

**WASHINGTON POLICE PENSION FUND  
QUARTERLY BOARD MEETING  
Monday, January 25, 2016 - 8:30 A.M.**

**AGENDA**

1. Call to Order
2. Roll Call
3. Review Agenda – Deletions or Additions (Discussion Items Only)
4. Investment Reporting by Mitchell, Vaught, & Taylor
5. Approval of November 5, 2015 Quarterly Meeting Minutes
6. Approval of November 17, 2015 and December 10, 2015 Special Meeting Minutes
7. Public comment
8. Financial Reports
10. Action Items:

A. Ratify investments made via phone/memo approval (roll call vote):

<u>Bank Name</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Action Taken</u>
Washington State Bank	1.45%	12/18/15	\$ 170,452.33	Redeemed CD and Deposited into Heartland Bank Money Market Account
Washington State Bank	1.45%	1/16/16	\$ 284,093.52	Redeemed CD and Deposited into Heartland Bank Money Market Account
			<u>\$ 454,545.85</u>	

B. Investments Maturing before next quarterly meeting:

<u>Name</u>	<u>Bank</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Washington State Bank		1.25%	3/20/16	\$ 211,410.43

- C. Ratification of Police Pension Fund Expenses (roll call vote)
- D. Acceptance of the Police Pension Fund Actuarial Report
- E. Designation of Freedom of Information and Open Meetings Act Officer – P. Brown
- F. Acceptance of Final Report of Examination by the Dept. of Insurance

11. Discussion Items:
  - A. Training requirements and opportunities
  - B. Election results for Active Members
  - C. RFP's for Actuary
  - D. Predatory Lending Law Certification Forms

12. Adjournment (roll call vote)

Next meeting Monday, April 25, 2016 @ 8:30 a.m.

**WASHINGTON POLICE PENSION FUND  
BOARD MEETING  
November 5, 2015**

The meeting was called to order by President Michael Hillary at 8:30 a.m. on Monday, July 27, 2015 in the Conference Room at City Hall.

Roll Call

Present

Michael Hillary, President  
Jim Wetzel, Vice President  
Greg Gordon, Secretary (arrived 8:35)  
Troi Westbrook, Assistant Secretary  
James Fussner, Representative

Absent

Also in attendance were Controller Joanie Baxter, Treasurer Ellen Dingledine, and Accountant Jeanette Glueck.

Britt Snider from R.W. Baird was in attendance to give an update on investment performance this past quarter. He indicated that interest rates would eventually have to go up even though the Fed. didn't increase them in September. The markets have fared fairly well considering Greece and China. There has been little to no inflation and oil prices are down. The market is up year-to-date with the 3<sup>rd</sup> best October in history. Britt suggests trying to get asset allocation a little more aggressive keeping in mind that 45% equity maximum. Britt also reviewed some recent Department of Labor rulings and how these could affect the Fund when a broker is involved. He also recommended to have a separate meeting twice a year to focus just on investment performance as not enough time to do this in quarterly meetings.

The agenda was reviewed and no changes were made to discussion items only.

Wetzel made a motion, seconded by Fussner to approve the July 27, 2015 meeting minutes. Motion carried.

There were no public comments.

Financial reports as of September 30, 2015 were reviewed by Baxter. Westbrook made a motion, seconded by Gordon to approve the financial reports as presented. Motion carried.

A CD at Washington State Bank in the amount of \$184,242.33 matured on 8/21/15 and was redeemed. A 36 month CD was purchased with R.W. Baird – Capital One Bank at 1.75% for \$184,000. Gordon made a motion, seconded by Fussner to ratify this transaction. 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 and it was agreed that staff would obtain rates closer to the maturity date and conduct a phone poll for approval.

Police pension expenses since the last meeting were as follows:

- IPPFA – paid \$200.00 on August 6, 2015 for Hillary 8 hour on-line training.
- Atwell & Atwell – paid \$150.00 on August 20, 2015 for legal fees in regard to disability pension request.

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 preliminary actuarial study was reviewed and discussed. The past year showed positive earnings as indicated by the 4.40% investment yield; however this is less than the 6.26% and 5.97% yields in the prior two years. GASB 67 and 68 have required the revision of the mortality, disability, turnover and retirement assumptions to reflect the most recent study conducted by the Illinois Department of Insurance. Without these revisions, the required tax levy increase would have been much smaller. As a result of these changes as well as investment returns being less and salary increases being more than assumed, the tax levy increased and the percent funded decreased. The resulting tax levy requirement is \$378,061 under the entry age, 26-year, 100% amortization, smoothed market scenario. The

1. tax levy requirement may be reduced by Personal Property Replacement Tax which is projected to total \$14,000 and accordingly, the resulting tax levy would be \$364,061, a \$54,149 or 17.5% increase over the prior year.

The Board discussed the need to start looking at the declining funding percentages and assumptions going forward. Following discussion, Gordon made a motion, seconded by Westbrook to accept the report and make the tax levy recommendation to the City Council. Motion carried.

Wetzel made a motion, seconded by Hillary to approve the annual IPPFA membership in the amount of \$795.00. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

Annual pension increases effective January 1, 2015 were discussed and reviewed as follows:

Britt Beard – increase of \$46.04 per month on current pension of \$2,685.42 to result in new pension of \$2,731.46. 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 \$87.02 per month on current pension of \$2,900.64 to result in new pension of \$2,987.66. Wetzel 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 \$34.40 per month on current QILDRO of \$1,146.77 to result in new QILDRO of \$1,181.17. Fussner made a motion, seconded by Gordon to approve. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

Rosalie Gerkin – increase of \$123.79 per month on current pension of \$4,126.31 to result in new pension of \$4,250.10. 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.

Thomas Libotte – increase of \$123.29 per month on current pension of \$4,109.60 to result in new pension of \$4,232.89. Wetzel 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.

David Stark – increase of \$101.86 per month on current pension of \$3,395.49 to result in new pension of \$3,497.35. Hillary 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.

Michael Williams – increase of \$81.93 per month on current pension of \$2,730.95 to result in new pension of \$2,812.88. Westbrook 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.

William Witmer – increase of \$81.46 per month on current pension of \$2,715.34 to result in new pension of \$2,796.80. 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.

Charles Woolley – increase of \$111.46 per month on current pension of \$3,715.19 to result in new pension of \$3,826.65. Hillary made a motion, seconded by Gordon to approve. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. Motion carried.

The Annual Report for FYE 4/30/15 was reviewed and discussed. Hillary made a motion, seconded by Westbrook to approve the Annual Report. Motion carried.

The Municipal Compliance Report required to be submitted to the City Council prior to the levying of taxes was reviewed and discussed. Hillary made a motion, seconded by Wetzel to approve the report, pending clarification of if total assets of the fund are on the actuarial value basis or market value basis. Motion carried.

A request has been made by Officer Greg Patterson to withdraw his disability pension application. Following discussion, Gordon made a motion, seconded by Fussner to approve the request to withdraw the disability pension application. Motion carried.

