Agenda
Village of Arlington Heights
Board of Trustees of the Police Pension Fund
Buechner Room

January 23, 2019
5:30 PM

I. CALL TO ORDER

II. ROLL CALL

A. Public Comments

III. APPROVAL OF MINUTES

A. October 24, 2018 Minutes
B. December 21, 2018 Special Meeting Minutes

IV. CLOSED SESSION

V. TREASURER'S REPORT

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

VI. PAYMENT OF BILLS

VII. REPORTS

A. Quarterly Investment Report - Wall Capital Group
   - Potential purchase or sale of securities, portfolio rebalancing, and/or potential retention or termination of investment managers/advisors.

B. NIS Investment Portfolio

VIII. OLD BUSINESS

A. Review and/or modification to the Board's Investment Policy
B. Review and/or modification to the Board's Administrative Rules and Regulations

C. Status of the DOI Annual Report

IX. NEW BUSINESS

A. Status - Reallocation of Investments, Dave Wall
B. Approval of Annual COLA Increases
C. Annual Verification's of Eligibility for Beneficiaries
D. Semi-Annual Review of Closed Executive Session Minutes
E. Review/Update Contracts with Vendors
F. Obtain predatory lending certification forms from Illinois regulated banks
G. 2019 Board Elections
H. IPPFA Annual Training Conference April 30 - May 3 - East Peoria, IL
I. Schedule Annual Examinations of Disabled Officers under 50 Years of Age
J. Retirement - Decision & Order, Commander Richard Sperando, 11/24/18
K. Retirement - Decision & Order, Officer Sally Ward, 1/2/19
L. Retirement - Decision & Order, Officer Peter Hamrick, 1/6/19
M. Retirement - Decision & Order, Sergeant Alan Baumgartner, 1/19/19
N. Resignation & Refund of Contributions - Officer Brandon Hunsaker
O. Resignation & Refund of Contributions - Officer John Palubicki

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: October 24, 2018 Minutes

Department: Finance

October 24, 2018 Minutes

ATTACHMENTS:

Description	**Type**
10/24/18 Minutes	Minutes

MINUTES OF THE REGULAR MEETING OF THE
ARLINGTON HEIGHTS POLICE PENSION FUND BOARD OF TRUSTEES
COMMISSIONS ROOM, 2ND FLOOR, VILLAGE HALL
33 S. ARLINGTON HEIGHTS ROAD
WEDNESDAY, OCTOBER 24, 2018

President Thomas Henderson called the meeting to order at 5:31 PM. Roll call was taken with:

Board Members Present: Tom Henderson, President
Petar Milutinovic, Vice President
Gary McClung, Trustee
Harry Malone, Assistant Secretary
Mike Schenkel, Secretary

Also Present: David Wall, Stephen McLeod, Wall Capital Group,
Rick Reimer, Pension Board Attorney
Pam Wilkiel, Recording Secretary

PUBLIC COMMENTS

There were no public comments.

APPROVAL OF MINUTES

Mr. McClung moved, seconded by Mr. Schenkel to approve the minutes of the regular meeting held on July 25, 2018. The motion passed unanimously.

TREASURER'S REPORT

A. Report from the Village Treasurer

Mr. Kuehne presented the Police Pension Fund Financial Report for period ending September 30, 2018. He gave a brief overview and stated that year-to-date, revenues are up and that things are on target with the budget.

B. Approval of the Check Register

Mr. Schenkel moved, seconded by Mr. Milutinovic to approve the payment of checks #572 - #573. Roll call was taken. The motion passed unanimously.

C. Proposed 2019 Police Pension Fund Budget

Mr. Kuehne prepared and passed out the proposed 2019 budget for the Police Pension Fund. He explained that the budget shows how things were over the last years and stated that there was improvement with the funded ratio, up from 75% to 78%. He stated that the revenue side is showing conservative numbers. He also said that expenditures for the 2019 budget show an increase of about 6% because of the increased amount of people receiving pension benefits, and added that the budget includes an extra three pensioners.

Mr. Malone moved, seconded by Mr. McClung to approve the proposed 2019 budget for the Police Pension Fund as presented by Mr. Kuehne. Roll call was taken. The motion passed unanimously.

REPORTS

Quarterly Investment Report – Wall Capital Group

Mr. Wall stated that after he gives an overview on the quarterly report, that he would like to go over a special report regarding the Great Lakes and GWK portfolios and continue discussion on the Russell 2000 and the S & P 600 indexes.

