rate changes and thus terms can go out to 7 – 10 years. Government bonds are at about 2.45% currently. There is \$50,800 available to move from money funds for this type of investment. Dwight also indicated that because the portfolio exceeds \$5 million at Schwab, the fund is now eligible to buy stocks directly. Only stocks of companies in existence for more than 5 years and with assets exceeding \$250 million meet the criteria for direct purchase. More information will be forthcoming if the Board is interested in pursuing this investment approach.

Jason Franken was in attendance from Foster & Foster to present the actuarial study results. He indicated that the tax levy requirement was increasing \$37,000. This is due to the changes made last year to modify assumptions so the pension liability wouldn't be as backloaded. In the short-term, the unfunded liability will increase but will eventually start to decrease. Jason explained that the actual interest yield was 7.56% but the effective yield was 4.19% when applied to the 5-year smoothed approach. The smoothing includes unrecognized losses from prior years, thus resulting in a \$184,000 increase in unfunded liability. In discussing assumptions, Jason said that most plans the size of Washington's are more in the 6.5% range and the Board may want to consider decreasing in the next 2 – 3 years. The result of decreasing to 6.5% would be an increase in the tax levy requirement of \$40,000 - \$60,000. The funded ratio of 59% is comparable to other plans of the same size which average 55 – 56% funded.

Gordon made a motion, seconded by Wetzel to approve the August 7, 2017 regular meeting minutes. Motion carried and minutes approved.

There were no public comments.

Financial reports as of September 30, 2017, were reviewed by Baxter. Westbrook made a motion to approve the reports, seconded by Wetzel. Motion carried.

A CD with MVT – GE Capital Bank in the amount of \$97,000 maturing on 8/29/17 was redeemed and a 3-year CD in the amount of \$100,000 with a 2.00% APR was purchased from IPAVA State Bank. Gordon made a motion, seconded by Hillary to ratify the transaction. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

A CD with MVT – Sallie Mae Bank in the amount of \$225,000 maturing on 10/2/17 was redeemed and corporate bonds with an approximate rate of 2.65% having a term of 66 months or less were purchased. Wetzel made a motion, seconded by Hillary to ratify the transaction. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

There are no CD's maturing before the next quarterly board meeting.

Police pension expenses since the last meeting were as follows:

- Troi Westbrook – paid 8/24/17 in the amount of \$151.20 for IPPFA Spring conference travel expenses.
- Electronic Federal Tax Payment System – paid 8/29/17 in the amount of \$372.96 for a 945 withholding correction for Volk

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

The ratification of quarterly investment transactions was tabled as the reports had not been distributed. This ratification will take place at the next quarterly meeting.

The Municipal Compliance Report as required by Public Act 95-950 was reviewed. Following discussion, on motion by Wetzel and second by Fussner, the Report was approved by voice vote.

The tax levy recommendation of \$535,700, a \$35,700 or 7.1% increase, was reviewed. Following discussion, Gordon made a motion, seconded by Westbrook to recommend the City Council approve a Police Pension Fund tax levy of \$535,700. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

The Annual Statement for the fiscal year ended April 30, 2017 was reviewed. Following discussion, on motion by Hillary and second by Wetzel, the Statement was approved by voice vote.

The renewal of the fiduciary insurance policy with Mesirow Insurance Services was reviewed. Following discussion, Gordon made a motion, seconded by Fussner to ratify the renewal of the fiduciary insurance policy in the amount of \$3,058.00. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

The renewal of the IPPFA membership dues was reviewed. The dues allow for training at a discounted rate as well as access to resources and the Board agreed membership is a good investment. Following discussion, Gordon made a motion, seconded by Fussner to approve the renewal of membership with IPPFA in the amount of \$795.00. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

It has come to our attention that the CEFCU CD face amount is less than \$250,000 but with accrued interest, the balance exceeds the FDIC maximum amount. Treasurer Dingledine will ask the CEFCU manager if funds can be withdrawn to bring the balance back down to \$250,000 and the CD will be changed so interest is not compounded going forward.

Annual pension increases effective January 1, 2018 were discussed and reviewed as follows:

Britt Beard – increase of \$46.04 per month on current pension of \$2,777.50 to result in new pension of \$2,823.54. 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 Densberger – increase of \$92.32 per month on current pension of \$3,077.30 to result in new pension of \$3,169.62. 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.

Mary Densberger (QILDRO) – increase of \$36.50 per month on current QILDRO of \$1,216.61 to result in new QILDRO of \$1,253.11. Wetzel 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.

Rosalie Gerkin – increase of \$131.33 per month on current pension of \$4,377.60 to result in new pension of \$4,508.93. 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.

Thomas Libotte – increase of \$130.80 per month on current pension of \$4,359.88 to result in new pension of \$4,490.68. 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 \$108.07 per month on current pension of \$3,602.27 to result in new pension of \$3,710.34. 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.

Donald Volk – increase of \$183.47 per month on current pension of \$6,115.63 to result in new pension of \$6,299.10. Fussner 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 \$86.92 per month on current pension of \$2,897.27 to result in new pension of \$2,984.19. 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.

William Witmer – increase of \$86.42 per month on current pension of \$2,880.70 to result in new pension of \$2,967.12. 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.

Charles Woolley – increase of \$118.24 per month on current pension of \$3,941.45 to result in new pension of \$4,059.69. 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.

It was decided to discuss the Investment Policy at the next quarterly meeting.

The schedule of 2018 quarterly meetings was distributed and discussed.

Pension Fund trend reports were distributed and discussed. The reports are based on the assumptions used by the State and not the Pension Fund; thus Washington is indicated at an interest rate of 6.5%. Notably, with the State assumptions, the pension liability is extremely backloaded and the tax levy requirement would have been \$100,000 less.

Upcoming training opportunities include Naperville and IPPFA Conference in the spring. The Illinois Municipal Treasurers' Association is starting a new certification program geared toward pension administration. Staff will consider attending next year, but have conflicts for the upcoming program.

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 10:21 a.m.

Respectfully Submitted,


Greg Gordon, Secretary