The Request for Proposals for Investment Services was discussed. The top three proposals are R.W. Baird, Mitchell, Vaught & Taylor and Wall & Associates. Baxter was asked to set up presentations by these firms the week of November 16, 2015.

Training requirements for trustees were discussed and trustees were reminded of both the 32 hour and 16 hour requirements. Hopefully IPPFA will offer trustee training in the downstate area in 2016.

Gordon indicated that he is holding an election and results of the active member election will be available next meeting.

The schedule for quarterly meetings for 2016 was set for the 4<sup>th</sup> Monday of each calendar quarter as follows:

January 25, 2016	8:30 a.m.
April 25, 2016	8:30 a.m.
July 25, 2016	8:30 a.m.
October 24, 2016	8:30 a.m.

There being no further business to come before the Board, Fussner made a motion to adjourn the meeting, seconded by Hillary. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner - yes. The meeting was adjourned at 10:15 a.m.

Respectfully Submitted,

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Greg Gordon, Secretary

**WASHINGTON POLICE PENSION FUND  
SPECIAL BOARD MEETING  
November 17, 2015**

The special meeting was called to order by President Michael Hillary at 8:40 a.m. on Tuesday, November 17, 2015 in the Police Station Training Room.

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 Dingledine and Accountant Jeanette Glueck

The agenda was reviewed and there were no deletions or additions to discussion items only.

There was no public comment.

The purpose of the meeting was for presentations by investment managers making proposals for investment services as follows:

9:00 a.m.	Wall & Associates	Bill Galgan and David Wall
10:00 a.m.	Mitchell, Vaught & Taylor	Dwight Ower, William Yocius and David Vaught
11:00 a.m.	R.W. Baird & Company	Britt Snider

Following presentations, the Board agreed to check investment performance according to the Department of Insurance of the funds each of the above firms manage of similar size, check client references and clarify how the fixed income side would be handled. Another meeting will be scheduled to approve selection of an investment manager after the results of these factors have been determined.

There being no further business to come before the Board, Fussner made a motion to adjourn the meeting, seconded by Hillary. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Westbrook – yes; Fussner – yes. The meeting was adjourned at 1:00 p.m.

Respectfully Submitted,

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Greg Gordon, Secretary

**WASHINGTON POLICE PENSION FUND  
SPECIAL BOARD MEETING  
December 10, 2015**

The special meeting was called to order by President Michael Hillary at 8:33 a.m. on Thursday, December 10, 2015 in the Police Station Training Room.

Roll Call

Present

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

Absent

Troi Westbrook, Assistant Secretary

Also in attendance were Controller Joanie Baxter, Treasurer Ellen Dingledine and Accountant Jeanette Glueck

The agenda was reviewed and there were no deletions or additions to discussion items only.

There was no public comment.

The purpose of the meeting was for selection of an investment management firm. Baxter reviewed the results of checking the performance of funds \$10 million or less who are clients of the proposing firms. Seven of the top eight performing funds were clients of Mitchell, Vaught & Taylor (MVT). Hillary indicated that he had called several references of MVT that are similar size to Washington, including some who had recently switched. All were very satisfied with their services. Gordon indicated that MVT appeared to have a little better handle on pensions our size, and that pensions were not the specialty of Baird. Wetzel noted that the expense ratio is higher for Baird, especially with Hartford. Fussner agreed with MVT and said the reporting was also good for staff. Dingledine indicated we would have to analyze the fixed income funds as they mature and see the best approach for them. It was agreed the equity funds would be transferred right away while the annuity will have to be analyzed to see what action could be taken with respect to those funds. It was further agreed that the investment expenses would be withheld from investment income but reports would show both gross and net returns.

Following discussion, Wetzel made a motion, seconded by Gordon to approve the selection of Mitchell, Vaught & Taylor as investment managers for the Washington Police Pension Fund. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes. Motion carried. Hillary will take the necessary steps to notify the proposing firms and to arrange for the transition between R.W. Baird and Mitchell, Vaught & Taylor.

Dingledine indicated that a CD was maturing on December 18 in the amount of \$170,000 with Morton Community Bank. The consensus was to roll into cash and see what the market does and those may be funds that can be invested with Mitchell, Vaught and Taylor.

A motion was made by Wetzel, seconded by Gordon to give authority to Hillary and Wetzel to execute the contract with Mitchell, Vaught & Taylor and sign any other documents as pertains to the transfer of assets. Motion carried.

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; Fussner – yes. The meeting was adjourned at 9:12 a.m.

Respectfully Submitted,

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Greg Gordon, Secretary

**WASHINGTON POLICE PENSION FUND  
CASH AND INVESTMENTS  
12/31/15**

			<u>Collateral</u>	<u>Available</u>
<b>Money Market Checking Account:</b>				
Heartland Bank	\$	265,614.32	\$ 250,000.00	(15,614.32)
<b>Money Market Clearing Account:</b>				
Robert W. Baird	\$	1,629.85	N/A	N/A
<b>Savings Account:</b>				
CEFCU	\$	8,193.30	\$ 250,000.00	241,806.70
<b>Certificates of Deposit:</b>				
<b>CEFCU</b>				
1.98% due 6/19/18	\$	145,650.86	\$	145,650.86
			\$ 250,000.00	104,349.14
<b>Heartland Bank</b>				
No CD's at this time.			\$ 250,000.00	250,000.00
<b>Washington State Bank</b>				
1.25% due 3/20/16	\$	211,410.43		
1.45% due 1/16/16	\$	283,714.94	\$ 250,000.00	
1.25% due 6/19/16	\$	105,895.60	\$ 1,737,532.99	1,386,512.02
<b>Morton Community Bank</b>				
1.07% due 4/30/17	\$	117,070.58		
1.60% due 3/5/18	\$	101,211.96		
2.11% due 12/23/18	\$	102,110.12		
1.60% due 8/21/18	\$	100,941.86		
2.09% due 11/20/18	\$	102,285.53		
1.07% due 12/31/16 (Launch Ready CD)	\$	204,324.16	\$ 250,000.00	
1.25% due 8/09/16	\$	145,955.06	\$ 735,197.91	111,298.64
<b>South Side Bank and Trust</b>				
2.00% due 4/9/19 (Soaring CD)	\$	131,235.12		
2.00% due 4/24/19 (Soaring CD)	\$	100,950.09	\$ 250,000.00	17,814.79
<b>Robert W. Baird</b>				
CD 1.45% due 10/02/17 - Sallie Mae Bank	\$	225,000.00		
CD 1.85% due 6/17/19 - Goldman Sachs	\$	100,000.00		
CD 1.35% due 08/29/17 - GE Capital Bank	\$	97,000.00		
CD 1.85% due 4/18/17 - Discover Bank	\$	97,000.00		
CD 1.35% due 9/15/16 - Goldman Sachs	\$	110,000.00		
CD 1.35% due 8/08/16 - Goldman Sachs	\$	40,000.00		
CD 1.75% due 8/27/18 - Capital One Bank	\$	184,000.00		
CD 1.35% due 8/10/16 - GE Capital Bank	\$	150,000.00		
CD 1.00% due 3/20/17 - Ally Bank	\$	100,000.00	\$ 1,103,000.00	N/A
				N/A
<b>Total Certificates of Deposits</b>			\$	2,955,756.31