Mr. Wall explained that at this time, the Police Pension Fund is over the 65% amount allowed to be invested in equities, and said that rebalancing would be needed near the end of the year to get back down to the allowed amount. He asked for direction from the Board on where to trim some of the equity positions if at the end of the year it looks like the Pension Fund will be over the allotted 65%. He thought the simplest place to rebalance the portfolio would be to move funds from one of the index funds in the large cap part of the portfolio and move them to the bond account.

Mr. Henderson moved, seconded by Mr. Schenkel, to authorize Wall Capital Group to sell shares of the Vanguard Index Fund and put those monies into the NIS Portfolio in an amount that would rebalance the Fund's investment in equities to 65% on or before December 31, 2018 if necessary and in order to be compliant with statutes on equity allocations.. The motion passed unanimously.

Mr. Wall presented the Third Quarter Investment Report. He said that the portfolio has about 3% in cash, about 67% in equities, and 30% in bonds. Mr. Wall stated the quarter finished with almost $137 million in assets, and is up about 5.6 million or 4.25% for the quarter. He mentioned that the one and three-year return are 9.5% to 9.75%. He went on to say that on a year-to-date basis, net of all fees, there is about 5.28% rate of return, and that the five-year rate of return, net of all fees had and 7.8 % rate of return. Mr. Wall continued by giving an overview of the rest of investment portfolio.

Mr. Wall explained that the NIS portfolio was incorrect and that he will have this report rerun and provide the Board a corrected report. He wanted the Board to be aware that he is seeing securities that are not being priced in a timely manner or not priced at all, that there very high turnover, and high trade fees. Discussion took place regarding the account manager and trading in that portfolio.

Mr. Wall provided a special report to the Board, saying that at the last meeting there were some questions about the style of Great Lakes Advisors. He went on explain their holdings-based style and their returns-based style. Mr. Wall went on to explain the asset allocation analysis that he had provided as part of his report, saying that he used the Russell 2000 and the S & P 600 as benchmarks for the small cap. He added that the S & P 600 modestly reduces risk, and increases returns. Mr. Wall thought that the Board might want to consider a modest increase in their allocation in small caps and utilize the S & P 600 as the benchmark. Discussions continued regarding being underweight in small caps, and with adding some allocation using the S & P 600 and with rebalancing the portfolio at the end of the year if necessary.

The Board agreed that if the Fund is under the allowed 65% investment in equities at the end of the year, the portfolio will not need to rebalanced, and that no action will take place regarding asset allocations until discussions take place at the January meeting.

Mr. Henderson amended his motion as follows:

Mr. Henderson moved, seconded by Mr. Schenkel, to authorize Wall Capital Group to sell enough shares of the Vanguard Index Fund to invest one million into a new (Ticker symbol SLY) ETF S & P 600 account, and put the balance of those monies into the NIS Portfolio in an amount that would rebalance the Fund's investment in equities to 65% on or before December 31, 2018 if necessary and in order to be compliant with statutes on equity allocations.. The motion passed unanimously.

Mr. Malone moved, Seconded by Mr. McClung to authorize Wall Capital Group to open a new account at Charles Schwab to include the one million allocation into the SLY ETF account if necessary. The motion passed unanimously.

OLD BUSINESS

A. Review and/or modification to the Board's Administrative Rules and Regulations

Mr. Reimer asked the Board if they reviewed the Board's updated Administrative Rules and Regulations and if they wanted to make a motion to accept them.

Mr. Malone moved, seconded by Mr. Henderson to accept the Police Pension Board's Administrative Rules and Regulations. The motion passed unanimously.

B. Review and/or modification to the Board's Investment Policy

There were no changes.

C. Status of the Board's Annual Training Requirements

All Board members are up-to-date with their training requirements.

E. 2018 IPPFA Training Conference

All Board members except Mr. Henderson were able to attend the annual fall 2018 IPPFA Training Conference in Lake Geneva in October.

IX. NEW BUSINESS

A. Adoption of Municipal Compliance Report and forward to Municipality

The Compliance Report was previously adopted and forward to the Municipality in August.

B. Deadline for Filing of the DOI Annual Report or Potential Extension (October 31, 2018)

Mr. Henderson stated that the Finance Department is preparing this report and will file an extension if necessary. Mr. Reimer stated that after it is prepared, it could be filed with an electronic signature.

C. Renewal of the Arlington Heights Police Pension Fund Liability Insurance - Mesirow Insurance Services

So there would not be a lapse in coverage, that Mr. Reimer recommended that the Board make a motion to renew the fiduciary liability insurance policy.

