

**BATAVIA POLICE PENSION BOARD  
MEETING MINUTES  
MAY 8, 2019**

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; Ralph Beck, Vice President; Dennis Thomas, Trustee and Robert Knanishu, Trustee

Members Absent: Jason Kaluzny, Secretary

Others Present: Jeff Goodloe, Puchalski Goodloe Marzullo (PGM); Jon Willhite, UBS (via conference call); Peggy Colby, Finance Director; Derek Flessner, Lauterbach & Amen; Robert Reitz, Lauterbach & Amen

**APPROVAL OF MINUTES**

**Motion:** To approve the Regular Minutes of February 13, 2019 as presented.

**Maker:** Beck

**Second:** Thomas

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

**INVESTMENT ACITIVIES**

Willhite was not able to attend the meeting in person due to weather conditions in Texas, joined meeting via conference call. The last quarter was up 9.21% with the Index up 8.85%, which is a vast improvement over 4<sup>th</sup> Quarter results. UBS had discussions with American Beacon, although up 10.91% this last quarter, they are down -2.67% with their benchmark up 5.67%. American Beacon long term numbers are very good and are in the upper one-third of all value managers, YTD. UBS believes they have a good team and will provide good results, just had a very bad fourth quarter that brought their one-year number down. Another manager to note was Chilton REIT, up 16.36% for the year with their benchmark up 20.02%. UBS met with Blackrock, up 1.08% for the year with their benchmark up 4.48%. Blackrock is a manager that does very well in a rising interest rate market. They have outperformed their benchmark long term. Discussion was held on the returns of the other managers. Highest performing manager was First Trust Energy EMLP up 17.44% with their benchmark up 15.11%. Willhite noted that there is a lot of volatility in the market, however, the market is returning to a more normal trend.

Willhite stated that the Board needs to transfer monies to the cash account to cover beneficiary payments; approximately \$477,000 is required to pay benefits over the next few months. Proposed taking \$73,000 from American Beacon and \$404,000 from First Trust EMLP and transferring these monies to the UBS Cash Account to cover payments for the next 3 months.

**Motion:** To accept and approve the Rebalancing Worksheet as presented.  
**Maker:** Beck  
**Second:** Thomas  
**Roll Call:** Blowers – Aye, Beck – Aye, Thomas – Aye, Knanishu – Aye, Kaluzny – Absent.  
4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The Board had inquired about First Trust and possible alternative managers. The question is whether or not to be in this asset class. First Trust is an exceptionally good manager; however, the asset class is very risky. This asset class has been the best performing over the last 12 months. Discussion was held on manager comparisons, year-to-year performances, risk, peer ranking, upside and downside protection, best and worse 12 months, etc. After an extensive discussion, the Board decided not to make any changes at this time.

Investment Policy Statement – No changes to the ISP at this time.

Discretionary Contract – UBS has hired outside counsel in regard to a Discretionary Contract. There is a statute in Illinois that states that a manager that takes discretion cannot maintain custody of the assets. The question is would UBS be taking discretion over managing or taking discretion over the hiring and firing of the managers that have discretion on buying the securities. The Illinois Statutes are extremely difficult. Managers are resigning from working in Illinois because of these difficult and poorly written statutes. The issue is having discretionary authority and custody of the assets. Will table to the next meeting.

## **OLD BUSINESS**

Economic Interest Statements – Statements were due May 1. Everyone has completed these Statements.

Trustee Elections – Two Active positions and One Retired position were up for vote. Beck and Blowers counted the votes with the following results for Active Members:

30 Votes	Jason Kaluzny
22 Votes	Chris Potthoff
3 Votes	William Thrun
5 Votes	Brad Wicks

Trustee positions are for a period of two years.

**Motion:** To certify the results of the election with Jason Kaluzny and Chris Potthoff as the Active Members to the Batavia Police Pension Board.  
**Maker:** Blowers  
**Second:** Thomas  
**Voice Vote:** 4 Ayes, 0 Nay, 1 Absent. All in favor. Motion carried.

Beck report that 19 votes were cast for Dennis Thomas for the Retired Member position. No other votes were received.

**Motion:** To certify the election results for Dennis Thomas as the Retired Member to the Batavia Police Pension Board.  
**Maker:** Blowers  
**Second:** Knanishu  
**Voice Vote:** 4 Ayes, 0 Nay, 1 Absent. All in favor. Motion carried.

