Village of Arlington Heights
Board of Trustees of the Police Pension Fund
Police Conference Room
Arlington Heights Police Station
200 E. Sigwalt, Arlington Heights, IL 60005

April 28, 2016
5:30 PM

I. CALL TO ORDER

A. Public Comment

II. ROLL CALL

III. APPROVAL OF MINUTES

A. Regular Meeting - January 27, 2016

IV. CLOSED SESSION

V. TREASURER'S REPORT

A. Report from the Village Treasurer
B. Approval of the Check Register

VI. PAYMENT OF BILLS

VII. REPORTS

A. Quarterly Investment Report - Wall and Associates

- Potential purchase or sale of securities, portfolio rebalancing, and/or potential retention or termination of investment managers/advisors

VIII. OLD BUSINESS

A. Review and/or modification of the Pension Fund’s Investment Policy
B. Review and/or modification to the Board's Administrative Rules and Regulations
C. IPPFA Spring Conference, May 3-6, 2016, East Peoria,

Illinois

IX. NEW BUSINESS

A. Approval of Annual COLA Increases
B. Retirement – Approval Final Decision & Order, Commander Richard Kappelman, 3/28/16
C. Retirement – Approval Final Decision & Order, Officer Michael Swanson, 5/1/16
D. Retirement – Approval Final Decision & Order, Commander Michael Kearney, 5/2/16
E. New Hire – Officer Christopher Tatman, 2/23/16, Tier II Participant
F. Portability Request – Officer Migliorski, Sterling Police Department
G. Portability Request – Officer Tatman, Barrington Police Department
H. Status Annual examinations for disabled officers under age 50, Officers Michelotti and Dillon
I. Death - Retired Captain Maurice English, 4/20/16
J. Fixed Income Manager Review

X. OTHER BUSINESS

XI. ADJOURNMENT

Persons with disabilities requiring auxiliary aids or services, such as an American Sign Language interpreter or written materials in accessible formats, should contact David Robb, Disability Services Coordinator, at 33 S. Arlington Heights Road, Arlington Heights, Illinois 60005, (847)368-5793 (Voice), (847)368-5980 (Fax) or drobb@vah.com.

Item: Regular Meeting - January 27, 2016

Department: Finance

Regular Meeting - January 27, 2016

ATTACHMENTS:

Description	**Type**
Police Pension Fund - January 27, 2016	Minutes

MINUTES OF THE REGULAR MEETING OF THE ARLINGTON HEIGHTS POLICE PENSION FUND BOARD OF TRUSTEES POLICE DEPARTMENT ADMINISTRATION CONFERENCE ROOM 200 EAST SIGWALT STREET, ARLINGTON HEIGHTS, ILLINOIS WEDNESDAY, JANUARY 27, 2016

President Andrew Whowell called the meeting to order at 5:30 PM. Roll call was taken with:

Board Members Present:	Andrew Whowell, President Tom Henderson, Vice President Mike Schenkel, Secretary Harry Malone, Trustee Gary McClung, Trustee
Also Present:	Thomas Kuehne, Finance Director/Treasurer David Wall, Wall & Associates Keith Karlson, Pension Board Attorney

APPROVAL OF MINUTES

Mr. Malone and Mr. Karlson made some changes and clarification to the Board's October 28, 2015 draft minutes.

MR. MALONE MOVED, SECONDED BY MR. MCCLUNG TO APPROVE THE MINUTES OF THE REGULAR MEETING HELD ON OCTOBER 27, 2015 AS AMENDED. The motion carried unanimously.

TREASURER'S REPORT

A. Report from the Village Treasurer

Mr. Kuehne passed out and gave a brief overview of the Police Pension Fund Financial Report for period ending December 2015 reminding the Board that it is the end of the 8-month period year. Mr. Kuehne said that the Pension Fund was a bit over budget on total budget expenditures primarily due to the pension refunds and requested that the Board consider approving a $7,500 budget amendment for the 8-month period.

MR. HENDERSON MOVED, SECONDED BY MR. SCHENKEL TO APPROVE A BUDGET AMENDMENT TO INCREASE THE PENSION REFUNDS LINE ITEM OF THE POLICE PENSION FUND BUDGET BY $7,500. Roll call was taken. The motion passed unanimously.

