Agenda
Village of Arlington Heights
Board of Trustees of the Police Pension Fund
Buechner Room
33 S. Arlington Heights Rd., AH 60005
January 22, 2020
5:30 AM

**I. CALL TO ORDER**

**II. ROLL CALL**

**III. APPROVAL OF MINUTES**

A. October 23, 2019
B. December 2, 2019

**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.

**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. Update - Officer Douglas Glanz Duty Disability Application

D. Status - Duty Disability Application - Officer Nancy Hundreiser

## IX. NEW BUSINESS

A. Status - Reallocation of Investments, Dave Wall
B. Semi-annual Review of Closed Executive Session Minutes
C. Obtain predatory lending certification forms from Illinois regulated banks
D. Approval of Annual COLA Increases
E. Annual Verification's of Eligibility for Beneficiaries
F. Review/Update Contracts with Vendors
G. IPPFA Annual Training Conference May 5 - May 8, Springfield, IL
H. Schedule Annual Examinations of Disabled Officers under 50 Years of Age
I. Retirement - Decision & Order, Sergeant James McGrath - November 20, 2019
J. Retirement - Decision & Order, Officer Timothy Kalter, January 5, 2020
K. Retirement - Decision & Order, Officer Patrick Spoerry, January 2, 2020
L. Death of retired Police Deputy Chief Andrew Whowell – December 1, 2019 (Surviving Spouse - Ingrid Whowell)
M. New Hire - Officer Matthew Williams, 12/16/19 - Tier II Participant
N. New Hire – Officer Brian Anderson, 05/06/2019 – Tier II Participant
O. QILDRO - Retiree Eugene Mertlick

## X. OTHER BUSINESS

A. Anfiny Eshoo – Refund of Contributions

## 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.

**Board of Trustees of the Police Pension Fund**
**1/22/2020**

**Item:** October 23, 2019 Minutes

**Department**: Finance

October 23, 2019

**ATTACHMENTS:**

| Description | Type |
| --- | --- |
| October 23, 2019 Minutes | Minutes |

# (DRAFT) MINUTES OF THE REGULAR MEETING OF THE ARLINGTON HEIGHTS POLICE PENSION FUND BOARD OF TRUSTEES
## BUECHNER ROOM, VILLAGE HALL
## 33 S. ARLINGTON HEIGHTS ROAD
## WEDNESDAY, OCTOBER 23, 2019

President Thomas Henderson called the meeting to order at 5:35 PM. Roll call was taken with:

Board Members Present: Tom Henderson, President
Petar Milutinovic, Vice President
Bill Falk, Trustee
Mike Schenkel, Secretary

Also Present: Stephen McLeod, Wall Capital Group
Dave Wall (Via phone)
Rick Reimer, Pension Board Attorney
Mary Ellen Juarez, Assistant Director, Finance
Pam Wilkiel, Recording Secretary
Peter Anderson, Doug Riley, Andrea Mackey, Boston Advisors

PUBLIC COMMENTS

Melissa Cayer asked if supporting documentation for agenda items are posted on the Village's website. Mr. Henderson replied that they were not. She then asked the Board to offer a presentation that would explain property value assessment algorithms. Ms. Juarez stated information is in the budget book that shows how property taxes are broken down my governmental bodies. Mr. Reimer told her that she can fill out a FOIA, but believes that it should be addressed to the Cook County Assessor's Office.

APPROVAL OF MINUTES

Mr. Henderson moved, seconded by Mr. Schenkel to approve the minutes of the regular meeting held on July 24, 2019. The motion passed unanimously.

TREASURER'S REPORT

A. Report from the Village Treasurer

Ms. Juarez presented the Police Pension Fund Financial Report for period ending September 30, 2019, saying that everything was in order and that the fund balance is 139 million. She went on to discuss the Fund's cash flows and projections, saying that after the November pension benefit payments are made, money would need to be transferred to cover future payments. Mr. Henderson stated that property tax money will not be received until late February or early March. He said the Board had previously set up an account at Schwab where NIS could transfer funds to where they could then be wired to the Pension Fund's checking account. The funds would be needed by early December, which would give NIS time as to when to liquidate.

Mr. Henderson moved, seconded by Mr. Falk to authorize Wall Capital Group to instruct National Investment Services (NIS) to liquidate $2 million into the Pension Fund's checking account for the payment of benefits. Roll call was taken. The motion passed unanimously.

B. Approval of the Check Register

Mr. Schenkel moved, seconded by Mr. Henderson to approve the payment of checks #595 - #604. Roll call was taken. The motion passed unanimously.