**WASHINGTON POLICE PENSION FUND  
REVENUE AND EXPENSE REPORT  
MAY 1, 2015 THROUGH DECEMBER 31, 2015**

**REVENUES:**

Property Taxes	308,188.81	
Property Replacement Taxes	5,489.25	
Interest	29,104.85	
Dividend Income	0.00	
Employee Contributions	84,921.06	
Miscellaneous Income	0.00	
<b>TOTAL</b>		<b>427,703.97</b>

**EXPENSES:**

Pensions	322,527.92	
Investment Charges	0.00	
Insurance	0.00	
Legal	1,632.32	
Compliance Fee	1,298.25	
Filing Fee	0.00	
Training	200.00	
Membership Dues	795.00	
Subscriptions	0.00	
Postage	0.00	
Contributions Refund	0.00	
Investment Expense	0.00	
Miscellaneous	123.52	
<b>TOTAL</b>		<b>326,577.01</b>

**REVENUES LESS EXPENSES**

**101,126.96**

\* Note - Dividend income or unrealized gain/loss are not recorded here.

**MONTHLY PENSIONS PAID (GROSS): RETIREMENT**

Britt Beard	2,685.42	
David Densberger	2,900.64	
Mary Densberger	1,146.77	
James Fussner	3,642.67	
Rosalie Gerkin	4,126.31	
James Kuchenbecker	6,181.99	
Thomas Libotte	4,109.60	
Gwendolyn Marshall	2,965.62	
David Stark	3,395.49	
Michael Williams	2,730.95	
William Witmer	2,715.34	
Charles Woolley	3,715.19	
<b>TOTAL</b>		<b>40,315.99</b>

**MONTHLY PENSIONS PAID (GROSS): DISABILITY**

No Disability Pensions at this time.	0.00	
<b>TOTAL</b>		<b>0.00</b>

**POLICE PENSION - ACTIVE OFFICERS' CONTRIBUTIONS AS OF 12/31/15**

	<b>Contributions</b>	<b>Years</b>
Lyle Baele	\$ 104,120.30	16
Zachary Bean	\$ 25,465.57	5
Michael Brown	\$ 5,487.77	0
Jacob Cernek	\$ 21,212.87	4
Daniel Foster	\$ 25,570.65	6
Greg Gordon	\$ 87,831.92	17
Frank Grossman	\$ 18,374.72	3
Steve Hinken	\$ 29,729.30	6
Ryan Hunsunger	\$ 51,582.97	9
Gregory Patterson	\$ 42,640.88	8
Brian Simpson	\$ 12,950.59	2
Keegan Smith	\$ 18,910.05	3
Steven Smith	\$ 41,856.72	6
Stuart Stevens	\$ 86,118.64	16
Dramane Taylor	\$ 4,916.03	0
Derek Thomas	\$ 66,460.49	12
Donald Volk	\$ 140,404.16	29
Troi Westbrook	\$ 11,835.36	1
Tyler Willi	\$ 37,667.78	6

**TOTAL ACTIVE CONTRIBUTIONS**

**\$ 833,136.77**

**POLICE PENSION -INACTIVE OFFICERS' CONTRIBUTIONS AS OF 12/31/15**

	<b>Contributions</b>	<b>Years</b>
Lindsay Bond	Terminated 3/5/15 \$ 5,662.02	
Michael Heitz	Terminated 5/11/13 \$ 624.14	
April Schrementi	Terminated 7/21/10 \$ 5,253.25	
<b>TOTAL INACTIVE CONTRIBUTIONS</b>		<b>11,539.41</b>

**TOTAL CONTRIBUTIONS**

**844,676.18**

**CHECK FIGURES:**

		0.00
30-Sep	127,524.58	811,186.30
30-Sep	161,014.46	844,676.18
	(33,489.88)	(33,489.88)
<b>DIFFERENCE</b>		<b>(0.00)</b>

OK



WASHINGTON POLICE PENSION FUND  
CERTIFICATES OF DEPOSIT

<u>BANK</u>	<u>CD#</u>	<u>AMOUNT</u>	<u>RATE</u>	<u>MATURITY</u>	
WASH STATE BANK		\$203,000.00	1.25%	3/20/2016	
WASH STATE BANK		\$102,000.00	1.25%	6/18/2016	
R W BAIRD (Goldman Sachs)		\$40,000.00	1.35%	8/8/2016	
WASH. COMMUNITY BANK		\$140,000.00	1.25%	8/9/2016	
R W BAIRD (G E Capital Bank)		\$150,000.00	1.35%	8/10/2016	
R W BAIRD (Capital One Bank)		\$184,000.00	1.75%	8/27/2018	
R W BAIRD (Goldman Sachs)		\$110,000.00	1.35%	8/15/2016	
					2016 TOTALS: \$1,129,000.00
MORTON COMM. BANK		\$200,000.00	1.07%	12/31/2016	
R W BAIRD (Ally Bank)		\$100,000.00	1.00%	3/20/2017	
R W Baird (Discover Bank)		\$97,000.00	1.85%	4/18/2017	
WASH. COMMUNITY BANK		\$115,000.00	1.07%	4/30/2017	
R W Baird (GE Capital)		\$97,000.00	1.35%	8/29/2017	
R W Baird (Sallie Mae Bank)		\$225,000.00	1.45%	10/2/2017	
					2017 TOTALS: \$634,000.00
MORTON COMMUNITY BANK		\$100,000.00	1.60%	3/15/2018	
CEFCU		\$140,000.00	1.98%	6/19/2018	
WASH STATE BANK		\$100,000.00	1.60%	8/21/2018	
MORTON COMMUNITY BANK		\$100,000.00	2.09%	11/20/2018	
MORTON COMMUNITY BANK		\$100,000.00	2.11%	12/23/2018	
					2018 TOTALS: \$540,000.00
SOUTH SIDE BANK & TRUST		\$130,000.00	2.00%	4/9/2019	
					ing CD .30% 1.30% 2.00% 2.70% 3.72%
SOUTH SIDE BANK & TRUST		\$100,000.00	2.00%	4/24/2019	
					ing CD .30% 1.30% 2.00% 2.70% 3.72%
R W BAIRD (Goldman Sachs)		\$100,000.00	1.85%	6/17/2019	
					2019 TOTALS: \$330,000.00



**CITY OF WASHINGTON  
WASHINGTON POLICE PENSION FUND**

Actuarial Valuation Report

For the Year

Beginning May 1, 2015

And Ending April 30, 2016

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*Timothy W. Sharpe, Actuary, Geneva, IL (630) 262-0600*

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## INTRODUCTION

Police-sworn personnel of the City of Washington are covered by the Police Pension Plan that is a defined-benefit, single-employer pension plan. The purpose of this report is to provide to the Intended Users of this report, specifically the Intended Users are the City Officials, the Pension Board and the City and Pension Board auditors, the reporting requirements of the Illinois Pension Code, the GASB Statements No. 25 & 27 and 67 & 68 financial information and related actuarial information for the year stated in this report. This report is not intended for distribution or usage to or by anyone who is not an Intended User and should not be used for any other purpose.