Mr. Kuehne informed the Board that the actuary that the Village has used, Sander Goldstein, retired as of December 2015, explaining that the Village went out to bid for a 5-year actuary contract. He stated that there were four bidders and that the bid was awarded to MSW saying that they do a lot of municipalities and pension funds. Mr. Kuehne went on to say that the same assumptions will be used unless the actuary suggests something differently. He also said that since the Village is now on a calendar year, the actuary studies will be as of December 31st going forward.

B. **Approval of Check Register**

MR. <u>WHOWELL</u> MOVED, SECONDED BY MR. <u>HENDERSON</u> TO APPROVE THE PAYMENT OF CHECKS #471- #483. Roll call was taken. The motion carried unanimously.

<u>PAYMENT OF BILLS</u>

RDK Law Firm, $1,944.41
Pamela Wilkiel, Recording Secretary, $300.00
INSBE ASSOCIATES, LTD – Physical Evaluation-J. D. Kim, $1,200.00

MR. <u>WHOWELL</u> MOVED, SECONDED BY MR. <u>MCCLUNG</u> TO APPROVE THE PAYMENT OF BILLS. Roll call was taken. The motion carried unanimously.

<u>REPORTS</u>

Quarterly Investment Report – Wall and Associates

Mr. Wall presented the Fourth quarter investment report saying that the portfolio has about 4% in cash, 58% in equities, and 37% in investment grade corporate bonds. Mr. Wall stated that for the quarter the plan is up about 3.4 million finishing with about $108 million and that the year ended with a 1.2% rate of return. Mr. Wall continued by giving an overview of the rest of investment portfolio.

Potential purchase or sale of securities, portfolio rebalancing, and/or potential retention or termination of investment managers/advisors.

The Board received a letter dated January 26, 2016 from JP Morgan Chase giving them notice of termination of all custodial services of the Arlington Heights Police Pension account effective March 26, 2016. Discussion took place regarding the bond holdings at JP Morgan, as well as with options for a new custodial account. Mr. Wall thought the solution may be to transfer the custodial account to Charles Schwab since they hold Pension Fund assets, explaining the costs in doing so. The Board continued discussions regarding Charles Schwab's customer service and having the custodial account there. Mr. Wall went on to say that the current contract with JP Morgan, and as part of the service for the management of the assets, is free custody. The Board thought that JP Morgan should be asked to pay custodial fees to Schwab since they terminated the custody agreement.

MR. <u>MALONE</u> MOVED SECONDED BY MR. <u>SCHENKEL</u> TO AUTHORIZE THE OPENING OF A NEW CUSTODIAL ACCOUNT WITH CHARLES SCHWAB TO CUSTODY OR FIXED INCOME SECURITIES AND TO TRANSFER THE ASSETS IN KIND FROM JP MORGAN TO THAT ACCOUNT PRIOR TO MARCH 25, 2016. Roll call was taken. The motion carried unanimously.

Mr. Wall stated that he will get the paperwork together for the Board and for signatures

<u>GW & K Investment Report</u>

Ms. Leigh Shapiro Williamson, Client Portfolio Manager, was asked to talk about the structure of the portfolio and investment strategies. She started by talking about the portfolio performance since inception relative to the benchmark, saying that the portfolio has had sold performance with a cumulative return of about 60%. Ms. Williamson went on to say that the small cap market is one of the areas with the highest risk and reward in US equities, saying that their approach is high quality and that they like to reduce volatility and to protect when markets decline. She went on to say that GW & K is looking for consistent sustainable earnings growth in the companies they invest in that starts with the management team, which they believe is critical. She said they focus on fundamental research and have five analysts on this team that have sector specific coverage where they try to identify the best performing or best companies within each sector. She said what GW & K is best at is that the bulk of their returns are driven by good stock selection in different sectors. Ms. Williamson stated that this year they are outperforming the benchmark by about 200 basis points. Discussion continued regarding the roles of GW & K's management team, their holdings, companies they invest in, and on their investment strategies.

OLD BUSINESS

A. Review and/or modification of the Pension Fund's Investment Policy

No discussion

B. Review and/or modification to the Boards Administrative Rules and Regulations

No discussion

NEW BUSINESS

A. Approval of Annual COLA increases

No discussion. This item will be put on the agenda and discussed at the next Pension Board meeting in April.

