

Tel: (847) 223-2341

Fax: (847) 223-4831

GRAYSLAKE POLICE PENSION FUND
10 South Seymour, Avenue, Illinois 60030-0906
DOI Pension Fund Number POO9600

MINUTES OF A REGULAR MEETING OF THE GRAYSLAKE POLICE PENSION FUND held **October 18, 2018 at 8:00 a.m.** at the Village Hall, 10 South Seymour Avenue, Grayslake Illinois.

I. Call to order and roll call

Trustees present: Stu Crowley, Brian Ernst, Conrad Gutraj, and Tom Morris. Trustees Absent: Linda Wegge. Also in attendance: Attorney Jeff Goodloe, Finance Director Thomas Lyons, Rachel Drury and actuary Bob Reitz from Lauterbach & Amen (L&A), John Falduto and Ed Lavin from Sawyer Falduto Asset Management (SFAM), and Steve Eitel from PNC.

President Crowley called the meeting to order at 8:00 a.m.

No members of the public were present.

II. Public Discussion

Crowley invited members of the public to speak. There being no response, Morris made a motion, seconded by Ernst to close public discussion. All "Ayes." Motion Carried.

III. Approval of Minutes of July 19, 2018 Regular Meeting

The **minutes of the July 19, 2018 Regular Meeting** were reviewed.

Morris made a motion, seconded by Gutraj, to approve the July 19, 2018 regular meeting minutes as presented. All "Ayes." Motion Carried.

IV. Sawyer / Falduto Financial Report – Equity Report

John Falduto and Ed Lavin presented the 2018 Third Quarter Investment Performance Report including performance review, market commentary, portfolio statement, and the transaction ledger. Total account return for the quarter of 4.28% net of fees. Total account return year to date of 7.30% net of fees. Mr. Lavin explained why SFAM's equity performance lagged the benchmark for the quarter (see tab 2, page 2 of SFAM's report).

Morris asked Mr. Lavin to comment on the benchmark deviation in the international portfolio and how the pension fund was positioned to perform relative to that deviation.

Morris made a motion, seconded by Ernst to accept the 2018 Third Quarter Investment Report. All "Ayes." Motion Carried.

V. PNC Financial Report – Fixed Income Report

Steve Eitel presented the 2018 Third Quarter Investment Performance Report including performance review, market commentary, portfolio statement, and the transaction ledger. Total account return for the quarter of 0.23% net of fees. Total account return year to date of -0.91% net of fees.

Morris asked Mr. Eitel to comment on whether the additional anticipated interest rate increases by the federal reserve are prudent.

Morris made a motion, seconded by Ernst to accept the 2018 Third Quarter Investment Report. All “Ayes.” Motion Carried.

VI. Treasurer’s Report

- A) Financial Report** – Mr. Lyons presented the treasurer’s report. Pension Fund net present assets at approximately \$22.4 million reflecting a 10% increase in the portfolio for the year ended September 2018.

Morris asked Mr. Lyons to research why there has been a reduction in the Personal Property Replacement Taxes (PPRT) over the past year.

Mr. Lyons reported that the Pension Fund currently has \$400,000 available for investment and recommended that the full amount be transferred to the fixed income account. Morris made a motion, seconded by Gutraj to transfer \$400,000 from the cash account to PNC for investment in the fixed income portfolio. Roll Call Vote: Ayes – Crowley, Gutraj, Morris, Ernst. Nays – None. Abstain – None. Absent – Wegge. Motion Carried.

- B) Compliance Report (MCR)** – See VI(F) below.

- C) Audit Fiscal Year End 2018** – Mr. Lyons presented the draft FY 2018 audit. He anticipates the audit report will be finalized within the week. Morris asked the actuary to comment on the actuarial assumptions, net pension liability, and mortality table figures listed on page 10 of the draft FY 2018 audit report. Mr. Reitz explained the actuarial assumptions and net pension liability figure. Mr. Reitz confirmed his confidence in L&A’s use of its 2016 statewide police officer mortality table. Ernst asked a question regarding the salary increase assumptions listed on page 10 of the draft FY 2018 audit report. Attorney Goodloe asked Mr. Lyons to notify Eder Casella to correct the typographical error on page 10 of the report.

- D) Department of Insurance Annual Statement Filing** – Mr. Lyons advised the DOI annual statement for fiscal year 2018 will be timely filed once the draft FY 2018 audit is finalized. Mr. Lyons advised that he will work with Ernst to ensure timely filing of the DOI annual statement.

Ernst made a motion, seconded by Gutraj, to designate electronic signatory authority to Secretary Ernst, Lauterbach & Amen, and Morris for the purpose of filing the DOI annual state. All “Ayes.” Motion carried.

