

**BATAVIA POLICE PENSION BOARD
MEETING MINUTES
FEBRUARY 7, 2018**

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 Blowers called the meeting of the Batavia Police Pension Board to order at 8:00 a.m.

ROLL CALL

Members Present: Eric Blowers, President; Jason Kaluzny, Secretary; Ralph Beck, Vice President; Dennis Thomas, Trustee

Members Absent: 1 Vacant Position

Others Present: Jeff Goodloe, Puchalski Goodloe Marzullo (PGM); Jon Willhite, UBS; Derek Flessner, Lauterbach & Amen

APPROVAL OF MINUTES

Motion: To approve the Regular Minutes of November 8, 2017 as presented.

Maker: Beck

Second: Thomas

Voice Vote: 4 Ayes, 0 Nay, 0 Absent, 1 Vacant. All in favor. Motion carried.

INVESTMENT ACTIVITIES

Willhite gave an overview of the portfolio. The portfolio began the quarter at \$29,652,208 and ended at \$30,247,287. The fund was up 3.04% with the Index up 2.81%. Since inception, the fund is up 6.75%.

Willhite noted that the standard deviation is historically low. It is lower than even if you had everything invested in just bonds. There has been little to no volatility. The sharpe ratio, however, is historically high. Discussion was held on risk versus reward, capture ratio trends, investment performance summary of individual managers, fixed income and international managers performing well, etc. With the changes in investing, the portfolio is starting to see more capture in the up market and less in the downside. Glovista and Lazard are still struggling. Will continue to monitor their progress for another quarter.

It was recommended that the Board get out of the preferred securities class. The manager for this class is Stonebridge. It was further recommend to reduce the weight for Chilton (REIT) to 5%. First Trust Energy EMLP is protecting the downside quite nicely. The Board paused to review

possible replacement managers for Stonebridge to include American Beacon Bridgeway, Diamond Hill, T. Rowe Price and Russell 1000 Value.

Motion: To purchase American Beacon Bridgeway for the Large Cap Value position of the portfolio.
Maker: Beck
Second: Thomas
Roll Call: Kaluzny – Aye, Beck – Aye, Thomas – Aye, Blowers – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion carried.

Willhite gave a brief overview of the rebalancing worksheet to include the termination of Stonebridge and weight reduction of Chilton.

Motion: To terminate Stonebridge Preferred Securities and rebalance as presented in the 02/02/2018 rebalancing worksheet.
Maker: Beck
Second: Thomas
Roll Call: Kaluzny – Aye, Beck – Aye, Thomas – Aye, Blowers – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion carried.

Willhite gave an overview of the current market trends. Noted that the Board is choosing managers that give more protection on the downside. Beck inquired about rising interest rates and the market. UBS has been monitoring rising interest rates for the last few years and making recommendations accordingly. Part of the volatility from the last couple weeks was due to the rising interest rates and/or projection of the rising interest rates. UBS is projecting more volatility in the near future, both on the up and downside. It remains to be seen how the rising interest rates will affect the fixed income market.

New Ownership – Tortoise Credit Strategies - Willhite reported that Tortoise Credit Strategies merged with Bradford. Although there is a new ownership, the managers remain the same. UBS is very comfortable with Bradford.

Motion: To approve the new ownership approval from Tortoise Credit Strategies to Bradford.
Maker: Blowers
Second: Thomas
Voice Vote: 4 Ayes, 0 Nay, 0 Absent, 1 Vacant. All in favor. Motion carried.

Discretionary Contract – Willhite stated that they are about 95% complete with the discretaionary contract issue. In Illinois, the statute doesn't necessarily state what you can but, it more or less states that you can buy this. Most IPS's will state that you specifically, cannot buy a particular product. This makes it difficult to monitor. UBS has hired another company, Clearwater, which works in all 50 states with the Department of Insurance (DOI) to analyze and make determinations on which securities fit within the DOI parameters. UBS is using

Clearwater's system to monitor the Fund's investments on the discretionary side. Discussion was held on how this monitoring works. There isn't a discretionary issue with fixed income but there is one with securities. Will continue to work on this issue.

OLD BUSINESS

None.

ACCOUNTANT'S REPORT/PRESENTATION OF BILLS FOR DISBURSEMENT

Flessner gave an overview of the December 2017 Accountant's Report.

Motion: To approve the Accounting/Financial Report ending October 31, 2017 as presented.

Maker: Beck

Second: Thomas

Voice Vote: 4 Ayes, 0 Nay, 0 Absent, 1 Vacant. All in favor. Motion carried.

Motion: To approve the Accounting/Financial Report ending November 30, 2017 as presented.

Maker: Beck

Second: Thomas

Voice Vote: 4 Ayes, 0 Nay, 0 Absent, 1 Vacant. All in favor. Motion carried.

Motion: To approve the Accounting/Financial Report ending December 31, 2017 as presented.

Maker: Beck

Second: Thomas

Voice Vote: 4 Ayes, 0 Nay, 0 Absent, 1 Vacant. All in favor. Motion carried.

Letter received from PGM indicating that fees will be increased beginning 04/01/2018. Quarterly retainer will be increased to \$650.00 per quarter and the hourly rate will increase to \$175.00 per hour.

Motion: To approve the PGM rate increases for legal services as proposed.

Maker: Beck

Second: Thomas

Roll Call: Kaluzny – Aye, Beck – Aye, Thomas – Aye, Blowers – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion carried.

