



**FOX LAKE POLICE PENSION FUND
BOARD MEETING
Monday – October 22, 2018**

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, Terrence Daly, Walter Kubalanza, Bill Golden and Joe Martin. Also present: Board Attorney Laura Goodloe, Village Director of Finance/Treasurer Julie McManus, Village Administrator Ann Marin, Steve Earnhardt of Lauterbach & Amen, Tom McShane of Graystone Consulting, and Recording Secretary Carol McMullen.

IV. Approval of Agenda

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

V. Public Comments – None at this time.

VI. Approval of Minutes

A motion was made by Terrence Daly to accept the minutes of the quarterly meeting of 07-16-2018; second by Walter Kubalanza. All Ayes; motion carried.

VII. Financial Report

Tom McShane presented the Performance Report ending 09-30-2018; the ending market value as of 09-30-18 was \$17,155,501.

Trustee Kubalanza asked Tom to explain the definition of benchmarks and how our fund was doing in comparison to other pension funds based on a recent newspaper article. Attorney Goodloe explained that the data in that article was skewed due to the information coming from different fiscal year ends for the funds comparing an April

year-end to a December year-end. Tom McShane explained benchmarks to the Board. He stated that our Investment Policy states that the fund's objective is to have a rate of return that is equal to or greater than the benchmark that represents how the fund is allocated. He stated that the benchmark we compare this fund to is the benchmark that represents the allocation of the portfolio. For YTD the fund is up 3% compared to the benchmark of 2.09%. The last 3 years the fund is up 8.11% (which beat the actuarial rate of return of 7%) compared to the benchmark of 8.87%. For 10 years the fund is up 7.29% vs. the benchmark of 6.2%, and since inception the fund is up 6.04% vs. the benchmark of 5.17%.

There were questions regarding earnings from investments including pension contributions and tax levies, and not being actual earnings from investments. Julie McManus stated that the earnings from investments shown on the reports does not include the contributions the Village puts in but that the contributions are being used into the next calculation of earnings money is earned from it. When comparing to other funds, you need to pay attention to the fact that they may be willing to take riskier investments than our Board is willing to take, and we need to look at what interest rates we're assuming.

There was a discussion on the actuarial investment rate of return of 7% being set too high. There was a discussion regarding some municipalities and the DOI lowering the investment rate of return for its actuarial calculations.

Trustee Kubalanza asked Tom McShane questions regarding the information he requested from Tom McShane. He did not receive what he requested; he received investment information only for funds that Tom McShane represents. Tom explained that he was unable to obtain information for funds he did not represent. Attorney Goodloe explained that if this information was necessary to review, the Board could either request it from the municipalities with a Freedom of Information Act, or request it from the Department of Insurance. Trustee Kubalanza stated that his concern and goal was to ensure that our fund was doing the best that it could with investments.

Trustee Kubalanza expressed concern regarding the fund paying out more money that it's taking in from the Village and pension contributions, fluctuations in the market, the investment return going down and expenses going up. Julie McManus stated that we get an annual report that is supposed to take that into account. In any given year you may have more reductions than you have money going in on the long term. The pension actuarial study takes into account that the higher level people are retiring and the lower level people are supporting them. In any scenario there will be some years like this in terms of whether it's up or down. Those fluctuations are natural; the actuarial study is the best study you can get that tells you what you need in the fund at any given time. Even though you see those negatives, it should take care of itself over time.

Trustee Kubalanza discussed all the towns having pension problems. Tom McShane stated that it was partially due to under-contributions, partly increases in benefits, the

unrealistic assumed rates of return. Some are assuming 8% when you can only put 45% in equities and probably only making a 3% return.

Tom McShane reminded the Board that he prepared and handed out an asset allocation review and study at the last Board meeting. That asset allocation looked at different parameters, different allocations of stocks, bonds, cash, international, small cap, mid cap and what the expected rates of return were over a period of time. He distributed that report again to the Board and briefly reviewed it with them. The Investment Policy will be reviewed in January and the Board will discuss asset allocation and other issues discussed at that time.

A motion was made by Walter Kubalanza to accept the Performance Report for the period ending September 30, 2018 as presented by Tom McShane; second by Terrence Daly. All Ayes; motion carried.

