

**BATAVIA POLICE PENSION BOARD
MEETING MINUTES
AUGUST 8, 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 and Robert Knanishu, Trustee

Members Absent: None

Others Present: Jeff Goodloe, Puchalski Goodloe Marzullo (PGM); Robert Vaughn, UBS

APPROVAL OF MINUTES

Motion: To approve the Regular Minutes of May 9, 2018 as presented.

Maker: Beck

Second: Thomas

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

INVESTMENT ACTIVITIES

Vaughn gave a brief overview of the portfolio. It was noted that inflation has been about 2% this past quarter. A brief discussion was held on the tariff situation or possibility of a tariff situation. The portfolio began the quarter at \$29,361,711 and ended the quarter at \$29,859,890. Since March 2009, the portfolio has made approximately \$11M in investment earnings. Last quarter, the portfolio was up 1% with the Dynamic Index up 1.2%. Since inception, the portfolio is up 6.21% with the Dynamic Index up 6.64%.

Discussion was held on the best and worst quarters, standard deviation (since inception about 5%), low volatility market, GASBE numbers, etc. It was noted that for every \$100 of investment, the portfolio has received a return of \$172. UBS uses a third party independent to compare various portfolios. Of the 803 clients, Batavia's returns are in the top 23 percentile. The portfolio is in the top 35 percentile for sharp ratio, which measures how a portfolio manages risk. The Board is managing risk very well.

The Board reviewed the various money managers. It was noted that this past quarter has been a growth quarter. Recommendation to terminate Lazard and Glovista. Vaughn noted that the Board

has one of the best fixed income managers in their portfolio, Pacific Income Advisors, with an average 3% return when fixed income is only receiving 2%. Fixed income has been a very hard place to be. For the last 20 years, fixed income has only returned 4.89% over all asset classes. Illinois State Statutes does not allow investment in many of these fixed income asset classes. Wells Fargo Absolute Return was down -2.35% to their benchmark down .16%; since inception up 2.01% to the benchmark down -.94%. Approximately a year ago, this manager was up 5% to 6%. They are a value manager. Discussion continued on their management strategy and the fact that many of their investment managers have left the firm. Recommendation to replace with a mutual fund. Discussion was held on replacement managers. This discussion included returns, up and down capture ratio, risk levels, etc.

Motion: To terminate Lazard and Glovista and transfer proceeds to American Funds New World.

Maker: Beck

Second: Thomas

Roll Call: Blowers – Aye, Beck – Aye, Thomas – Aye, Knanishu – Aye, Kaluzny – Aye. 5 Ayes, 0 Nays 0 Absent. All in favor. Motion carried.

Motion: To terminate Wells Fargo Absolute Return and transfer proceeds to Riverfront Asset Allocation Fund as proposed in the rebalancing sheet.

Maker: Beck

Second: Thomas

Roll Call: Blowers – Aye, Beck – Aye, Thomas – Aye, Knanishu – Aye, Kaluzny – Aye. 5 Ayes, 0 Nays 0 Absent. All in favor. Motion carried.

Motion: To take \$620,000 from UBS Cash Account and invest \$170,000 in Pacific Income Advisors; \$170,000 in Tortoise Credit Fixed Income; \$70,000 additional to Riverfront and remainder to American Funds New World.

Maker: Knanishu

Second: Kaluzny

Roll Call: Blowers – Aye, Beck – Aye, Thomas – Aye, Knanishu – Aye, Kaluzny – Aye. 5 Ayes, 0 Nays 0 Absent. All in favor. Motion carried.

Motion: To accept the UBS investment report as presented.

Maker: Beck

Second: Thomas

Roll Call: Blowers – Aye, Beck – Aye, Thomas – Aye, Knanishu – Aye, Kaluzny – Aye. 5 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

UBS is finalizing language for discretionary management. The hope is that it will be finalized by the end of 2018. The DOI has some rules on monitoring certain aspects of this investing

OLD BUSINESS

Selection of Board Officers – Every year the Board needs to choose a President, Vice President, Secretary and Assistant Secretary (if desired). Blowers stated that this will be his last year on the Pension Board. Willing to continue as Board President to the end of this term.

Motion: To retain the current officers in their present positions: Blowers, President; Beck Vice-President; Kaluzny, Secretary; and Thomas, Assistant Secretary.

Maker: Beck

Second: Knanishu

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

Trustee Training – Knanishu reported that he has completed his OMA and FOIA training. Needs to complete his fiduciary training. Blowers reported that the remaining Board members have completed their required training while in attendance at the latest conference.

BMO Account Signers – Signers to the BMO account have been updated to include Blowers and Kaluzny. Attempting to include Thomas as an alternative signer. Paperwork was completed for electronic signatures.

