

**BATAVIA POLICE PENSION BOARD  
MEETING MINUTES  
MAY 18, 2016**

NOTE: These minutes are not a word-for-word transcription of the statements made at the meeting, nor intended to be a comprehensive review of all discussions. They are intended to make an official record of the actions taken by the Board and to include some description of discussion points as understood by the minute-taker. They may not reference some of the individual attendee's comments, nor the complete comments if referenced.

President O'Brien called a Regular Meeting of the Batavia Police Pension Board to order at 8:00 a.m.

**ROLL CALL**

Members Present: Tim O'Brien, President; Dan Soliz, Trustee; Ralph Beck, Vice President; Eric Blowers, Secretary; Dennis Thomas, Trustee (8:45 a.m.)

Members Absent: None

Guests: Jon Willhite, UBS; Jeff Goodloe and Puchalski Goodloe Marzullo (PGM); Peggy Colby, Finance Director; Derek Flessner and Todd Schroeder, Lauterbach & Amen; Greg Keiswater, Cook Castle and Don Smolinski, Arthur Gallagher Insurance

**APPROVE PREVIOUS MEETING MINUTES**

**Motion:** To accept the minutes of the February 17, 2016 Regular Meeting as presented.  
**Maker:** Beck  
**Second:** Soliz  
**Voice Vote:** 4 Ayes, 0 Nays, 1 Absent. All in Favor. Motion Carried.

**INVESTMENT ACTIVITIES**

Willhite reported that Bradford Marzec (fixed income) is being purchased by Tortoise. UBS is very familiar with this firm. Everyone that is important for the portfolio has signed long term contracts. UBS will continue to monitor the situation. Notification was received and documentations allowing the merger were presented for signature.

Willhite gave a brief overview of the portfolio results for the last quarter. Willhite noted that the recent changes made to the portfolio are starting to have a positive impact. The portfolio is up 2.26% with the Index up 1.98%. One year shows the fund down -1.93% with the benchmark down -2.55%. Discussion was held on the capture ratio trend, up and down market capture ratio, manager performance, etc. Willhite noted that a risk profile was sent to all Board members in order to update the asset allocation profile. Managers of concern include Lazard and Glovista. Bradford will also be watched more closely as a result of the recent change. O'Brien noted that this would be Soliz's last meeting. The Board will move forward with the asset allocation study once a replacement is realized.

**Motion:** To rebalance the portfolio as per the rebalancing worksheet dated 05/13/2016.  
**Maker:** Beck  
**Second:** Soliz  
**Roll Call:** Beck – Aye, Soliz – Aye, Blowers – Aye, O’Brien – Aye. 4 Ayes, 0 Nays, 1 Absent. All in Favor. Motion Carried.

Discussion was held on monies available for benefit payments and recent retirements.

**Motion:** To update the Letter of Authorization (LOA) from \$165,000 to \$175,000 effective immediately.  
**Maker:** O’Brien  
**Second:** Soliz  
**Roll Call:** Beck – Aye, Soliz – Aye, Blowers – Aye, O’Brien – Aye. 4 Ayes, 0 Nays, 1 Absent. All in Favor. Motion Carried.

Dennis Thomas entered the meeting at 8:45 a.m.

The Board went out of order to accommodate fiduciary insurance presentations.

### **OLD BUSINESS**

E. Fiduciary Insurance – The Board is researching the practicality of fiduciary insurance. Two (2) insurance companies, Cook Castle and Arthur Gallagher presented policies and discussed coverage. Presentations were given by Greg Keiswater (Cook Castle) and Don Smolinski (Arthur Gallagher). It was noted that coverage does cover past trustees and individuals performing administrative duties. There are 3 primary triggers as to when coverage applies: 1) Accusation that members have not fulfilled their statutory duties; 2) Failure to perform administrative duties; 3) Accusation against a member while performing a duty or responsibility in the capacity as a trustee. Some items not covered include bodily injury, workers compensation, etc. The policy is designed to protect fiduciary responsibility and those designed to fulfill those duties. Exclusions vary from policy to policy, so members need to be aware of what policy excludes what. Exclusions may include actuarial studies and/or funding. The policy provides defense coverage to trustee members for accusations in any of the aforementioned. Another benefit of the policy (Cook Castle) is coverage for benefit overpayment, selection of counsel and cyber coverage. Premiums are annual and based on asset size and funding ratio on a year-to-year basis. Discussion was held on various scenarios that would trigger coverage and use of various counsel.