The valuation results reported herein are based on the employee data, plan provisions and the financial data provided by the City. The actuary has relied on this information and does not assume responsibility for the accuracy or completeness of this information. I hereby certify that to the best of my knowledge this report is complete and accurate and fairly presents the actuarial position of the Fund in accordance with generally accepted actuarial principles and procedures. In my opinion, the assumptions used are reasonably related to the experience of the Plan and to reasonable expectations. A reasonable request for supplementary information not included in this report should be directed to the undersigned actuary.

The actuary cautions the Intended Users of the possibility of uncertainty or risks in any of the results in this report.

I, Timothy W. Sharpe, am an Enrolled Actuary and a member of the American Academy of Actuaries, and I meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Timothy W. Sharpe, EA, MAAA  
Enrolled Actuary No. 14-4384

\_\_\_\_\_  
Date

## SUMMARY OF RESULTS

There was a change with respect to Actuarial Assumptions from the prior year to reflect revised expectations with respect to mortality rates, disability rates, turnover rates and retirement rates. The mortality rates, disability rates, turnover rates and retirement rates have been changed to the new rates most recently published by the Illinois Department of Insurance (September 2012).

There were no changes with respect to Plan Provisions or Actuarial Methods from the prior year.

Based on the plan sponsor's funding policy and future expected plan contributions and funded status, the plan is to be expected to produce adequate assets to make benefit payments when they are due.

The benefit payment default risk or the financial health of the plan sponsor was not deemed to be material.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

There were no unexpected changes with respect to the participants included in this actuarial valuation (2 new members, 3 terminations, 1 retirement, 0 incidents of disability, annual payroll increase -2.6%, average salary increase 5.6%).

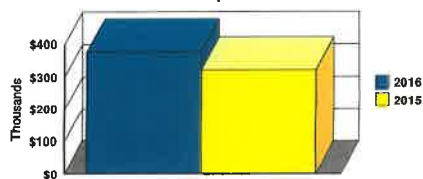
There were no unexpected changes with respect to the Fund's investments from the prior year (annual investment return 4.40%).

The City's Tax Levy Requirement has increased from \$320,912 last year to \$378,061 this year (17.8%). The increase in the Tax Levy is due to the increase in average salaries, the investment return was less than assumed and the changes to the assumptions. The Percent Funded has decreased from 67.1% last year to 64.2% this year.

# SUMMARY OF RESULTS (Continued)

	For Year Ending April 30	
	<u>2016</u>	<u>2015</u>
Tax Levy Requirement	\$ 378,061	\$ 320,912
	as of May 1	
	<u>2015</u>	<u>2014</u>
City Normal Cost	166,799	146,016
Anticipated Employee Contributions	116,933	120,094
Accrued Liability	10,806,789	10,000,394
Actuarial Value of Assets	6,937,520	6,713,699
Unfunded Accrued Liability/(Surplus)	3,869,269	3,286,695
Amortization of Unfunded Accrued Liability/(Surplus)	186,529	153,902
Percent Funded	64.2%	67.1%
Annual Payroll	\$ 1,179,945	\$ 1,211,845

**TAX LEVY REQUIREMENT**  
as of April 30

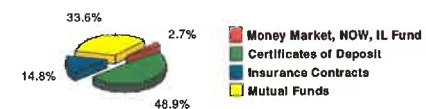


# ACTUARIAL VALUATION OF ASSETS

	as of May 1	
	<u>2015</u>	<u>2014</u>
Money Market, NOW, IL Fund	\$ 174,673	\$ 176,166
Certificates of Deposit	3,109,792	3,182,254
Insurance Contracts	939,291	827,461
Mutual Funds	2,137,154	2,004,731
Contributions Receivable	313,553	296,466
Interest Receivable	2,879	4,157
Miscellaneous Receivable/(Payable)	<u>0</u>	<u>16</u>
Market Value of Assets	<u>6,677,342</u>	<u>6,491,252</u>
Actuarial Value of Assets	\$ 6,937,520	\$ 6,713,699

FYE 2012-2015 (Gain)/Loss: \$374,063; \$60,495; \$45,656; \$167,218

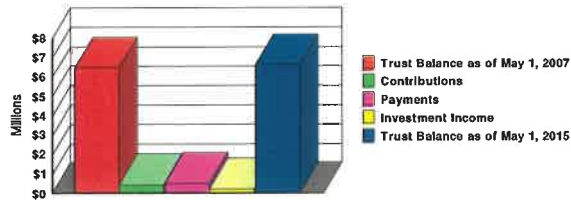
**SUMMARY OF ASSETS**  
As Of May 1, 2015



# ASSET CHANGES DURING PRIOR YEAR

Trust Balance as of May 1, 2014		\$	6,491,252
Contributions			
City	320,283		
Employee	<u>115,109</u>		
Total			435,392
Payments			
Benefit Payments	528,697		
Expenses	<u>4,356</u>		
Total			533,053
Investment Income			<u>283,752</u>
Trust Balance as of May 1, 2015		\$	<u>6,677,342</u>
Approximate Annual Rate of Return			4.40%

## ASSET CHANGES DURING PRIOR YEAR

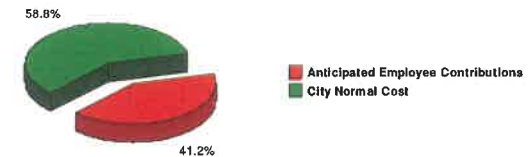


# NORMAL COST

The Normal Cost is the actuarial present value of the portion of the projected benefits that are expected to accrue during the year based upon the actuarial valuation method and actuarial assumptions employed in the valuation.

		as of May 1	
		2015	2014
Total Normal Cost	\$	283,732	\$ 266,110
Anticipated Employee Contributions		<u>116,933</u>	<u>120,094</u>
City Normal Cost		<u>166,799</u>	<u>146,016</u>
Normal Cost Payroll	\$	1,179,945	\$ 1,211,845
City Normal Cost Rate		14.14%	12.05%
Total Normal Cost Rate		24.05%	21.96%

## NORMAL COST As Of May 1, 2015

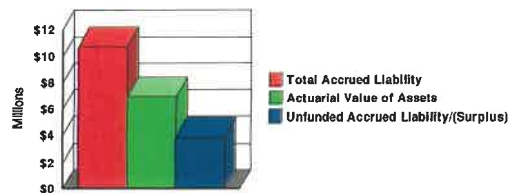


## ACCRUED LIABILITY

The Accrued Liability is the actuarial present value of the portion of the projected benefits that has been accrued as of the valuation date based upon the actuarial valuation method and actuarial assumptions employed in the valuation. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets.