C. Proposed 2020 Police Pension Budget

Ms. Juarez presented the Police Pension's proposed 2020 budget, saying that the pensions have gone up the normal 3%, that the property tax contributions have increased, and that other expenses have stayed relatively the same. Mr. Henderson stated the Board has been working on administrative issues they were having between Charles Schwab and how they report the trades. He explained that the Village needs to make the regulatory reports for the Department of Insurance (DOI), and that Schwab cannot do that. He went on to say the Board would potentially have to hire a custodian that works with the investment portfolio software "Tracker". He said they have a preferred bank that the Fire Department uses that works well, and asked Mr. Reimer if an RFP is needed. Mr. Reimer said doing a RFP is a best practice, but if the Board has someone that has a platform that is local and known to work well, a RFP is not legally required.

Ms. Mackey of Boston Advisors interjected and said that if the Board partnered with the right custodian, there would be no custodial fee, and said if you're partnered with an investment manager that has the ability, there would be no transfer fees. She stated that Boston Advisors has custodians that may be able to work with Board and that she could talk to the custodians that they use. Mr. Reimer stated that the platform would have to be compatible with the "Tracker" software the Board is using. Discussion took place regarding custodians and possible custodial costs.

Mr. Henderson stated that this is something that needs to be done soon, and that the new custodian should have the Fund's assets by January 1, 2020. Mr. Reimer said that if an RFP is done, there would have to be a fast turnaround and that a special meeting would have to be held. Mr. Wall stated that an RFP could be out in a week, with a response required within 3-4 weeks. The Board agreed to do an RFP with a return date of November 15th, and to schedule a special meeting for early December.

Mr. Henderson moved, seconded by Mr. Falk to authorize Wall Capital Group to send out RFPs for custodial services of the Arlington Heights Police Pension Board's investment assets, with a return date of November 15, 2019 and an effective date of January 1, 2020. The motion passed unanimously.

Mr. Reimer asked that when the RFP is sent, ask them to send a sample custodial agreement for the Board's review. Mr. Henderson stated that working with the "Tracker" is required.

Mr. Henderson asked if the Pension Fund's budget would have to be increased because of this expense. Ms. Juarez stated that these costs are not in the proposed budget.

Mr. Schenkel moved, seconded by Mr. Milutinovic to approve the proposed 2020 budget for the Police Pension Fund as presented by Ms. Juarez. Roll call was taken. The motion passed unanimously.

PAYMENT OF BILLS

Pamela Wilkiel, secretarial services, $500

Mr. Falk moved, seconded by Mr. Schenkel to approve the payment of bills. Roll call was taken. The motion passed unanimously.

REPORTS

Boston Advisors was invited to the meeting to discuss their portfolio. Their investment report was provided to the Board. Mr. Peter Anderson, President of Boston Advisors, started by saying that that Boston Advisors is under new ownership, and that there are no name changes, that they will be an independent division, and that they will maintain their own equity culture. He continued by talking about their investment processes, and about their new Chief Investment Officer, and on how they approach equity investment.

Mr. Doug Riley talked about investing, and said that Boston Advisors works as a team, but that ultimately he is accountable for the decisions on buying and selling. He said that in the recent environment, the last 2 ½ years, their hybrid process of fundamental and quantitative investing has produced better results in the large growth strategy then the pure model would have. Mr. Riley talked about expensive growth and valuation, noting differences between value as a style and value as a factor. He continued by going over some of the things in the investment report provided, and talked about the current environment, and how challenging it is to get a heavy dose of growth in a portfolio because of the balance that is in the model. He talked about current market conditions, saying that they are looking carefully at positioning for when the market breaks. Mr. Riley stated that Boston Advisors gets more growth in the benchmark at a lower valuation of the benchmark, and said that it is early in the 4th quarter but they are currently ahead of the benchmark.

Quarterly Investment Report – Wall Capital Group

Mr. McLeod presented the Third Quarter Investment Report saying that the investments were within policy targets. He said that the portfolio has about 2.5% in cash, about 65% in equities, and about 32.5% in bonds. Mr. McLeod went on to say that the quarter finished with about $139.8 million in assets, up about $879,000 or .75% for the quarter. The fund was up 14.44% for year-to-date, and was up 8% for the 3-year, and 7.25% for the 5-year results. Mr. McLeod continued by giving an overview of the rest of investment portfolio.

Mr. Mcleod told the Board that Gannett Welsh & Kutler (GWK) asked them to alter their policy for investments to allow for a style drift into mid-caps. The Board had no problem GWK investing in mid-caps and signed and the agreement Mr. McLeod provided them, which would allow them to do so. Mr. Mcleod stated that he will provide the Board with a signed copy of the agreement and will keep a copy on file with the Wall Capital Group.