VIII. Accountants Report – Cash Flow Needs

Steve Earnhardt presented and reviewed the Monthly Financial Report ending 09-30-2018. Total net position held in trust for pension benefits for end of period was \$17,251,868.16.

Steve Earnhardt stated that the DOI Annual Report was completed and forwarded to the Board via e-mail for review. The DOI is now allowing the report to be certified electronically; the Board will need to designate a representative to review the report and inform Lauterbach & Amen that it is approved for filing. Steve informed the Board that the Interrogatory questions were increased this year as part of the DOI Annual Report filing; the DOI is now requiring copies of actual meeting minutes, copies of all Trustee annual training certificates, and honing in on the administration of the fund to ensure all the required documentation was provided. The DOI also required a guarantee that the pension fund knew their fiduciary responsibilities. In response to this, Lauterbach & Amen implemented a Supplemental Interrogatory Response that will be uploaded to the DOI as part of the filing process. The Board designated Joe Martin and/or Julie McManus as Board representatives to inform Steve Earnhardt that the DOI Annual Report can be filed after their review and approval of the report.

Steve presented the GASB 67/68 Report and reviewed it with the Board. This report is for financial reporting purposes. The actual funding report was just finalized today, and Steve stated that the Actuary advised that he was reducing the assumed rate of return down to 6.75% from 7%. Julie McManus felt that this assumed rate of return was too low and extremely conservative and the difference will have to be made up by the Village. She had discussions with Lauterbach & Amen regarding the liability on the pension books increasing and the Village needing to put in more tax levy dollars. The actuarial requested levy will go up approximately \$90,000; Lauterbach & Amen suggested paying this over 3 years instead of all in one year. The report will reflect this recommendation. Steve stated that it did decrease to 6.75% which increased the Village portion to \$104,000; 2/3 of this \$104,000 will be deferred to next year. In the report it will state that both parties agreed to this transition plan. The recommended contribution is \$800,000; due to this assumption change the contribution will actually be \$730,000. Steve stated that their calculated statutory contribution is \$526,000. The “phase-in” rate

would be \$730,000. The Board did not agree on a tax levy at this time; A Special Meeting will be held to approve and present a recommended levy request to the Village.

Steve stated that according to the Actuarial Report the fund is 74% funded. Due to the change in the assumption and other expected changes the fund's actuarial accrued liability went up by approximately \$1.5 million.

IX. Approval of Bills & Disbursements

A motion was made by Joe Martin to accept the bills as presented on the Lauterbach & Amen Report dated 09-30-2018, and pay them as they become due; second by Bill Golden. Roll call vote taken: Fred Loffredo – Aye. Terrence Daly – Aye. Walter Kubalanza – Aye. Bill Golden – Aye. Joe Martin – Aye. All Ayes; motion carried.

X. Attorney Report

Updates to the Administrative Rules & Regulations will be e-mailed to everyone for review. Everything highlighted in yellow are recommended updates. This will be on the January Agenda for discussion and/or approval.

Attorney Goodloe updated the Board on the status of the Gliniewicz case. We were scheduled to convene for a hearing on 09-24; just before the hearing, Counsel for Gliniewicz notified Attorney Goodloe that he was filing a motion to recuse one or possibly two Trustees. We will need to address this motion for recusal before addressing all of the other motions that were set for 09-24. This motion was filed based upon information obtained during the discovery process that Trustee Golden had been potentially investigating part of the Gliniewicz matter when it all fell apart. An amended motion was filed asking only for Trustee Golden's recusal; it does not ask for Trustee Martin's recusal. The Village as of last week filed its response and the Gliniewicz reply was just received. We need to hold a hearing on this motion for recusal, then after this hearing we will hold a hearing on all the other motions that have to be adjudicated before we hold the final hearing. Within the next week, the motion and exhibits will be forwarded on to the entire Board. Potential dates for this hearing are November 19th or November 20th.

The tax levy certification and approval will be scheduled at a Special Meeting before the Gliniewicz hearing on the motion for recusal.

XI. Old Business

The approval of the Actuarial Report/Tax Levy Valuation is tabled.

Julie McManus reported that the Audit should be complete by 10-31-18. The approval of the Audit is tabled for the next meeting.

The Certification as to the pension fund tax levy request is tabled.