	as of May 1	
Accrued Liability	2015	2014
Active Employees	\$ 3,838,610	\$ 3,819,104
Children Annuities	0	0
Disability Annuities	406,039	389,202
Retirement Annuities	6,266,140	5,505,044
Surviving Spouse Annuities	296,000	287,044
Terminated Vested Annuities	0	0
Total Annuities	6,968,179	6,181,290
Total Accrued Liability	10,806,789	10,000,394
Actuarial Value of Assets	<u>6,937,520</u>	<u>6,713,699</u>
Unfunded Accrued Liability/(Surplus)	\$ <u>3,869,269</u>	\$ <u>3,286,695</u>
Percent Funded	64.2%	67.1%

**ACCRUED LIABILITY**  
As Of May 1, 2015

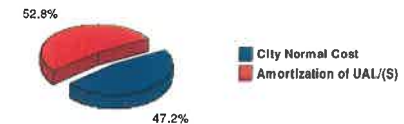


## TAX LEVY REQUIREMENT

The Public Act 096-1495 Tax Levy Requirement is determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the excess (if any) of ninety percent (90%) of the accrued liability over the actuarial value of assets as a level percentage of payroll over a thirty (30) year period which commenced in 2011, plus an adjustment for interest. The 100% amortization amount is equal to the amount to amortize the unfunded accrued liability as a level percentage of payroll over a thirty (30) year period which commenced in 2011.

	For Year Ending April 30	
	2016	2015
City Normal Cost as of Beginning of Year	\$ 166,799	\$ 146,016
Amortization of Unfunded Accrued Liability/(Surplus)	186,529	153,902
Interest for One Year	<u>24,733</u>	<u>20,994</u>
Tax Levy Requirement as of End of Year	\$ <u>378,061</u>	\$ <u>320,912</u>
Public Act 096-1495 Tax Levy Requirement		
1) Normal Cost (PUC)	116,309	145,459
2) Accrued Liability (PUC)	10,860,756	9,909,794
3) Amortization Payment	136,773	103,256
4) Interest for One Year	17,716	17,410
5) PA 096-1495 Tax Levy Requirement (1 + 3 + 4)	\$ 270,798	266,125

**TAX LEVY REQUIREMENT**  
For Fiscal Year Ending April 30, 2016



## SUMMARY OF PLAN PARTICIPANTS

The actuarial valuation of the Plan is based upon the employee data furnished by the City. The information provided for Active participants included:

Name  
Sex  
Date of Birth  
Date of Hire  
Compensation  
Employee Contributions

The information provided for Inactive participants included:

Name  
Sex  
Date of Birth  
Date of Pension Commencement  
Monthly Pension Benefit  
Form of Payment

Membership	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Current Employees				
Vested	7		7	
Nonvested	<u>12</u>		<u>14</u>	
Total	<u>19</u>		<u>21</u>	

Inactive Participants		<u>Annual Benefits</u>		<u>Annual Benefits</u>
Children	0	\$ 0	0	\$ 0
Disabled Employees	1	32,225	1	31,673
Retired Employees	9	415,980	9	413,517
Surviving Spouses	1	35,587	1	35,587
Terminated Vesteds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>11</u>	<u>483,792</u>	<u>11</u>	<u>480,777</u>

Annual Payroll \$ 1,179,945 \$ 1,211,845

## SUMMARY OF PLAN PARTICIPANTS (Continued)

### Age and Service Distribution

Service Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Salary
20-24									
25-29	5	1						6	55,221
30-34	1	3						4	59,778
35-39	2	1						3	59,800
40-44	1		1	1				3	67,715
45-49				1				1	63,634
50-54				1				1	72,510
55-59							1	1	90,817
60+									
Total	<u>9</u>	<u>5</u>	<u>1</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>19</u>	<u>62,102</u>
Salary	55,161	62,844	61,952	72,169			90,817		

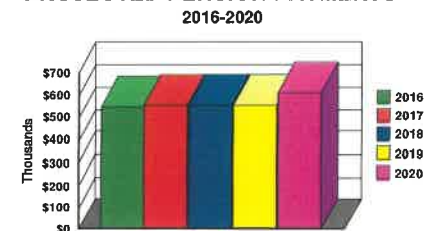
Average Age: 35.9 Average Service: 7.5

DURATION (years) Active Members: 19.0 Retired Members: 11.2 All Members: 14.0

### PROJECTED PENSION PAYMENTS

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$551,905	\$554,679	\$556,803	\$558,203	\$613,845

### PROJECTED PENSION PAYMENTS



## SUMMARY OF PLAN PROVISIONS

The Plan Provisions have not been changed from the prior year.

The City of Washington Police Pension Fund was created and is administered as prescribed by "Article 3. Police Pension Fund - Municipalities 500,000 and Under" of the Illinois Pension Code (Illinois Compiled Statutes, 1992, Chapter 40). A brief summary of the plan provisions is provided below.

Employees attaining the age of (50) or more with (20) or more years of creditable service are entitled to receive an annual retirement benefit of (2.5%) of final salary for each year of service up to (30) years, to a maximum of (75%) of such salary.

Employees with at least (8) years but less than (20) years of credited service may retire at or after age (60) and receive a reduced benefit of (2.5%) of final salary for each year of service.

Surviving spouses receive (100%) of final salary for fatalities resulting from an act of duty, or otherwise the greater of (50%) of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive (65%) of final salary.

The monthly pension of a covered employee who retired with (20) or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least (55) years, by (3%) of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as (3%) of the amount of the pension payable at the time of the increase.

Employees are required to contribute (9.91%) of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than (20) years of service, accumulated employee contributions may be refunded without accumulated interest.

For Employees hired after January 1, 2011, the Normal Retirement age is attainment of age 55 and completion of 10 years of service; Early Retirement age is attainment of age 50, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee's Accrued Benefit is based on the Employee's final 8-year average salary not to exceed \$106,800 (as indexed); Cost-of-living adjustments are simple increases (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse's Benefits are 66 2/3% of the Employee's benefit at the time of death.

## ACTUARIAL METHODS

The Actuarial Methods employed for this valuation are as follows:

### Projected Unit Credit Cost Method (for years beginning on or after 2011 for PA 096-1495)

Under the Projected Unit Credit Cost Method, the Normal Cost is the present value of the projected benefit (including projected salary increases) earned during the year.

The Accrued Liability is the present value of the projected benefit (including projected salary increases) earned as of the actuarial valuation date. The Unfunded Accrued Liability is the excess of the Accrued Liability over the plan's assets. Experience gains or losses adjust the Unfunded Accrued Liability.

