



FOX LAKE POLICE PENSION FUND
Fox Lake Village Hall - 66 Thillen Drive, Fox Lake, IL 60020
BOARD MEETING
January 20, 2020

I. Meeting Called to Order

President Fred Loffredo called the meeting to order at 9:30 a.m.

II. Pledge of Allegiance

The Pledge of Allegiance was recited.

III. Roll Call

Board Members present were Fred Loffredo, Walter Kubalanza, Bill Golden and Joe Martin. Terrence Daly was absent. Also present: Board Attorney Laura Goodloe, Village Finance Director Susan Griffin, Tom McShane of Graystone Consulting, Steve Earnhardt of Lauterbach & Amen, Village Administrator Ann Marin, Village Attorney Paul Denham and Recording Secretary Carol McMullen.

IV. Approval of Agenda

A motion was made by Bill Golden to approve the Agenda as presented; second by Walter Kubalanza. All Ayes; motion carried.

V. Public Comments - None at this time.

VI. Approval of Minutes

A motion was made by Walter Kubalanza to accept the minutes of the quarterly meeting of 10-21-2019 as presented; second by Bill Golden. All Ayes; motion carried.

VII. Financial Report

Tom McShane presented the Performance Report for the period ending December 31, 2019, showing ending market value at \$18,408,228. He reviewed

the Capital Markets by asset class index performance, gave an overview of the markets for the 4th quarter. He discussed the S&P 500 annual market returns on a year-end basis going back to 1980 and reviewed U.S. equity market risk indicators. He reviewed the target and current asset allocations. There was 33.9% in fixed income, 65.31% in equities and .79% in cash & cash equivalents. The cash flow needs were discussed with Susan Griffin; approximately \$85,000 is paid monthly; cash at Harris bank as of December was about \$144,000. He recommended having \$300,000 available in the cash account for the upcoming quarter. Susan stated that there are no expected tax levy monies coming in until June.

A motion was made by Joe Martin to take \$300,000 from the equity portfolio and transfer it to the cash account with BMO Harris; second by Bill Golden. Roll call vote taken: Fred Loffredo - Aye. Walter Kubalanza - Aye. Bill Golden - Aye. Joe Martin - Aye. Terrence Daly - Absent. Motion carried.

Tom stated that the portfolio is up 17.4% YTD, 6.08% since inception. He reviewed the risk/return analysis chart. He reviewed the bond portfolio. He stated the weighted average duration is at 2.623.

A motion was made by Bill Golden to accept the 12-31-2019 Performance Report as presented by Tom McShane; second by Joe Martin. All Ayes; motion carried.

Tom presented an updated contract for signature to the Board.

The annual review of the Investment Policy is tabled for the next meeting.

VIII. Accountants Report

Steve Earnhardt presented and reviewed the Monthly Financial Report ending 12-31-2019 showing total assets at \$18,425,073.77.

A motion was made by Joe Martin to accept the Lauterbach & Amen Financial Report for the month ended 12-31-2019 as presented; second by Walter Kubalanza. All Ayes; motion carried.

A motion was made by Walter Kubalanza to approve the cost of living increases as calculated by Lauterbach & Amen; second by Bill Golden. Roll call vote taken: Fred Loffredo - Aye. Walter Kubalanza - Aye. Bill Golden - Aye. Joe Martin - Aye. Terrence Daly - Absent. Motion carried.

A motion was made by Walter Kubalanza to ratify and approve the FY2019 audit as prepared by Sikich; second by Joe Martin. All Ayes; motion carried.

The Tier Two active member pension contribution statements were received from Lauterbach & Amen; a copy was placed in the member files.

A motion was made by Bill Golden to accept the bills as presented on the Lauterbach & Amen quarterly Vendor Check Report dated 12-31-2019, and pay the bills as they become due; second by Joe Martin. Roll call vote taken: Fred Loffredo - Aye. Walter Kubalanza - Aye. Bill Golden - Aye. Joe Martin - Aye. Terrence Daly - Absent. Motion carried.

IX. Attorney Report

Attorney Goodloe reported that the Gliniewicz matter remains pending on appeal, and is stayed for pension purposes at this time. Village Attorney Paul Denham stated that the Appellate court had a ruling about 3 weeks ago in favor of the Village's argument and they are waiting to hear from Gliniewicz's attorney so they know how to proceed. Attorney Denham will forward this paperwork to Attorney Goodloe.