- Motion:** To approve Invoice #0010480 dated 01/29/2018 from Puchalski Goodloe Marzullo (PGM) LLP in the amount of \$495.00 for legal services
- Maker:** Beck
- Second:** Thomas
- Roll Call:** Kaluzny – Aye, Beck – Aye, Thomas – Aye, Blowers – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion carried.

APPLICATIONS FOR MEMBERSHIP

Blowers reported that Officer Mark Konovsky was hired by the Batavia Police Department on 10/09/2017. Officer Konovsky has recently returned from his military deployment. Konovsky does have prior service with another agency but was hired at that agency after 01/01/2011, which makes him a Tier 2 employee.

- Motion:** To accept Officer Mark Konovsky into the Batavia Police Pension Fund as a Tier 2 employee effective 10/09/2017.
- Maker:** Beck
- Second:** Thomas
- Voice Vote:** 4 Ayes, 0 Nay, 0 Absent, 1 Vacant. All in favor. Motion carried.

Flessner noted that they have received a portability and military calculation request from Konovsky, which they are working on. Once the calculations are finalized, they will submit the documentation to Konovsky for his decision.

APPLICATIONS FOR BENEFITS

None.

ATTORNEY'S REPORT

Goodloe reported on Martin v. Board of Trustees of the Shiloh Police Pension Board. Officer Martin while returning from the state's attorney's office, where he dropped off documents, is involved in a car crash and is rendered disabled. He applies for a line-of-duty disability pension and is denied. Martin is granted a non-duty disability pension. The Appellate Court reversed this decision and granted Martin a line-of-duty disability pension. This is actually the third case of this type. The Appellate Court's findings are that if an officer is on-duty in a designated police vehicle, driving, is involved in an accident and rendered disabled, they will more than likely be entitled to an on-duty disability pension.

Keeling v. Forest Park Police Pension Board – Police Officer seeks out trustee to inquire how to apply for a pension. The trustee hands the officer some paperwork to complete. The officer completes the paperwork and returns it to the trustee. The trustee turns the paperwork over to the board's attorney, which states the paperwork is not the official paperwork, gives the "official" paperwork to the trustee to give to the officer. In the interim, the officer was terminated by the

municipality. Case law states that you must be an active police officer at the time application is made. The pension board holds a hearing and denies the application because the officer didn't fill out the official application and return it to the board before his termination. The officer sued and the board's decision was reversed by the trial court. The trial court stated that the decision was basically, unfair to the applicant. The applicant relied on the trustee who gave the applicant a particular form. The Appellate Court reversed this decision and re-instated the board's decision. The Case Law is very clear that you must be an active police officer at the time of application. The officer was aware, from notice from the board's attorney, that he (officer) did not complete the official application and there was a separate application that needed to be filled out. This process was not complete by the time of the termination. The Appellate Court found further that the trustee involved cannot, in upon himself, speak for the public body. It has to be the entire public body stating which form has to be filled out. Goodloe stated that to avoid this issue, anyone wishing to apply for a disability pension, provide the contact information to Goodloe and he will forward the necessary documentation. This process will also ensure a good paper-trail in terms of what needs to be completed.

No legislation concerning consolidation at this time.

NEW BUSINESS

2018 COLA's – 2018 COLA's were presented for review.

Motion: To approve the 2018 COLA's as presented.
Maker: Beck
Second: Thomas
Voice Vote: 4 Ayes, 0 Nay, 0 Absent, 1 Vacant. All in favor. Motion carried.

November Meeting Date – After a brief discussion, due to conflicting schedules, the regular November meeting will be held on October 31, 2018.

Trustee Elections & Appointments – The Board is still without the 2nd Appointed member from the City and has been for over a year. Discussion continued.

Motion: To authorize Goodloe to send letter to Mayor requesting an appointed member.
Maker: Beck
Second: Thomas
Voice Vote: 4 Ayes, 0 Nay, 0 Absent, 1 Vacant. All in favor. Motion carried.

Statement of Economic Interest Forms – Requirement for all Board members. This may be done electronically. Economic Interest Forms are due May 1, 2018.

2017 Audit – Lauterbach & Amen is currently updating all records. Once this is complete, these documents will be forwarded to the auditors.

Actuarial Valuation & DOI Annual Statement – Once the audit is complete, the actuarial valuation will begin and the DOI statement will be completed.

Verification of Beneficiary – Annual letters will be sent out to all members receiving a pension.

Motion: To approve send out the Annual Verification of Beneficiary forms to all retired and disabled members.

Maker: Blowers

Second: Thomas

Voice Vote: 4 Ayes, 0 Nay, 0 Absent, 1 Vacant. All in favor. Motion carried.

It was noted that reservations have been made for the East Peoria Training Conference.

PUBLIC COMMENTS

None

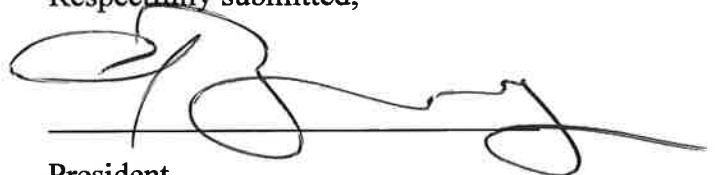
ADJOURNMENT

There being no further discussion. A motion was made by Blowers to adjourn the meeting. Seconded by Thomas. All in favor. Motion carried.

4 Ayes 0 Nays 0 Absent 1 Vacant

The meeting was adjourned at 9:10 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to be "Blowers", written over a horizontal line.

President

A handwritten signature in black ink, appearing to be "Thomas", written over a horizontal line.

Secretary