### Entry Age Normal Cost Method

Under the Entry Age Normal Cost Method the Normal Cost for each participant is computed as the level percentage of pay which, if paid from the earliest age the participant is eligible to enter the plan until retirement or termination, will accumulate with interest to sufficiently fund all benefits under the plan. The Normal Cost for the plan is determined as the sum of the Normal Costs for all active participants.

The Accrued Liability is the theoretical amount that would have accumulated had annual contributions equal to the Normal Cost been paid. The Unfunded Accrued Liability is the excess of the Accrued Liability over the plan's assets. Experience gains or losses adjust the Unfunded Accrued Liability.



## ACTUARIAL ASSUMPTIONS

The Actuarial Assumptions used for determining the Tax Levy Requirement and GASB Statements No. 25 & 27 and 67 & 68 Disclosure Information are the same (except where noted) and have been changed from the prior year (discussion on page 4). The methods and assumptions disclosed in this report may reflect statutory requirements and may reflect the responsibility of the Principal and its advisors. Unless specifically noted otherwise, each economic and demographic assumption was selected in accordance with Actuarial Standards of Practice 27 and 35 and may reflect the views and advice of advisors to the Principal. In the event a method or assumption conflicts with the actuary's professional judgment, the method or assumption is identified in this report. The Actuarial Assumptions employed for this valuation are as follows:

Valuation Date	May 1, 2015
Asset Valuation Method	5-year Average Market Value (PA 096-1495)
Investment Return	7.00% net of investment expenses.
Salary Scale	5.00%
Mortality	RP 2000 Mortality Table (CHBCA). There is no margin for future mortality improvement beyond the valuation date.
Withdrawal	Based on studies of the Fund and the Department of Insurance, Sample Rates below
Disability	Based on studies of the Fund and the Department of Insurance, Sample Rates below
Retirement	Based on studies of the Fund and the Department of Insurance, Sample Rates below (100% by age 70)
Marital Status	80% Married, Female spouses 3 years younger

## ACTUARIAL ASSUMPTIONS (Continued)

<u>Sample Annual Rates Per 100 Participants</u>				
<u>Age</u>	<u>Mortality</u>	<u>Withdrawal</u>	<u>Disability</u>	<u>Retirement</u>
20	0.03	10.00	0.05	
25	0.04	7.50	0.05	
30	0.07	5.00	0.22	
35	0.11	3.00	0.26	
40	0.14	2.00	0.40	
45	0.18	2.00	0.65	
50	0.24	3.50	0.95	20.00
55	0.42	3.50	1.30	25.00
60	0.83	3.50	1.65	33.00
65	1.55	3.50	2.00	50.00
70	2.68			100.00

# GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION

The Governmental Accounting Standards Board (GASB) issued Statements No. 25 & 27 that established generally accepted accounting principles for the annual financial statements for defined benefit pension plans. The required information is as follows:

Membership in the plan consisted of the following as of:

	<u>April 30, 2015</u>	<u>April 30, 2014</u>
Retirees and beneficiaries receiving benefits	11	11
Terminated plan members entitled to but not yet receiving benefits	0	0
Active vested plan members	7	7
Active nonvested plan members	<u>12</u>	<u>14</u>
Total	<u>30</u>	<u>32</u>
Number of participating employers	1	1

## SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
04/30/13	6,179,579	9,402,034	3,222,455	65.7%	1,205,760	267.3%
04/30/14	6,491,252	10,000,394	3,509,142	64.9%	1,211,845	289.6%
04/30/15	6,677,342	10,806,789	4,129,447	61.8%	1,179,945	350.0%

# GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION (Continued)

## ANNUAL PENSION COST AND NET PENSION OBLIGATION

	<u>April 30, 2015</u>	<u>April 30, 2014</u>
Annual required contribution	320,912	304,709
Interest on net pension obligation	(2,004)	(2,054)
Adjustment to annual required contribution	<u>1,366</u>	<u>1,362</u>
Annual pension cost	320,274	304,017
Contributions made	<u>320,283</u>	<u>303,294</u>
Increase (decrease) in net pension obligation	(9)	723
Net pension obligation beginning of year	<u>(28,622)</u>	<u>(29,345)</u>
Net pension obligation end of year	<u>(28,631)</u>	<u>(28,622)</u>

## THREE-YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
04/30/13	273,568	100.4%	(29,345)
04/30/14	304,017	99.8%	(28,622)
04/30/15	320,274	100.0%	(28,631)

GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

Contribution rates:		
City	27.14%	25.03%
Plan members	9.91%	Same
Annual pension cost	320,274	304,017
Contributions made	320,283	303,294
Actuarial valuation date	04/30/2015	04/30/2014
Actuarial cost method	Entry age	Same
Amortization period	Level percentage of pay, closed	Same
Remaining amortization period	26 years	27 years
Asset valuation method	Market	Same
Actuarial assumptions:		
Investment rate of return*	7.00%	Same
Projected salary increases*	5.00%	Same
*Includes inflation at	2.50%	Same
Cost-of-living adjustments	Tier 1: 3.00% per year, compounded Tier 2: 2.00% per year, simple	Same

GASB STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION

Plan Membership	April 30, 2015
Inactive plan members or beneficiaries currently receiving benefits	11
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>19</u>
Total	<u>30</u>

Net Pension Liability of the City	
Total pension liability	10,806,789
Plan fiduciary net position	6,677,342
City's net pension liability	4,129,447
Plan fiduciary net position as a percentage of the total pension liability	61.79%

Actuarial Assumptions	
Inflation	2.50%
Salary increases	5.00%
Investment rate of return	7.00% net of expenses

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate	1% Decrease    Current Discount Rate    1% Increase		
	6.00%	7.00%	8.00%
Net Pension Liability	5,552,614	4,129,447	2,956,616

GASB STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION (continued)

Schedule of Changes in the City's Net Pension Liability and Related Ratios

	April 30, 2015
Total Pension Liability	
Service cost	284,738
Interest	681,523
Changes of benefit terms	0
Differences between expected and actual experience	(293,629)
Changes of assumptions	662,460
Benefit payments, including refunds of member contributions	528,697
Net change in total pension liability	806,395
Total pension liability - beginning	10,000,394
Total pension liability - ending	10,806,789
Plan Fiduciary Net Position	
Contributions - employer	320,283
Contributions - member	115,109
Net investment income	283,752
Benefit payments, including refunds of member contributions	528,697
Administrative expense	4,356
Other	0
Net change in plan fiduciary net position	186,090
Plan fiduciary net position - beginning	6,491,252
Plan fiduciary net position - ending	6,677,342
City's net pension liability	4,129,447
Plan fiduciary net position as a percentage of the total pension liability	61.79%
Covered-employee payroll	1,179,945
City's net pension liability as a percentage of covered-employee payroll	349.97%

GASB STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION (continued)

Schedule of City Contributions

	April 30, 2015
Actuarially determined contribution	304,709
Contributions in relation to the actuarially determined contribution	320,283
Contribution deficiency (Excess)	(15,574)
Covered-employee payroll	1,179,945
Contributions as a percentage of covered-employee payroll	27.14%
Notes to schedule	
Valuation date	April 30, 2015
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Remaining amortization period	26 years
Asset valuation method	Market Value
Inflation	2.50%
Salary increases	5.00%
Investment rate of return	7.00%
Retirement age	50-70
Mortality	RP 2000 CHBCA
Other	

Mortality rates were based on the RP-2000 CHBCA Mortality Table. The actuarial assumptions used in the April 30, 2015 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.