B. Semi-annual review of closed executive session minutes

There were no closed session minutes in 2015

C. Annual verifications of eligibility for beneficiaries

Mr. Whowell stated that he sent a letter dated January 22, 2015, along with the annual eligibility certificates, to all Pension Board beneficiaries asking them to be filled out and returned by February 19th in order to avoid possible suspension in pension benefits.

D. Obtain predatory lending certification forms from Illinois regulated banks

Mr. Karlson stated that if the Board does business with banks that are State of Illinois Banks, they would be required to get a certification from them that they don't get engaged in what the Illinois legislature has defined as predatory lending. No action needs to be taken as the Pension Board does not do business with State banks.

E. Death surviving spouse Gail McCratic, October 25, 2015

Mr. Whowell stated Mrs. Gail McCratic (Reid) passed away in October and said that a letter was sent requesting her estate to reimburse the Pension Board for $781.32.

F. New Hire – Officer Andrew J. Gatz, November 16, 2015, Tier II Participant
G. New Hire – Officer Jacob Howard, December 3, 2015, Tier II Participant
H. New Hire – Officer Anthony Padiyara, December 3, 2015, Tier II Participant
I. New Hire – Officer Michael Migliorski, January 19, 2016, Tier II Participant

MR SCHENKEL MOVED, SECONDED BY MR. MCCLUNG TO ACCEPT OFFICER'S ANDREW J. GATZ, JACOB HOWARD, ANTHONY PADIYARA, AND MICHAEL MIGLIORSKI'S ENROLLMENT INTO THE ARLINGTON HEIGHTS POLICE PENSION FUND AS TIER II PARTICIPANTS WITH THE APPLICABLE HIRE DATES AS INDICATED ON THE AGENDA. The motion passed unanimously.

All other necessary information is contained on their application and is included in their personnel file for the Pension Fund.

J. Annual examinations for disabled officers under age 50

Mr. Karlson said that both Officer Gerlecki Brown's and Officer Kim's examination reports from their doctors have come in and that both have been found disabled from performing the full and unrestrictive duties of a police officer.

MR. WHOWELL MOVED, SECONDED BY MR. MCCLUNG TO APPROVE THE CONTINUATION OF DISABILITY PAYMENTS TO OFFICERS GERLECKI BROWN AND KIM. Roll call was taken. The motion passed unanimously.
Mr. Karlson stated that Officer Michelotti completed his physical examination on January 20, 2016 but that the report has not yet been received from the doctor. He also said that Officer Dillion's exam is scheduled for March 17, 2016.

K. Qualified Illinois Domestic Relations Order – Officer James Kryca

Mr. Karlson said that no action needs to be taken at this time. He said that a Qualified Illinois Domestic Relations Order (QILDRO) order was received, but said that the QILDRO calculations that allow payment of benefits has not yet been received.

Mr. Whowell and Mr. Henderson asked Mr. Karlson for clarification of QILDRO benefits. Mr. Karlson stated that QILDR's are a derivative benefit and said that if the member dies, the benefit dies. He also said that if an ex-wife or ex-husband dies, then 100% of the benefit goes to the member (noting that they would not be a surviving spouse). Mr. Karlson stated that calculation for benefit is done when the employee decides to retires.

L. Re-appointment of appointed Board Trustee – Harry Malone (5/12/16)

Mr. Whowell informed the Board that the Mayor's office has indicated that they will look to re-appoint Mr. Malone when his term ends on May 12, 2016.

M. Portability Request – Officer Howard - Sauk Village

Mr. Whowell stated that Officer Howard (hired December 3, 2015) has requested, under the portability statute, to transfer over his service time from the Sauk Village Police Department. He said that all applicable documentation that was forwarded to Sauk Village for calculations and could be ready to approve at the April meeting.

OTHER BUSINESS

Due to conflicts in schedules, the Pension Board rescheduled their April and July meeting dates to; Thursday, April 28, 2016 and Thursday, July 28, 2016.

ADJOURNMENT

There being no further business to discuss:

MR. SCHENKEL MOVED, SECONDED BY MR. MALONE, TO ADJOURN THE MEETING AT 6:48 PM.

SUBMITTED BY: ____
Michael Schenkel, Secretary

APPROVED BY: ____
Andrew Whowell, President