- E) Actuarial Valuation and GASB 67/68 Reports** – Mr. Reitz presented the actuarial valuation tax levy and GASB 67/68 reports as of May 1, 2018. The recommended contribution is \$788,000. This represents an increase of \$45,784 (or 6.2% increase) over the prior year contribution recommendation. The statutory minimum contribution is \$640,837. The pension fund’s current percent funded on an actuarial valuation of assets is 81.29%.

Morris disagreed with the actuary recommending a contribution that includes a payment to unfunded liability that is approximately \$10,000 less than the amount sufficient to amortize the unfunded liability. Morris asked a question regarding the impact of Tier 2 hires on the recommended contribution. Ernst asked a question regarding the utilized funding method. Mr. Reitz confirmed the report provides calculations under both the entry age normal and projected unit credit funding methods.

Morris made a motion, seconded by Ernst, to approve the actuarial valuation tax levy and report as of May 1, 2018 and the GASB 67/68 report as of May 1, 2017 and to recommend a Village contribution of \$788,000. All “Ayes.” Motion Carried.

- F) Discussion and action regarding 40 ILCS 5/3-143 Municipal Compliance Report** – Gutraj made a motion, seconded by Morris, to approve the 40 ILCS 5/3-143 Municipal Compliance Report for the fiscal year ended April 30, 2018. All “Ayes.” Motion carried.

Ernst made a motion, seconded by Morris to accept the treasurer’s report. All “Ayes.” Motion Carried.

VII. Attorney’s Report

- A) Legal Updates** – Attorney Goodloe provided an update regarding new legislation and case law (*City of Countryside v. Countryside Police Pension Board*).

VIII. Old Business

- A) Conrad Gutraj’s 3% October pension increase submitted to PNC** – Ernst advised that he informed PNC on September 18, 2018 of Conrad Gutraj’s 3% pension increase in October pursuant to 40 ILCS 5/3-114.1(d).
- B) Joseph Manges Annual Disability Evaluation** – During the April 2018 regular meeting the Pension Board accepted Dr. Bennet’s report and continued Manges on disability. The matter will be placed on the January 2019 regular meeting agenda in order to begin the process for the 2019 annual examination.

- C) **Discussion and action regarding Village treasurer as a signer on pension fund accounts** – Attorney Goodloe provided a copy of the August 26, 2018 DOI opinion letter regarding the designation of Mr. Lyons as a signer on the pension fund’s account. The Pension Board’s action during its July 2018 regular meeting designating Mr. Lyons as a signer on the Schwab account does not conflict with the DOI’s opinion letter.
- D) **OMA Request for Review – 2012 Public Access Counselor 21561.** – On March 29, 2018 the Public Access Counselor issued a letter indicating that it had closed its file related to Bryan Gutraj’s September 26, 2012 Request for Review alleging the Pension Board violated the Open Meetings Act during its July 30, 2012 meeting.
- E) **Discussion and action regarding updated investment policy** – John Falduto presented the updated investment policy. Morris made a motion, seconded by Gutraj, to approve the updated investment policy as presented. All “Ayes.” Motion carried. Mr. Lyons will submit the updated investment policy to the DOI.
- F) **Discussion and action regarding updated rules and regulations** – Attorney Goodloe distributed draft updated rules and regulations to the Pension Board’s trustees for review and comments. This matter will be included on the January 2019 regular meeting agenda for further discussion and possible adoption.

IX. New Business

- A) **Report on IPPFA’s annual training conference** – All trustees attended the IPPFA annual fall training conference.
- B) **Kurt Newman Disability Application Update** – Attorney Goodloe advised that Officer Newman had submitted an application for a line of duty disability pension. Attorney Goodloe advised that he is in the process of obtaining records related to the claim.
- C) **Pay Bills** – Ernst made a motion, seconded by Morris, to approve the payment of the bills as presented in the treasurer’s report. Roll Call Vote: Ayes – Crowley, Gutraj, Morris, Ernst. Nays – None. Abstain – None. Absent – Wegge. Motion Carried.
- D) **Authorize Secretary Ernst to request recommended property tax levy from the Village Board** - Morris made a motion, seconded by Gutraj, to authorize Ernst to request the Village Board to adopt the recommended property tax levy of \$788,000 for the pension fund. All “Ayes.” Motion carried.
- E) **Set 2019 regular meeting dates** – Morris made a motion, seconded by Ernst to set the following regular meeting dates for 2019 at 8:00 a.m. – January 17, April 18, July 18, October 17. All “Ayes.” Motion carried. Attorney Goodloe advised that the list of 2019 regular meeting dates must be posted at the Village Hall on or before January 1, 2019.
- F) **Other** – None

X. Adjournment

Morris made a motion, seconded by Ernst to adjourn the meeting at 9:50 a.m. All "Ayes".
Motion carried.

MINUTES APPROVED on 1/17/19



PRESIDENT



SECRETARY