

WASHINGTON POLICE PENSION FUND
BOARD MEETING
October 22, 2018

The meeting was called to order by President Michael Hillary at 8:30 a.m. on Monday, October 22, 2018 in the Conference Room at City Hall.

Roll Call

Present

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

Absent

Troi Westbrook, Assistant Secretary

Also in attendance were Controller Joanie Baxter, ~~Treasurer Ellen Dingleline~~, Accountant Jeanette Glueck and David Vaught from Mitchell Vaught & Taylor.

The agenda was reviewed and accepted as presented.

David Vaught from MVT reviewed the investment portfolio and performance. As of September 30, 2018, equities have an annualized net return of 10.27% with \$147,000 earnings for the quarter. The bond portfolio is down for the quarter 3.67%. Volatility in the market has made investors uneasy and just calls for caution. The market will rebalance eventually. Looking ahead, MVT would like to consider adding Goldman International Fund as really like their methodology. Also may want to reduce Oppenheimer International Small Cap as manager left, although Oppenheimer Developing Markets has been very successful. Interest rates are going to continue to rise as the federal deficit is larger than projected and bonds will need to be issued to cover the increased deficit.

Jason Franken from Foster & Foster called in to discuss the results of the actuarial study done as of May 1, 2018. The only changes in assumptions were those made based on the results of the 2017 Department of Insurance experience study. The interest rate assumption remains at 6.75%. The market value of assets rate of return for the fiscal year was 5.58% and the 5 year-smoothed rate for actuarial purposes was 4.43%. The increase due to investment returns falling short of the assumed interest rate was largely offset by decreases due to changes in assumptions. As a result, the recommended employer contribution decreased slightly from \$550,691 to \$550,231, of which \$15,000 may be satisfied with Personal Property Replacement Tax. The resulting tax levy recommendation is \$535,231 rounded to \$535,300. This is a \$400 decrease from the prior year tax levy of \$535,700. Funding at this level will result in a slight improvement to the percent funded to 61.7% (59.5% in the prior year).

The actuary indicates that for plans of similar size, the interest rate of 6.75% is probably a bit too high because of the 45% equity limitation. He recommends the Board more closely evaluate the appropriateness of the rate prior to the next valuation. Staff will make a note to discuss at the July 2019 Board meeting.

Fussner made a motion, seconded by Gordon to approve the October 22, 2018 regular meeting minutes. Motion carried and minutes approved.

There were no public comments.

Financial reports as of September 30, 2018 were reviewed by Controller Baxter. Wetzel made a motion to approve the reports, seconded by Hillary. Motion carried.

A CD at Morton Community Bank in the amount of \$105,342.01 matured on 8/21/18. It was redeemed and a 5-year CD from Busey Bank was purchased for \$105,000 at 2.76%. Gordon made a motion, seconded by Hillary to ratify the investment. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes. Motion carried.

A CD with MVT – Capital One Bank in the amount of \$185,605.59 matured on 8/27/18. It was redeemed and a 3-year CD was purchased from Morton Community Bank for \$180,000 at 2.7%. Gordon made a motion, seconded by Fussner to ratify the investment. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes.. Motion carried.

There are two CDs maturing before the next meeting of which trustees will be contacted with alternative investment options. It was noted that the fees from MVT has decreased by 35 basis points because the portfolio they are managing is now in excess of \$5 million.

Police pension expenses since the last meeting were as follows:

- Heartland Bank and Trust on July 3, 2018 in the amount of \$20.50 for new checks.
- Foster & Foster on July 23, 2018 in the amount of \$300.00 for Sutter's military service purchase calculation.
- Mesirow Insurance Services on September 10, 2018 in the amount of \$3,122.00 for fiduciary liability insurance policy renewal.
- Atwell & Atwell on September 18, 2018 in the amount of \$200 for review of the Investment Policy.

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

MVT transactions for the 3rd quarter 2018 were reviewed. Hillary made a motion, seconded by Wetzel to approve these transactions. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Fussner - yes. Motion carried.

The Municipal Compliance Report as required by House Bill 5088 (Public Act 95-950) was submitted and reviewed. Following discussion, Gordon made a motion, seconded by Hillary to approve the report. Motion carried.

The annual increase for James Kuchenbecker was reviewed. Kuchenbecker's pension will increase \$213.28 from \$7,109.29 to \$7,322.57 effective January 1, 2019. Wetzel made a motion, seconded by Hillary to approve the increase. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes. Motion carried.

Police officer Danton Althiser, sworn in August 30, 2018 submitted an application for membership in the Police Pension Fund. Gordon made a motion, seconded by Fussner to approve the application. Motion carried.

Renewal of membership with IPPFA was considered. Membership allows for trustees to attend training at a discounted rate. Following discussion, Wetzel made a motion, seconded by Hillary to approve the renewal in the amount of \$795.00. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes. Motion carried.

The Annual Report for the fiscal year ended April 30, 2018 was reviewed. Following discussion, Gordon made a motion, seconded by Hillary to accept and approve the Annual Report. Motion carried.

The results of the actuarial valuation as presented by Foster & Foster were reviewed. Following discussion, Gordon made a motion, seconded by Fussner to accept the assumptions as indicated in the valuation report and recommend a tax levy of \$535,300 to the City Council. The assumptions will be further reviewed and updated as necessary prior to the next valuation. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes. Motion carried.

The Ullico quote for renewal of the Errors and Omissions Insurance Policy was not received in time for the prior meeting and thus requires ratification. The renewal is in the amount of \$3,122.00. Hillary made a motion, seconded by Wetzel to ratify the renewal. On roll call the vote was Hillary – yes; Wetzel – yes; Gordon – yes; Fussner – yes. Motion carried.

Inactive pension fund contributions were discussed. Staff sent out letters as directed and they all came back undeliverable. Contact was made with Lindsay Bond and paperwork sent again to him, but the information had not been returned.

The Investment Policy was approved at the prior meeting subject to review by the Board's attorney, Charlie Atwell. Minor changes were made as follows:

- Page 9 – Paragraph P – the section should be listed as 3-141 rather than 4-134.
- Page 9 – Paragraph P – year end should be changed to year-end.

These changes have been made and the policy has been submitted to the Department of Insurance as required with a July 23, 2018 approval date.

Baxter indicated that Joshua Sutter commenced paying on his 3-year purchase of military credit on September 21, 2018 in the amount of \$315.79 per pay period. Since Sutter did follow through with the purchase, the Board made a \$300 payment for the actuarial calculation to Foster & Foster as agreed.

Training requirements and opportunities were discussed. The trustees will all need to have 16 hours of training by August 13, 2019. Hopefully a conference will be offered in East Peoria again.

The meeting schedule for 2019 was distributed and Hillary indicated that he would be out of town on April 22 and not able to attend. Because April has five Mondays, the Board agreed to reschedule the April meeting to April 29, 2019.

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; Fussner - yes. The meeting was adjourned at 9:45 a.m.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Greg Gordon', is written over a horizontal line. The signature is stylized and cursive.

Greg Gordon, Secretary