A. Transfer of Service – Hall – Officer Richard Hall has requested to transfer creditable service. Officer Hall has been making monthly payments for the portability of creditable service from the Huntley Police Pension Fund and final payment has been received.

**Motion:** To accept the transfer of 2 years 8 months and 29 days of service from the Huntley Police Department for Richard Hall changing his service date 07/20/2005 for pension purposes.  
**Maker:** O’Brien  
**Second:** Thomas  
**Roll Call:** Beck – Aye, Soliz – Aye, Blowers – Aye, Thomas – Aye, O’Brien – Aye. 5 Ayes, 0 Nays, 0 Absent. All in Favor. Motion Carried.

B. IPPFA Conference – The IPPFA Conference will be held in October. Information regarding this conference should be forthcoming. A substantial savings is realized for payment before August 1. Any member wishing to attend should notify O’Brien as soon as possible.

**Motion:** To authorize Blowers or O'Brien to secure conference attendance at the IPPFA Conference for all members attending before August 1 at the reduced rate.

**Maker:** Beck

**Second:** Soliz

**Roll Call:** Beck – Aye, Soliz – Aye, Blowers – Aye, Thomas – Aye, O'Brien – Aye. 5 Ayes, 0 Nays, 0 Absent. All in Favor. Motion Carried.

- C. Lauterbach & Amen Contract – O'Brien presented a copy of the 3-year contract proposal from Lauterbach & Amen for accounting services for the years of 2016/2017/2018 to include a breakdown of fees. Fees are as follows: 2016 totals \$22,250; 2017 totals \$22,885 and 2018 totals \$23,520.

**Motion:** To accept and extend the Lauterbach & Amen accounting contract for a 3-year period as presented.

**Maker:** O'Brien

**Second:** Beck

**Roll Call:** Beck – Aye, Soliz – Aye, Blowers – Aye, Thomas – Aye, O'Brien – Aye. 5 Ayes, 0 Nays, 0 Absent. All in Favor. Motion Carried.

- D. Election of Officers – Per statute, the Board must elect officers.

**Motion:** To keep the slate of officers the same: O'Brien, President; Beck, Vice President; Blowers, Secretary; Thomas, Asst. Secretary

**Maker:** Beck

**Second:** O'Brien

**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

#### ACCOUNTANT'S REPORT/PRESENTATION & APPROVAL OF BILLS FOR DISBURSEMENT

**Motion:** To accept and approve the Monthly Financial Reports of January 31, 2016 as presented.

**Maker:** Beck

**Second:** Soliz

**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in Favor. Motion Carried.

**Motion:** To accept and approve the Monthly Financial Reports of February 29, 2016 as presented.

**Maker:** Beck

**Second:** Soliz

**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in Favor. Motion Carried.

**Motion:** To accept and approve the Monthly Financial Reports of March 31, 2016 as presented.

**Maker:** Beck

**Second:** Soliz

**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in Favor. Motion Carried.

**Motion:** To approve Invoice #9904 from Puchalski Goodloe Marzullo (PGM) in the amount of \$1783.07 for legal services.

**Maker:** O'Brien

**Second:** Blowers

**Roll Call:** Blowers – Aye, Beck – Aye, Soliz – Aye, O’Brien – Aye, Thomas - Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

**Motion:** To approve Invoice from Ricoh in the amount of \$1615.36 for disability hearing exhibits.

**Maker:** O’Brien

**Second:** Blowers

**Roll Call:** Blowers – Aye, Beck – Aye, Soliz – Aye, O’Brien – Aye, Thomas - Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

**Motion:** To approve Invoice #F91972 from the Department of Insurance in the amount of \$5285.30 for the annual compliance fee for the pension fund.

**Maker:** Blowers

**Second:** Beck

**Roll Call:** Blowers – Aye, Beck – Aye, Soliz – Aye, O’Brien – Nay, Thomas - Aye. 4 Ayes, 1 Nays, 0 Absent. Motion passes.

Trustee Training Expenses – Trustee training for Dennis Thomas. To date, no invoice has been received. Table to the next meeting.

Todd Schroeder, Lauterbach & Amen, distributed copies of the most recent actuarial report for the fund and gave a brief overview of the report, which include how the report is comprised, funding policies, cost methods, unfunded liability, pay increases, contributions, demographic changes, GASB rules, etc. Discussion continued on preferences of paying down unfunded liability, actuarial recommendations, State pushing this date back, layered amortization approach, etc. Recommended tax levy is \$1,763,057. This is a draft report pending the finalization of the City of Batavia audit. He further stated that this report gets an overhaul every 5 years.