# Illinois Department of Insurance

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**BRUCE RAUNER**  
Governor

**ANNE MELISSA DOWLING**  
Acting Director

*Via certified mail*

January 19, 2016

Gregory Gordon, Secretary  
Washington Police Pension Fund  
301 Walnut Street  
Washington, IL 61571

Re: Final Report of Examination of the Washington Police Pension Fund

Dear Mr. Gordon:

Enclosed is a copy of the final Report of Examination (the "Report") covering the recent compliance audit examination of the Washington Police Pension Fund ("Fund") of Washington, Illinois. Each trustee is to receive a copy of this Report.

Please note that the Fund has 30 days after the date of the receipt of the Report to review it and make any request for hearing based on the facts contained in the Report. If no hearing is requested, an Order of the Director will be issued ordering compliance with the findings in the Report.

You are hereby notified that any written response to the Report and Order may be considered public information, subject to disclosure under the Illinois Freedom of Information Act, and may be posted with the Report and Order on the Department's website.

If you have additional questions on the Report or Order, please contact the Pension Division at (217) 782-7542.

Sincerely,

Mary Jane Adkins, J.D.  
Deputy Director  
Public Pension Division

Enclosures

# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



### WARRANT OF EXAMINERS

No. 14-52

Public Pension

I, the undersigned, Director of Insurance of the State of Illinois, in pursuance of the requirements of the Illinois Pension Code (40 ILCS 5/1A-104), do hereby appoint

**Travis March, Mary Strong and Associates**

as the proper person(s) to examine into the affairs of

**Washington Police Pension Fund**

of  
Washington, Illinois

and make a full report to me in writing of the condition and affairs of said

**Washington Police Pension Fund**

with a full statement of its Capital, Securities, and Assets, showing the amount and kind of each and how the same are invested, including the amount of liabilities, absolute and contingent thereof, with such other information as shall be requisite to furnish me a statement of the condition of its affairs and the manner of conducting its business.

The examiner(s) identified above is(are) hereby authorized to administer oaths, issue subpoenas, propound interrogatories, and require the attendance of persons and the presentation of documents and materials as may be reasonably necessary for the performance of the above described examination or completion of the full report.

### IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.  
Done at the City of Springfield, this 30<sup>th</sup> day of June, 2014.



*Andrew Boron*  
Andrew Boron

Director

[illegible]

## Mary Strong

\_\_\_\_\_, being first duly sworn upon  
her oath deposes and says:

That she is an examiner by the Department of Insurance of the State of Illinois;

That an examination was made of the affairs of the

Washington Police Pension Fund

Washington

Illinois, organized and authorized under the laws of the State of Illinois, pursuant

to authority vested in Warrant No. 14-52 issued by

Andrew Boron

\_\_\_\_\_, Director of Insurance of the State of Illinois;

That she was the examiner in charge of said examination and that the attached report of examination is a true and complete report of the condition of the above named Pension Fund on April 30, 2014, as determined by the examiners.

Mary L. Strong,

Examiner in Charge

Subscribed and sworn to before me this 11<sup>th</sup> day of December  
A.D. 2015.



*Marina Chestnut*  
Notary Public

## FOREWORD

The Washington, Illinois, Police Pension Fund was established on January 1, 1963, and operates under Article 3 of the Illinois Pension Code (40 ILCS 5/3-101 et seq.).

The examination of this pension fund covers the period beginning May 1, 2012, and ending April 30, 2014. This examination dated March 16, 2015, was performed by qualified examiners of the Illinois Department of Insurance, State of Illinois, as authorized under Sections 1A-104 and 1A-106 of the Illinois Pension Code.

The annual statements for the same period, as submitted to the Illinois Department of Insurance, were verified by comparison to the annual audit of the fund as submitted by an independent certified public accounting firm and the records maintained by the municipality and board of trustees.

Pension benefits to be paid from this fund are determined under a defined benefit plan. The benefits granted by the board of trustees of the fund were examined to determine compliance with applicable provisions of the Illinois Pension Code.

Investment holdings as of April 30, 2014, were accepted as reported in the certified public accounting firm's verification of the fund's assets.

Management policies and procedures established by the board were also reviewed to determine compliance with the Illinois Pension Code as well as Administrative Rules promulgated by the Illinois Department of Insurance.

## SUMMARY OF FINDINGS

The findings of the examiners, based upon the financial statement and supporting information contained in this report of examination, are summarized as follows:

1. Trustee Tyler C. Willi did not complete the annual trustee training requirements in contravention with 40 ILCS 5/1-109.3 and 40 ILCS 5/1-113.18. (Management)

2. The treasurer, Ellen L. Dingledine, was not a required signer on all accounts of the fund in contravention with 40 ILCS 5/1-113.1, 40 ILCS 5/3-131, 40 ILCS 5/3-132, and 40 ILCS 5/3-141. (Management)



## FINDINGS OF FACT

### MANAGEMENT

Per the annual statement filed with the Department of Insurance as of fiscal year ended April 30, 2014, the board of trustees of the Washington Police Pension Fund was comprised as follows:

<u>Board Trustee</u>	<u>Reason on Board</u>	<u>Board Position</u>	<u>Term Expiration</u>
Michael T. Hillary	Appointed	President	05/12/2015
James Wetzel	Appointed	Vice President	05/13/2014
Gregory P. Gordon	Elected - Active	Secretary	05/12/2015
Thomas E. Libotte	Elected - Retired	Assistant Secretary	05/12/2015
Tyler C. Willi	Elected - Active	Trustee	05/12/2015
Ellen L. Dingledine	Ex-Officio Treasurer	Treasurer	With Office

Trustee Tyler C. Willi did not complete the annual trustee training requirements in contravention with Sections 1-109.3 and 1-113.18 of the Illinois Pension Code. Training records submitted to the examiner attesting to the annual training completed by all trustees, along with the board's documented minutes, indicated that Tyler C. Willi completed only one hour of trustee training during the period of examination. Thomas E. Libotte did not complete the new trustee training during the period of examination.