Mr. Henderson moved, seconded by Mr. Schenkel to allow Gannet Welsh & Kutler, the Board's small cap core investment manager, to modify their investment guideline to drift upward into mid-cap stocks. The motion passed unanimously.

The Board discussed the underperformance of both Boston Advisors and Great Lakes Advisors. They felt that a thorough review may need to be done, and that they should not react too quickly. They agreed to revisit both their portfolio performances at the next meeting in January.

Mr. Henderson moved, seconded by Mr. Falk to accept Wall Capital Group's Quarterly Report. The motion passed unanimously.

OLD BUSINESS

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

No action needed

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

No action needed.

C. Update – October 21019 IPPFA Conference

Mr. Henderson stated that four Board members attended the 2019 IPPFA Conference. Mr. Falk was not required to attend since he had just completed his Trustee certification.

D. Update – Officer Douglas Glanz Duty Disability Application

Mr. Reimer stated that the Village filed an intervention petition. He said he will send it to Officer Glanz's attorney and give him an opportunity to respond in writing with any objections within 10 days. He went on to say that, if he his attorney has any objections a special hearing would need to be scheduled. Mr. Reimer told the Board that if they had any questions they should ask him directly. He also said that one more medical report is needed from Officer Glanz's medical provider.

E. Update - Annual Examination for Mark Dillon

Mr. Reimer stated that Officer Mark Dillon's annual exam report came in on August 26th from Dr. Ingberman and said that her conclusion was that he continues to remain disabled.

Mr. Henderson moved, seconded by Mr. Mulitinovic to continue Officer Dillon's line of duty disability benefits based upon the finding that he remains disabled, subject to any future medical exams until he is 50 years of age. The motion passed unanimously.

NEW BUSINESS

A. Resolution Regarding Consolidation of Pension Funds

Mr. Henderson stated that the Governor's Taskforce released its report saying that they want to consolidate all Police and Fire pension plans into two separate plans. Mr. Reimer provided a copy of a resolution that, if signed, would be sent to the legislatures asking that they delay any vote until the spring open legislation and not to try to push it through at the fall veto session. Mr. Reimer felt that this is a lot of money and that there are a lot unanswered questions, including questions on the costs associated with transferring the funds. He felt that it was important to have open and transparent meetings where all questions can be answered, and have the ability to have the experts weigh in and to hear all sides. Mr. Henderson read the resolution to the Board members. The Board agreed to sign it and have Mr. Reimer forward it to the IPPFA who will forward it to leadership before the veto session.

Mr. Schenkel moved, seconded by Mr. Falk that the Arlington Heights Police Pension Fund Board of Trustees adopt the Resolution Regarding Consolidation of Pension Funds. The motion passed unanimously.

Mr. Henderson asked if there would be any constitutional issues if this gets passed during the veto session. Mr. Reimer said lawyers in his office are looking into possible remedies regarding fiduciary responsibilities with pension board vendors and organizations.

B. Renewal of the Arlington Heights Police Pension Fund Liability Insurance – Mesirow Insurance Services

Mr. Henderson will contact Mesirow Financial regarding the renewal of the Pension Fund's liability insurance policy.

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

C. Schedule of Next Calendar Year (2020) Quarterly Meeting Dates/Times

The Police Pension Board's Meeting dates presented for 2020 beginning at 5:30 PM are as follows:

Wednesday, January 22nd
Wednesday, April 22nd
Wednesday, July 22nd
Wednesday, October 21st

Mr. Henderson moved, seconded by Mr. Milutinovic to approve the Arlington Heights Police Pension Board's Quarterly meeting dates and time schedule for 2020. The motion passed unanimously.

D. Duty Disability Application – Officer Nancy Hundreiser.

Mr. Reimer stated that there was an error in application by her attorney and that it is being worked on. This will be added to Old Business for the January 2020 agenda.

E. Retirement – Decision & Order, Officer Michelle Morgan, August 14, 2019

Mr. Reimer stated that Officer Michelle Morgan retired on August 14, 2019 with 30 years of credible service, is 50 years of age and is entitled to 75% of his annual salary including longevity of $105,182, which equates to an annual pension of 78,886.50.

Mr. Henderson moved, seconded by Mr. Falk to approve the $6,573.88 monthly pension, and adopt and publish the decision and order for Officer Michelle Morgan. Roll call was taken. The motion passed unanimously.

F. Retirement – Decision & Order, Officer Christopher Kroesen, October 1, 2019

Mr. Reimer stated that Officer Christopher Kroesen retired on October 1, 2019 with 28 years of credible service, is 50 years of age and is entitled to 70% of his annual salary including longevity of $105,182, which equates to an annual pension of $73,627.40.