#### **APPLICATIONS FOR MEMBERSHIP**

None. Two new officers for next meeting. One of the officers is an 11-year veteran of the Chicago Police Department.

#### **APPLICATIONS FOR BENEFITS**

Fauble Disability Application – Goodloe reported that a hearing was scheduled for April 28, 2016; however, Fauble’s attorney requested a continuance for another 60 days. The exhibits have been assembled and distributed to all Board members. After a brief discussion, the Board scheduled the hearing date for Wednesday, July 20, 2016 beginning at 9 a.m. Notice will be sent to Fauble and his attorney informing him of this date.

Annual Examination – Graver – Last examination was 09/15/2015 and the Board received the results on 10/15/2015. Table to the August meeting.

Annual Examination – Mercil – Mercil was award an on-duty disability pension on June 3, 2015. The Board does have the authority to require Mercil to return to Illinois for his annual examination. Discussion continued on the pros and cons of having Mercil return to Illinois. Goodloe will forward an affidavit to determine if he’s received any additional treatment and request copies of any type of treatment received since 06/03/2015. Will also start the process of obtaining a doctor in California. Table to the August meeting.

### **ATTORNEY'S REPORT**

The two bills pending that everyone was watching were House Bill 1334, re-entry into active service, passed the House overwhelmingly but has now been referred back to the Rules Committee in the Senate. Doesn't look like it is going anywhere anytime soon. The Bill states that if a department hires a new police officer on or after January 1, 2017, and that person started collecting any pension benefits (disability or retirement) and then they get hired in a full-time capacity in another State position or a local municipality covered by an Illinois Pension system and they become a member of that pension system, the pension board would be required to suspend payment of the pension benefit. Discussion continued on the reality that smaller departments hire former police chiefs and fire chiefs at lower salaries, what effect this bill would have on individuals currently in the system; the bill doesn't address this issue and violations of the State Constitution, etc.

Senate Bill 3317 is the consolidation bill. This bill is stuck in committee and was referred back to assignments. As such, consolidation of Article 3 & Article 4 pension fund assets will not be happening at this time.

Willhite reported that changes have been made about investing wherein there is a downgrade below BBB that a fund has 90 days to sell. However, if any 1 of the 2 rating agencies has it rated BBB or better, a fund can buy it. Waiting to see the advisory opinion from the Department of Insurance (DOI). Goodloe stated that once he reviews the DOI advisory opinion and reviews the statutes, he will provide a recommendation to the Board.

### **NEW BUSINESS**

Annual DOI Report - Flessner reported that the DOI has requested that all funds complete the DOI Security Administrator form. This will require the president, secretary and treasurer's signatures as well as naming a security administrator, which is someone who can access and unlock privileges. Once an administrator is determined and the form is signed and complete, it may be forwarded to Lauterbach & Amen and they will forward it on to the DOI. This needs to be completed by August 1.

The Annual DOI Report is due by the end of June. L&A has recently received a draft of the audit. Only update is in the trustees as Trustee Soliz is resigning from the Board. Once it is updated, the report may be filed. Once filed, Flessner will forward the certification form to the Board for signature.

**Motion:** To accept and approve the Security Administrator Form and to make Secretary Eric Blowers the Security Administrator.  
**Maker:** O'Brien  
**Second:** Soliz  
**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in Favor. Motion Carried.

**Motion:** To accept and approve the annual Department of Insurance Statement as presented.  
**Maker:** O'Brien  
**Second:** Beck  
**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in Favor. Motion Carried.

FYE Audit – Flessner reported that a draft of the audit has been received. Although not final, doesn't appear to be any changes required.

Review Board's Rules & Regulations – No changes at this time.

Actuarial Valuation & Tax Levy Recommendation – Table to the August meeting. O'Brien reported that he was contacted by Art Tefler regarding an actuarial valuation for the Fund. After a brief discussion, it was determined that the Board will not seek an outside valuation and will use the City's report.

Beck stated that he has a conflict with the next meeting and after a brief discussion, the Board determined the next meeting date would be August 24, 2016.

**MATTERS FROM THE PUBLIC**

None

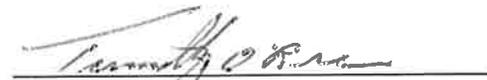
**ADJOURNMENT**

There being no further business, a motion was made by President O'Brien to adjourn the meeting at 10:25 a.m. Seconded by VP Beck. All in favor. Motion carried.

Ayes       5       Nays       0       Absent       0  

The meeting was adjourned at 10:25 a.m. The next meeting is scheduled for August 24, 2016.

Respectfully submitted,

  
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President

  
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Secretary