Mr. Henderson moved, seconded by Mr. Schenkel to approve the renewal of the Arlington Heights Police Pension Fund's Fiduciary Insurance Policy with Mesirow Financial in an amount not to exceed 10% over last year's premium. Roll call was taken. The motion passed unanimously.

D. Schedule Next Calendar Year (2019) Quarterly Meeting Dates/Times

The Police Pension Board's Meeting dates presented for 2019 beginning at 5:30 PM are as follows:

Wednesday, January 23rd
Wednesday, April 24th
Wednesday, July 24th
Wednesday, October 23th

Mr. Schenkel moved, seconded by Mr. Henderson to approve the Arlington Heights Police Pension Board's Quarterly meeting dates and time schedule for 2019. The motion passed unanimously.

E. Non-Duty Disability Pension Buyback - Officer Tim Kalter

Mr. Henderson stated that Officer Tim Kalter purchased three years of non-duty disability buyback time in the amount of $53,938.43, which updated his service return date to October 29, 1998.

Mr. Henderson moved, seconded by Mr. McClung to approve the non-duty disability pension buyback of Officer Tim Kalter for three years in the amount of $53,938.43. The motion passed unanimously.

F. Death of Retired Police Officer Cliff Shasteen - October 2, 2018

Mr. Henderson stated that retired Officer Cliff Shasteen passed away on October 2, 2018 and is survived by his wife Donna Shasteen.

Mr. Henderson moved, seconded by Mr. McClung to terminate the retirement pension of Officer Clifford Shasteen and begin the surviving spouse pension for Donna Shasteen in the amount of Officer Shasteen's pension on the date of his death, October 2, 2018. The motion passed unanimously.

G. Death of Surviving Spouse Margaret Aldrich - October 12, 2018

Mr. Henderson stated that Margaret Aldrich, the surviving spouse of Jack Aldrich passed away on October 12, 2018. There are no surviving beneficiaries.

Mr. Henderson moved, seconded by Mr. Milutinovic to terminate the surviving spouse pension of Margaret Aldrich, effective on the date of her death, October 12, 2018. The motion passed unanimously.

H. Retirement - Decision & Order, Sergeant Gary Kaminisky - October 16, 2018

Mr. Reimer stated that Sergeant Gary Kaminsky' pension will begin on October 17, 2018. He retired after 30 years of credible service and is over 50. He is entitled to 75% of his annual salary of $123,571.

Mr. Milutinovic moved, seconded by Mr. Henderson to approve the $7,723.19 monthly pension, and adopt and publish the decision and order for Sergeant Gary Kaminisky effective October 17, 2018. Roll call was taken. The motion passed unanimously.

I. New Hire - Officer Victor Chirio - July 30, 2018, Tier I Participant

Mr. Henderson stated that Officer Chirio will be a Tier I Participant because he retired and came to the Village of Arlington Heights from a Tier I agency.

Mr. McClung moved, seconded by Mr. Milutinovic to accept Officer Victor Chirio's enrollment into the Arlington Heights Police Pension as Tier I participant effective on his hire date, July 30, 2018. The motion passed unanimously.

J. New Hire - Officer Jonathan Palubicki - July 30, 2018

K. New Hire - Officer Carlo Montella - September 4, 2018

L. New Hire - Officer Andrew Mendez - September 14, 2018

Mr. Henderson stated that Officers Palubicki, Montella, and Mendez were all hired as Tier II Participants.

Mr. Henderson moved, seconded by Mr. Milutinovic to accept Officers Jonathan Palubicki, Carlo Montella & Andrew Mendez's enrollment into the Arlington Heights Police Pension as Tier II participants effective on their respective hire dates. The motion passed unanimously.

X. OTHER BUSINESS

Mr. Wall asked the Board if they would like Gannet Welsh (GWK) to attend the next Board meeting in January to discuss their portfolio. The Board members stated they would and asked Mr. Wall to invite them.

XI. ADJOURNMENT

Mr. Henderson moved, seconded by Mr. Malone to adjourn the meeting at 6:57 PM. The motion passed unanimously.