The ballots will be held for a period of 90 days.

Blowers noted that Ralph Beck was reappointed to the Batavia Police Pension Board for another two years.

Actuarial Report – Draft Reports were distributed to all members. Reitz gave an overview of the actuarial report. This report includes normal costs as well as the unfunded liability of the fund. The current unfunded liability is at \$26.338M, an increase of \$2.85M from the prior year. The majority of the increase is due to asset value. Unfortunately, the report was conducted during the worst point in time to look at market value assets. The good news is that the Fund isn't valued on market value basis but rather an actuarial value of assets basis. What this means is when there are those investment gains and losses every year, the Fund itself is reviewed over a five-year time period. This reduces the volatility. Although there was a significant loss the last quarter of 2018, by the end of the first quarter in 2019, the Fund has regained its losses and realized an increase. Discussion continued. It was noted that the City has been very good at funding its portion of the pension. The goal is to have the Fund funded at 100% by 2040. A copy of the GASB report was also submitted for the Board's review. The reports have shown that the Fund is very soluble and is expected to provide benefits well into the future (80 years+).

2018 Audit – Colby reported that the City is currently conducting its annual audit. Awaiting on the draft. The audit should be finalized by the end of June. Once the audit is finalized, L&A will be able to finalize all other reports.

DOI Annual Statement – Lauterbach & Amen (L&A) completes this annual report for the Fund. The DOI has released a statement noting that new changes would take effect on April 23, 2019. These new changes would be in effect for all open filings. These changes include the necessary need to upload spouse information for all beneficiaries of the fund. L&A was able to complete this requirement for the Board. The Statement is due the end of June.

**ACCOUNTANT'S REPORT/PRESENTATION OF BILLS FOR DISBURSEMENT**

**Motion:** To approve the Accounting/Financial Report ending January 31, 2019 as presented.  
**Maker:** Beck  
**Second:** Thomas  
**Voice Vote:** 4 Ayes, 0 Nay, 1 Absent. All in favor. Motion carried.

**Motion:** To approve the Accounting/Financial Report ending February 28, 2019 as presented.  
**Maker:** Beck  
**Second:** Knanishu  
**Voice Vote:** 4 Ayes, 0 Nay, 1 Absent. All in favor. Motion carried.

**Motion:** To approve the Accounting/Financial Report ending March 31, 2019 as presented.  
**Maker:** Beck  
**Second:** Knanishu  
**Voice Vote:** 4 Ayes, 0 Nay, 1 Absent. All in favor. Motion carried.

**Motion:** To approve Invoice #61047 in the amount of \$75.00 for Transcription Services of Meeting Minutes for Cheryl A. Shimp.  
**Maker:** Knanishu  
**Second:** Thomas  
**Roll Call:** Thomas – Aye, Knanishu – Aye, Beck – Aye, Blowers – Aye. 4 Ayes 0 Nays 1 Absent. All in favor. Motion carried.

Blowers reported that Kaluzny was not able to attend the annual conference and had to complete his 16 hours of trustee training requirement by completing one 8-hour on-line course and one 8-hour classroom through IPPFA.

**Motion:** To approve Order #628534, Trustee On-Line Program 8-hour course for \$250.00 and 8-hour IPPFA Reginal Seminar, Invoice #JCH1920190203600360 for \$185.00.  
**Maker:** Beck  
**Second:** Thomas  
**Roll Call:** Thomas – Aye, Knanishu – Aye, Beck – Aye, Blowers – Aye. 4 Ayes 0 Nays 1 Absent. All in favor. Motion carried.

DOI Annual Compliance Fee – Flessner reported that this annual fee is due the end of June. The amount is capped at \$8000.00. The Board should be receiving this invoice soon.

**Motion:** To approve the DOI Compliance Fee upon receipt in an amount not to exceed \$8000.00.  
**Maker:** Beck  
**Second:** Thomas  
**Roll Call:** Thomas – Aye, Knanishu – Aye, Beck – Aye, Blowers – Aye. 4 Ayes 0 Nays 1 Absent. All in favor. Motion carried.