Attorney Goodloe discussed the new pension consolidation legislation that was passed during the November Veto session. Between now and the end of June 2020, we will get instructions from the new interim investment board that is to be established in Springfield, on sending all of our assets to the consolidated investment pool. The Governor and the legislature are selecting the interim board by the end of this month. The interim board will have 9 members total; 3 members from active participants throughout the state (article 3 pension funds), 3 members will be municipal appointees, 2 members will be pension beneficiaries from article 3 funds throughout the state, and the final member will be from the Illinois Municipal League. The FOP, PBPA and the IML will generate lists to give to the Governor; the Governor and the State Senate are going to select who will be on the interim board from those lists. This interim board will be responsible for hiring an auditor, actuary, financial advisors and consultants, accountants and attorneys. There will be an Executive Director, which will be a salaried position, who will oversee the entirety of the investment board.

Between now and June 2022, the interim board will be sending an auditor to audit all of the pension assets. They will return a list to us telling us what we have in terms of assets; once we receive that list we will be given some type of freeze order with respect to further investment of our assets, and have to stop all investment activity. Subsequent to that letter, we will receive a second letter giving us 30 days to begin the transition of moving the assets to the pooled account. There will be a date certain when the transfer of assets occurs, this board will no longer be fiduciaries with respect to invested assets, and no longer have any control or authority over the investments. We will no longer be required to have an Investment Policy statement. We will no longer retain an investment advisor; it will be the investment board and the managers and consultants that they retain who will be in charge of investing your assets further. We will not have to liquidate our investments but transfer everything as is. They will be required to provide us with routine auditing reports and routine quarterly financial reports. We should receive these reports on a regular basis.

One benefit of this consolidation is once the assets are transferred, the investment restrictions that we currently have under Article 1 of the Illinois Pension Code will be lifted. The new investment board will be operating under more of a prudent man based investment rule, something that's comparable to what the IMRF does. There will be more opportunities for investments, so you should reap a greater investment return.

Ann Marin and Village Attorney Paul Denham left the meeting at 10:25 a.m.

When your money goes into this consolidated pool, the funds will not be co-mingled with other funds. There is language in the Public Act that speaks to the fact that Illinois State Treasury does not have any control over this, our money is not going into the Illinois State Treasury. The assets of the Fox Lake Police Pension Fund will be held in a separate account and should not be impacted by the financial status of other funds. According to the language in this bill we will not be bailing out any funds that are going under, that have been transferred into this mega fund.

The way the legislation speaks is that both the Article 3 Investment Fund, as well as the Article 4 Consolidated Fund, both have the ability to borrow \$7.5 million from the Illinois Finance Authority. That would be to help with the start-up costs and administration of the fund. Every fund will be responsible for their pro-rata share of this loan. The first 5-7 years of the creation of this investment fund, everyone will be taking a hit.

There will be reporting changes. We will still be required to file an IDOI Annual Statement; the financials will be provided by the investment board. The investment board will now be the auditor for us, so we won't be auditing our invested assets anymore. We shouldn't see any more IDOI Compliance Audits.

Actuarial valuation is another key change. The new Public Act states that the investment board will be responsible for procuring an actuary and providing the actuarial information to us every year. The investment board is now the authoritarian with respect to assumptions, so they could either increase or decrease your rate of return which could cause an increase or decrease of your tax levy and the funding level of your pension fund. An item of concern is the amortization period; right now our amortization period is set to be 90% funded by 2040. We do not know if the investment board has the authority to change this; we have no control over this. We do not know if the pension fund will still be able to hire its own actuary. But we will get a report and still have to certify a tax levy to the municipality; we will still have to file a Municipal Compliance Report.

Changes to the Tier Two benefits are: 1) the final average salary is going to be calculated based on the aggregate of 48 consecutive months of service within the last 60 months of service, or 96 of 120 months, whichever is higher. 2) The annual salary cap will now increase by the lesser of 3% or CPI-U as opposed to 3% or 1/2 of CPI-U. 3) Survivor pensions were changed to the greater of 54% of

the monthly salary at the date of death, or 66 2/3% of the earned pension at the date of death. There are added benefits for children. The total pension paid cannot exceed 75%.