The Municipal Compliance Report is tabled for the next meeting.

Fred Loffredo was sworn in on June 14, 2017 by the Mayor as Trustee to the Pension Board. Trustee Loffredo has been on the Fox Lake Police Pension Board since 1984.

The Affidavit of Eligibility was not received from Richard Good. Trustee Loffredo has left phone messages for him and will try to contact him one more time informing him that a letter will be forthcoming from the board attorney. Attorney Goodloe will draft a letter to Richard Good notifying him via first class/certified mail that the pension fund will be suspending his ACH pension deposit as of the November payroll until he personally comes to this location to pick up a hard copy of his check in exchange for his Affidavit of Eligibility form.

XII. Officer Status

Trustee Martin turned in documents for the pension member files, including a marriage license for Officer Michael Cwiok and a sealed copy of dissolution of marriage and new beneficiary form for Brandy Henderson.

Tyler Magnuson applied for a pension contribution refund. His hire date was 03-27-2012 and his last day worked was 03-31-2016. His total contributions are \$23,252.62, but 20% federal tax would be deducted by Lauterbach & Amen since he requested the refund be paid directly to him.

A motion was made by Terrence Daly to grant the pension contribution refund application of Tyler Magnuson; second by Bill Golden. Roll call vote taken: Fred Loffredo – Aye. Terrence Daly – Aye. Walter Kubalanza – Aye. Bill Golden – Aye. Joe Martin – Aye. All Ayes; motion carried.

Jason Baldowsky has applied for a deferred pension. His date of hire was 06-15-1998, last date worked was 07-16-2018, and his year of birth is 1974. The effective date of his pension will be 06-15-2024; his total salary is \$89,523.09. This is tabled for approval until 2024.

Deductions for military buy-back for Officer Ebbing have been started. He will be paying \$29,143.73 over a ten year period. This buy-back was approved at the July 2017 Pension Board meeting.

Julie McManus requested the Board revisit the Administrative Rules & Regulations regarding how long the military buy back calculations estimates are good, i.e., 3-5 months; and to discuss the interest factor on paying back over a ten year period.

XIII. New Business

The meeting dates for 2019 will be January 21, April 15, July 15 and October 21. The meetings will all be on Monday at 9:30 a.m.

It was announced at the IPPFA Conference that Actuary Tim Sharpe had disciplinary action against him and he was suspended for two years. In the meantime we have asked Lauterbach & Amen to step in and do this year's actuarial report. Julie McManus will get some actuarial bids for the board for next year's reports.

A motion was made at 11:28 a.m. by Walter Kubalanza to move into Executive Session to discuss the retention of personnel, specifically the contract of Temporarily Yours; second by Bill Golden. All Ayes; motion carried.

XIV. Executive Session

No action was taken in Executive Session.

XV. Action from Executive Session

A motion was made by Fred Loffredo to reconvene back into regular session at 11:46 a.m.; second by Terrence Daly. All Ayes; motion carried.

Roll call: Fred Loffredo, Terrence Daly, Walter Kubalanza, Bill Golden and Joe Martin. Also present is Attorney Laura Goodloe and Recording Secretary Carol McMullen.

The Board was in Executive Session to discuss personnel under Section 2 of the Open Meetings Act pertaining to Carol McMullen's proposed contract for secretarial services. The Board discussed several components of the contract in Executive Session.

A motion was made by Terrence Daly to accept the fee increase of \$0.50 per hour for Temporarily Yours Secretarial, from \$27.50 per hour to \$28.00 per hour effective January 1, 2019; second by Walter Kubalanza. All Ayes; motion carried.

A motion was made by Terrence Daly to reimburse 25% of conference registration and gas/mileage fees and other expenses for travel and attendance for Carol McMullen to attend the IPPFA Annual Conferences; second by Walter Kubalanza. All Ayes; motion carried.

A new contract for Temporarily Yours Secretarial Service will be prepared and presented at the January Board meeting.

XVI. Adjournment

The next regular scheduled meeting will be Monday, January 21, at 9:30 a.m.

With no further business a motion was made by Terrence Daly to adjourn at 11:48 a.m.; second by Walter Kubalanza. All Ayes; motion carried.

Respectfully Submitted,

Fred Loffredo
President

BY: Carol McMullen
Recording Secretary