#### *40 ILCS 5/1-109.3 [excerpt]*

*Sec. 1-109.3. Training requirement for pension trustees.*

*(b) In addition to the initial trustee certification training required under subsection (a), all elected and appointed trustees under Article 3 and 4 of this Code, including trustees serving on the effective date of this amendatory Act of the 96th General Assembly, shall also participate in a minimum of 16 hours of continuing trustee education each year after the first year that the trustee is elected or appointed.*

#### *40 ILCS 5/1-113.18*

*Sec. 1-113.18. Ethics training.*

*All board members of a retirement system, pension fund, or investment board created under this Code must attend ethics training of at least 8 hours per year. The training required under this Section shall include training on ethics, fiduciary duty, and investment issues and any other curriculum that the board of the retirement system, pension fund, or investment board establishes as being important for the administration of the retirement system, pension fund, or investment board. The Supreme Court of Illinois shall be responsible for ethics training and curriculum for judges designated by the Court to serve as members of a retirement system, pension fund, or investment board. Each board shall annually certify its members' compliance with this Section and submit an annual certification to the Division of Insurance of the Department of Financial and Professional Regulation. Judges shall annually certify compliance with the ethics training requirement and shall submit an annual certification to the Chief Justice of the Supreme Court of Illinois.*

The treasurer, Ellen L. Dingledine, was not a required signer on all accounts of the fund in contravention with Sections 1-113.1, 3-131, 3-132, and 3-141 of the Illinois Pension Code. The treasurer was not a required signer on the fund's accounts held at Heartland Bank & Trust Company, Morton Community Bank, South Side, and Washington Bank. A dual signature requirement is recommended for internal control purposes. One signature must be the treasurer's. A review of the bank signature confirmation forms indicated the following:

- Ellen L. Dingledine, Michael T. Hillary, James Wetzel, and Gregory P. Gordon were listed as authorized signers on the fund's account at Heartland Bank & Trust Company and any one of the authorized signers were able to effect transactions.
- Ellen L. Dingledine, Michael T. Hillary, Britt Beard, and Gregory P. Gordon were listed as authorized signers on the fund's accounts at Morton Community Bank and any two of the authorized signers were able to effect transactions.
- Ellen L. Dingledine, Michael T. Hillary, and James Wetzel were listed as authorized signers on the fund's accounts at South Side and any one of the authorized signers were able to effect transactions.
- Ellen L. Dingledine, Michael T. Hillary, Britt Beard, and James Wetzel were listed as authorized signers on the fund's accounts at Washington Bank and any two of the authorized signers were able to effect transactions.

*40 ILCS 5/1-113.1 [excerpt]*

*Sec. 1-113.1. Investment authority of pension funds established under Article 3 or 4.*

*The board of trustees of a police pension fund established under Article 3 of this Code or firefighter pension fund established under Article 4 of this Code shall draw pension funds from the treasurer of the municipality and, beginning January 1, 1998, invest any part thereof in the name of the board in the items listed in Sections 1-113.2 through 1-113.4 according to the limitations and requirements of this Article. These investments shall be made with the care, skill, prudence, and diligence that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims.*

*40 ILCS 5/3-131*

*Sec. 3-131. Powers and duties of board.*

*The board shall have the powers and duties stated in Sections 3-132 through 3-140.1 in addition to the other powers and duties provided under this Article.*

*40 ILCS 5/3-132*

*Sec. 3-132. To control and manage the Pension Fund.*

*In accordance with the applicable provisions of Articles 1 and 1A and this Article, to control and manage, exclusively, the following:*

- (1) the pension fund,*
- (2) investment expenditures and income, including interest dividends, capital gains and other distributions on the investments, and*
- (3) all money donated, paid, assessed, or provided by law for the pensioning of disabled and retired police officers, their surviving spouses, minor children, and dependent parents. All money received or collected shall be credited by the treasurer of the municipality to the account of the pension fund and held by the treasurer of the municipality subject to the order and control of the board. The treasurer of the*

*municipality shall maintain a record of all money received, transferred, and held for the account of the board.*

#### *40 ILCS 5/3-141*

##### *Sec. 3-141. Annual report by treasurer.*

*On the 2nd Tuesday in May annually, the treasurer and all other officials of the municipality who had the custody of any pension funds herein provided, shall make a sworn statement to the pension board, and to the mayor and council or president and board of trustees of the municipality, of all moneys received and paid out by them on account of the pension fund during the year, and of the amount of funds then on hand and owing to the pension fund. All surplus then remaining with any official other than the treasurer shall be paid to the treasurer of the municipality. Upon demand of the pension board, any official shall furnish a statement relative to the official method of collection or handling of the pension funds. All books and records of that official shall be produced at any time by him for examination and inspection by the board.*

### MUNICIPAL FUNDING REQUIREMENTS

Financing of the pension fund during the examination period was sufficient to meet the annual actuarial requirements of the fund as determined by an enrolled actuary of the Department of Insurance or by an enrolled actuary retained by the pension fund or municipality.

### INVESTMENTS

Investment holdings of the fund as of April 30, 2014, were comprised of the types and within the limitations authorized by Sections 1-113.2 through 1-113.4a of the Illinois Pension Code.

### CONTRIBUTIONS AND BENEFITS

Payroll records from May 1, 2012, and ending April 30, 2014, were spot checked. No discrepancies were identified in the employee pension contributions deducted from salary payments.

Refunds and pensions granted during the period under examination were reviewed. No discrepancies were identified.

### MEMBERSHIP RECORDS

The Public Pension Division recommends the expansion of the membership files to include documentary evidence, when applicable, including: applications to join the pension fund, including date of hire and a signature indicating board approval;

accumulated contribution lists; applications for benefits of any nature, including retirement, disability, surviving spouse, dependent, refund, etc.; details of benefit calculations; initial and annual medical documentation required for disability pensions; birth certificates for members, spouses and children; marriage licenses; death certificates; adoption certificates; copies of refund checks and endorsements; QILDRO documents; and any other relevant information. A detailed listing of each participant's salary history and rank and copies of training certifications are also recommended to be included in the membership records. The board was provided with a list of documents to be included in the membership files that are not presently contained in the files.

#### CORPORATE RECORDS

The board minutes were reviewed and found to be incomplete with respect to the documentation of all fund activity. Topics and/or specific details that were not discussed or documented completely include the designation of the Freedom of Information Act and the Open Meetings Act officers.

#### ACCOUNTING RECORDS

The board maintained records reflecting the financial activity of the fund. A record of accumulated pension contributions paid to the fund for each police officer was also maintained.

## Jeanette Glueck

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**From:** Greg Gordon  
**Sent:** Wednesday, November 11, 2015 8:52 AM  
**To:** Police; Don Volk  
**Cc:** [REDACTED]  
[REDACTED] Jeanette Glueck; Joanie Baxter  
**Subject:** Pension Board

The election is final. Your full time Police Pension Board members are Commander Gordon and Officer Westbrook.

Commander Gregory Gordon  
Washington Police Department  
115 W. Jefferson St.  
Washington, IL 61571  
309-444-2313

NOTICE: E-MAIL TO OR FROM CITY STAFF MAY BE SUBJECT TO DISCLOSURE PURSUANT TO THE ILLINOIS FREEDOM OF INFORMATION ACT.