Training requirements have been reduced. As current members on the board you only have to undergo 8 hours of annual training as opposed to 16 hours. You will be required to undergo an additional 4 hours of training on this specific Public Act, and it has to be with an organization that is affiliated with a State College or University, so most likely it will be the IPPFA, or IPAC.

The interim board will hold office from now until the end of this year. There will be an election for the permanent board later on this year. It will still have the 9 member make-up as the interim board. In order for an active participant to be added to the slate of nominations, they will need to procure 400 signatures from other active participants in Article 3 funds. Beneficiaries will need to procure 100 signatures each in order to be on the slate of nominations. The larger pension funds most likely will be able to gain those seats on the board.

As of now the House, Senate and the Illinois Municipal League are for maintaining the integrity of the local boards, which means that you will still be required to adjudicate all pension claims, consider approval of all retirements, survivors pensions, anything that comes our way aside from the investment component.

We would still maintain a local interest bearing bank account for payment of benefits and other administrative costs; it is advised that we do that. There will most likely be more rules promulgated by the investment board that will tell us how often we are to ask the investment board for money and how much money we are supposed to hold as a float on that account to pay benefits and costs. It's unclear what happens when there is a transfer of creditable service or when unanticipated costs arise. There will most likely be rules forthcoming to give us a better idea and understanding of how we should operate. We probably will need to hire an auditor to audit our local account on an annual basis and certify that to them. We will most likely still require the services of Lauterbach & Amen to help with administration, payment of benefits, payment of expenses, auditing of the small account, etc.

X. Old Business

Mayor appointments/terms – Fred Loffredo and Walter Kubalanza were sworn in; Fred's term expires 2021; Walter's expires 2022.

Trustee training certificates – Training certificates were received for Fred Loffredo and Walter Kubalanza.

XI. Officer Status

Retired officer Ron Nagel passed away 11-24-2019. He was a former police chief and served on the pension board as an annuitant. His DOH was 10-01-1972; he went on disability benefit 11-19-1992 and converted his pension on 12-14-2005. Benefits were calculated for his spouse, Sharon Nagel. She received a pro-rated benefit of \$1,121.54 and regular monthly payment effective 12-01-2019 will be \$5,607.68. She will receive \$67,292.16 annually. It was recommended for the Board to contact Mayor Schmidt and suggest he hold a moment of silence at the next Village Board meeting in honor of Ron Nagel.

A motion was made by Joe Martin to approve the pension benefits as calculated by Lauterbach & Amen; second by Bill Golden. Roll call vote taken: Fred Loffredo - Aye. Walter Kubalanza - Aye. Bill Golden - Aye. Joe Martin - Aye. Terrence Daly - Absent. Motion carried.

No paperwork was received for new officer Ramon F. Carreno. (DOH 09-03-2019, Tier Two) Approval of his pension membership application is tabled.

A motion was made by Joe Martin to approve the pension membership application of Megan M. Blue, DOH 12-17-2019, DOB 1987, Tier Two; second by Bill Golden. All Ayes; motion carried.

A motion was made by Joe Martin to approve the pension membership application of Joshua Lisenby, DOH 12-17-2019, DOB 1992, Tier Two; second by Bill Golden. All Ayes; motion carried.

Officer Patrick Caputo resigned on 11-12-2019. No paperwork has been received regarding disposition of his pension benefits. A copy of his resignation is being requested for his pension file.

Officer Christopher E Llenza requested a transfer of creditable service but did not qualify. His DOH was 12-12-2012; resignation was 12-09-2014.

XII. New Business

An election will be held for one active officer position on the board for the term 05-01-2020 through 04-30-2022. Joe Martin's term expires 04-30-2020.

The Administrative Rules & Regulations were discussed; there are no changes at this time.

The annual review of the pension membership files will be scheduled with Joe Martin and Carol McMullen.

The 2020 IPPFA Conference scheduled for Lake Geneva, Wisconsin has been cancelled and is being relocated.

XIII. Executive Session - None.

XIV. Action from Executive Session - None.

XV. Adjournment

The next regular scheduled meeting will be April 20, 2020, at 9:30 a.m.

With no further business, a motion was made by Walter Kubalanza to adjourn at 11:00 a.m.; second by Bill Golden. All Ayes; motion carried.

Respectfully Submitted,

Fred Loffredo
President

BY: Carol McMullen
Recording Secretary