Mr. Henderson moved, seconded by Mr. MIlutinovic to approve the $6,135.62 monthly pension, and adopt and publish the decision and order for Officer Christopher Kroesen. Roll call was taken. The motion passed unanimously.

G. New Hire – Officer Brian Lacey - October 7, 2019, Tier II Partiocipant

Mr. Henderson moved, seconded by Mr. Falk to accept Officer Brian Lacey's enrollment into the Arlington Heights Police Pension as Tier II participant effective on his hire date, October 7, 2019. Roll call was taken. The motion passed unanimously.

OTHER BUSINESS

There was no other business.

ADJOURNMENT

Mr. Schenkel moved, seconded by Mr. Falk to adjourn the meeting at 7:25 PM. The motion passed unanimously.

SUBMITTED BY: ________________________________
Michael Schenkel, Secretary

APPROVED BY: ________________________________
Tom Henderson, President

**Board of Trustees of the Police Pension Fund**
**1/22/2020**

**Item:** December 2, 2019 Minutes

**Department:** Finance

December 2, 2019

**ATTACHMENTS:**

| **Description** | **Type** |
|---|---|
| December 2, 2019 Special Meeting | Minutes |

MINUTES OF THE REGULAR MEETING OF THE
ARLINGTON HEIGHTS POLICE PENSION FUND BOARD OF TRUSTEES
BUECHNER ROOM, VILLAGE HALL
33 S. ARLINGTON HEIGHTS ROAD
MONDAY, DECEMBER 2, 2019

President Thomas Henderson called the meeting to order at 1:00 PM. Roll call was taken with:

Board Members Present: Tom Henderson, President
Petar Milutinovic, Vice President
Harry Malone, Trustee
Bill Falk, Trustee
Mike Schenkel, Secretary

Also Present: Stephen McLeod, Wall Capital Group
Brian Strand, Reimer & Dobrovolny Labor Law PC

NEW BUSINESS

Review of Requests for Proposals (RFP) for Hiring an Asset Custodian.

Because Reimer & Dobrovolny just received the 23-page document this morning, Mr. Brian Strand stated that he cannot advise the Board to accept or deny the documents because it is subject to attorney's review, and it has not yet been reviewed. Mr. McLeod stated that what Reimer & Dobrovolny received was a custody agreement for US Bank.

Mr. Henderson stated that Northern Trust and US Bank submitted RFPs, which he earlier forwarded to the Board for review. Mr. McLeod explained that the minimum fee from Northern Trust is $60,000 and includes a lot services, but felt that many of those services the Board will not take advantages of. The Board discussed the fee structures of both Northern Trust and US Bank.

Mr. Malone stated that he is not that familiar with US Bank, but has had a lot of experience with Northern Trust. He felt that unless Northern Trust was significantly better with their fees, he would not recommend them. Mr. Henderson explained that the reason the Board is looking for an asset custodian, is because Charles Schwab cannot provide the platform for regulatory reports that are required. He went on to say the Tracker Software being used works with US Bank on getting those reports, and said the Fire Department already uses them.

Mr. McLeod stated that Wall Capital Group has worked with US Bank, saying that they were very responsive. He said in anticipation of thinking which direction the Board may go, he reached out to US Bank asking them what paperwork would be needed to establish an asset custodian. He went on to say his suggestion would be to approve a custodial agreement with US Bank pending review by the Board's attorney.

Mr. Malone moved, seconded by Mr. Schenkel to approve the selection of US Bank as the Police Pension Board's asset custodian, subject to legal review of the custodial agreement. Roll call was taken. The motion passed unanimously.

OHER BUSINESS

Mr. McLeod stated that NIS has recently entered into an agreement to be acquired by another firm, Resolute Investment Managers, saying that they asked Wall Capital Group to approach the Board to sign a consent letter that is required in order to give consent to this merger or acquisition. He added that as far as Wall Capital Group knows, nothing will be changed in terms of the focus of investing the portfolio or in their management.

Mr. Malone asked if the Board is being asked to sign that they were informed of or are consenting to the merger. Mr. McLeod read that the document says acknowledgement and consent. Mr. Malone said he has no problem signing if it is simply the assignment, but has no knowledge of whether or not he would consent to a merger. Discussion continued regarding the NIS's consent letter.

ADJOURNMENT

Mr. Schenkel moved to adjourn the meeting at 1 ;17 PM. The motion passed unanimously.

SUBMITTED BY: ______________________________
Michael Schenkel, Secretary

APPROVED BY: ______________________________
Tom Henderson, President