SUBMITTED BY: ________________________________
Michael Schenkel, Secretary

APPROVED BY: ________________________________
Tom Henderson, President

Item: December 21, 2018 Special Meeting Minutes

Department: Finance

December 21, 2018 Special Meeting Minutes

ATTACHMENTS:

Description	**Type**
Special Meeting 12/21/18 Minutes	Minutes

MINUTES OF THE SPECIAL MEETING OF THE ARLINGTON HEIGHTS POLICE PENSION FUND BOARD OF TRUSTEES
COMMISSIONS ROOM, 2ND FLOOR, VILLAGE HALL
33 S. ARLINGTON HEIGHTS ROAD
Wednesday, December 21, 2018

President Thomas Henderson called the meeting to order at 8:02 AM. Roll call was taken with:

Board Members Present: Tom Henderson, President
Petar Milutinovic, Vice President
Gary McClung, Trustee
Harry Malone, Assistant Secretary
Mike Schenkel, Secretary

Also Present: Stephen McLeod, Wall Capital Group
Rick Reimer, Pension Board Attorney
Mary Ellen Juarez, Assistant Finance Director

NEW BUSINESS

Investment Allocation Review

Mr. Henderson stated that around the 4th of December he and Mr. Milutinovic received an email from Jim Obog, Treasury Accountant of the Village's finance department, stating that the account that is used to pay service and disability pensions was short on funds, and that funds are required to meet those needs until the February tax levy. He went on to say, by Statute, December is the month that the Board rebalances their portfolio in order to be efficient and to get the necessary funds where they need to be. Mr. Henderson explained that since the portfolio was over their 65% in equities rebalancing took place on the December 5th where a million dollars of the Vanguard shares were sold. Since then, funds have been put into the account to cover those costs.

Mr. Henderson explained that the Police Pension Fund had an excess of service pensions, and that a point has been reached where the tax levy and employee contributions are no longer going to cover the cover them. Ms. Juarez presented and explained the cash flow projections she prepared in an effort to help the Board not make last minute decisions in 2019. Ms. Juarez explained that that the million dollars that was transferred in December will cover service pensions until about June, and felt that there would be another shortfall of funds in the fall where about 1.8 million in contributions would be needed.

Mr. Henderson stated that the Fund is getting what the actuary said it would get from the tax levy, saying that there are no new revenue sources to take from to make up the shortfall other than the Fund's investments. He explained that this happened because more people retired than what was budgeted, and because people are living longer.

Mr. Malone felt that going forward, the Board needs to use the sources of cash that the Fund has, and take the interest from the bond investments first and put them in the cash account. Discussion continued regarding cash in the equity accounts and how they should have funds transferred to the cash account.

Mr. McLeod stated that asset allocation as of this day were at 62.6% in equities. He proposed that there should be a bit more flexibility on where funds could be pulled from when cash is needed. He said that there is a mechanism that can be established with custodial accounts called "Money Link" which is like an ACH transfer, and explained that with the Board's authorization, Wall capital Group could make transfers of funds. Mr. McLeod's suggestion would be to establish two of those, one for the equity account and one for the fixed income account in order to provide additional flexibility dependent on where monies need to be pulled from. Mr. Reimer stated his concerns with controls. Discussion took place on methods for controls and on Board approvals/permissions.

Mr. Henderson requests that there be a needs analysis done every quarter that tells the Board where they are at and what would be needed. He agreed that interest payments from the bond portfolio up to the needed amount be used without selling securities. Mr. McLeod explained that the Money Links is a tool at the Board's disposal and is not something that is automatic. He said instruction can be authorized at the quarterly meetings to have funds transferred.

Mr. Malone stated that he would prefer a mechanism where a certain amount be transferred to an interest bearing account that would be linked to a checking account and with Board instruction be transferred as needed, and that it would give the Board more time to look at and analyze the Bond portfolio. Discussion took place regarding possibly opening an operating money market account that would be linked to the checking account. The Board agreed to look at cash flows again at the January meeting and possibly inviting NIS to the January meeting.

Mr. Mcleod stated that Wall Capital Group will supply a projected cash flow analysis for NIS, and will establish a cash operating account. Discussions and possible decisions would take place at the January meeting. Mr. Henderson said the Board was going to open another account for the S & P 600 ETF, but instead are going to open up the operating account by the January meeting. Mr. Reimer felt there should be a motion to open the operating account.

Mr. Henderson moved, seconded by Mr. Schenkel to authorize the Board President and Treasurer to open a Police Pension Fund operating account with Charles Schwab through Wall Capital Group. Roll call was taken. The motion passed unanimously.

Mr. Malone felt that assumptions for retirees may need to be revisited in order to make sure that the fund is significantly funded, saying it is more difficult to take cash out every quarter to pay benefits. He felt that something different may need to be done with bonds or that there may be a need to re-look at the actuarial report's funding request for the tax levy. Discussion took place regarding investing in bonds.

Mr. Henderson moved, seconded by Mr. Malone to adjourn the meeting at 8:42 AM. The motion passed unanimously.

SUBMITTED BY: ______________________________
Michael Schenkel, Secretary

APPROVED BY: ______________________________
Tom Henderson, President