Pension Conference Expenses – Blowers reported that Thomas and Beck attended the Pension Conference in Peoria recently. IPPFA Registration Fees were \$435.00 each (Invoice #2019IL20190203610361 – Beck and Invoice #20192019023620362 – Thomas) for a total of \$870.00; Per Diem checks were issued in the amount of \$137.50/each (Check #30204 & Check #30203) for a total of \$275.00; Hotel Accommodations for Beck was at the Embassy Suites, Confirmation #82717682, in the amount of \$510.72 (paid by personal credit card); Hotel Accommodations for Thomas was at the Fairfield Marriot, Confirmation #55778 with the first two (2) days paid by the UBS credit card in the amount of \$377.44 and the third night was paid for by personal credit card in the amount of \$152.32. Reimbursement for use of personal credit cards to Thomas and Beck is requested.

**Motion:** To approve the IPPFA Conference expenses as presented.

**Maker:** Knanishu

**Second:** Thomas

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

### APPLICATIONS FOR MEMBERSHIP

Blowers reported that two (2) Applications for Membership for new members have been received.  
1) Officer David E. Saad, DOB xx/xx/1994, with a date of hire of 03/07/2019 as a Tier 2 employee;  
2) Officer Jose Barrera, DOB xx/xx/1989, with a date of hire of 03/07/2019 as a Tier 2 employee.

**Motion:** To accept and approve the Memberships of David E. Saad and Jose Barrera as Tier 2 Employees effective 03/07/2019.

**Maker:** Beck

**Second:** Thomas

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

### APPLICATIONS FOR BENEFITS

Blowers reported on receipt of an Application for Retirement Benefits from Commander Tim O'Brien. Commander O'Brien's last day of work will be August 2, 2019. Blowers stated that the pension calculation was based on old numbers. The Union has recently agreed to a new contract. Blowers requested this item be tabled to the next meeting to account for the new salary numbers.

### ATTORNEY'S REPORT

Goodloe reported that all the consolidation bills have been referred back to assignments. The Governor has a task force that is to issue a report in July making recommendations for consolidation purposes. The belief is that recommendation will include some sort of investment pool, local boards will still exist, voluntary association, etc. If a board were to voluntarily put their

monies into this consolidation investment program, the board will have expanded investment authority and a municipality would have the ability to go beyond the tax cap, specifically for taxing for pensions. Unknown what the final draft will be. It would be the decision of the pension board and not the municipality to enter into this program. It is the recommendation of the IPPFA that the membership of the fund vote on participation in and transfer of monies to this consolidation program. Will continue to monitor.

A case of Cook County talks of Line-of-Duty Mental Disability Pensions for Police Officers. It states that a Police Officer is not entitled to a Line-of-Duty Mental Disability Pension based on the aggravation of a pre-existing condition. This is different from a physical disability claim. Miller v Oaklawn Police Pension Board.

### **NEW BUSINESS**

RFP for Consultant – An RFP for Consultant is required by Statute every five years.

**Motion:** To authorize Goodloe to conduct a Request for Proposal for Investment Advisors and Consultants.

**Maker:** Beck

**Second:** Thomas

**Voice Vote:** 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Proposals received will be discussed at the next meeting.

FOIA – FOIA request was received from Zack Cziryak, Reporter with Financial Investment News. Request was for copies of some quarterly investment reports from UBS for the Fund. This request was complied with on March 1, 2019. No action necessary, information only.

Unpaid Breaks in Service of Retired Members – This issue was brought to the Board’s attention by the City of Batavia Human Resource Department. A question came up reference a recent retiree who had an unpaid break in service (suspension date) and whether or not an extra payment would be required to the Pension Fund or if their final employment date would be extended one day to cover this suspension. In discussions with Goodloe, it is customary to extend the final employment date. It is the policy of the Board to extend the service date. This is an item that is included in the DOI report. The Board would have to create a policy to allow someone to “buy-back” this time. It was noted that some boards allow this practice, however, many do not.

### **PUBLIC COMMENTS**

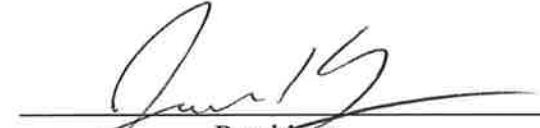
None.


**ADJOURNMENT**

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

4 Ayes          0 Nays          1 Absent

The meeting was adjourned at 9:33 a.m.

  
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President

  
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Secretary