HELPS – Healthcare Enhancement for Local Public Safety retirees. This issue was discussed at the last meeting. This is a service offered to the retirees by Lauterbach & Amen at no cost to the retirees. This service would allow retirees to decrease their taxable earnings by applying up to \$3000 in insurance premiums paid during the calendar year. This program is an additional benefit that does not cost the Fund any money. Pensioneer completes form and submits to L&A.

Motion: To enact the Healthcare Enhancement for Local Public Safety (HELPS) retirees. A letter will be drafted and sent to members.

Maker: Blowers

Second: Thomas

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

ACCOUNTANT'S REPORT/PRESENTATION OF BILLS FOR DISBURSEMENT

Motion: To approve the Accounting/Financial Report ending April 30, 2018 as presented.

Maker: Beck

Second: Thomas

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

Motion: To approve the Accounting/Financial Report ending May 31, 2018 as presented.

Maker: Beck

Second: Thomas

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

Motion: To approve the Accounting/Financial Report ending June 30, 2018 as presented.
Maker: Beck
Second: Thomas
Voice Vote: 5 Ayes, 0 Nay, 0 Absent. All in favor. Motion carried.

Accounting/Financial Report from July will be tabled to the next meeting.

Blowers read the following invoices into record: Department of Insurance Annual Compliance Fee, Invoice #G31155 dated 05/10/2018 in the amount of \$5484.44. This payment was approved at the last meeting.

Motion: To affirm the payment to IDOI in the amount of \$5484.44 for Annual Compliance Fee.
Maker: Beck
Second: Thomas
Roll Call: Blowers – Aye, Beck – Aye, Thomas – Aye, Knanishu – Aye, Kaluzny – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

APPLICATIONS FOR MEMBERSHIP

None.

APPLICATIONS FOR BENEFITS

Graver Annual Examination – Goodloe stated the Board currently has 2 individuals on disability under the age of 50; Graver and Mercil. All disabled pensioners under the age of 50, must submit to a medical examination each year to determine whether they remain disabled or are able to return to full duty. Dr. Harris has been Graver’s physician for many years. Recommendation is to set up an appointment with Dr. Harris for Graver’s annual medical examination. Discussion was held.

Motion: To authorize PGM to schedule an appointment for Christopher Graver with Dr. Harris for Graver’s annual examination
Maker: Beck
Second: Thomas
Voice Vote: 5 Ayes, 0 Nay, 0 Absent. All in favor. Motion carried.

Goodloe reported that Scott Mercil is also due for his annual examination. Mercil is currently living in California. The Board, in the past, has set up appointments for Mercil with physicians in California. Discussion was held. Will attempt to schedule an appointment with Dr. Butcher. If Dr. Butcher isn’t available, will contact third party vendor, Exam Works, to locate an appropriate physician in California for Mercil’s injury. As Dr. Butcher has already seen Mercil, subsequent visits might be less expensive now.

Motion: To authorize PGM to schedule an appointment for Scott Mercil with Dr. Butcher for Mercil's annual examination
Maker: Thomas
Second: Blowers
Voice Vote: 5 Ayes, 0 Nay, 0 Absent. All in favor. Motion carried.

Reports should be available at the next meeting.

Blowers stated that the Board has received application and calculation sheet for pension benefits for Patrick J. Woerly. Woerly is scheduled to retire the end of September. Woerly's last day worked will be 09/30/2018 with his first day of pension 10/01/2018. He was hired on 09/30/1991 with a date of birth of 07/15/1964. His current rank is Watch Commander with a salary of \$130,765.

Motion: To accept the retirement pension application of Patrick J. Woerly as presented.
Maker: Thomas
Second: Beck
Roll Call: Blowers – Aye, Beck – Aye, Thomas – Aye, Knanishu – Aye, Kaluzny – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

ATTORNEY'S REPORT

Goodloe reported that HB4413, which would require pension boards to live stream all meetings and release these streams to the internet, is currently dead in the Senate.

Senate Bill 371 is still pending. This Bill is reference consolidating pension fund. This bill, however, is a little different. It was introduced by the Senate President and has the backing of the Associated Firefighters of Illinois. Even though the legislative session has ended, it is being held in committee for a possible vote during the veto session in November. Goodloe stated that this particular bill has some momentum and may actually become law. For all Article 3 pension funds, it would create a down-state investment pension fund. Pension boards then have the option of whether or not they would want to transfer their authority and all of their investments into this investment pension fund. If a pension board wanted to join this down-state investment pension fund, they would make a motion after January 1, 2019, to transfer all assets. A majority vote is required for this transfer. If a board chooses to do this, it is irrevocable.

The board itself would still do what it currently does but would no longer manage any of the monies or investments. The hope, from certain groups, is that a number of pension boards will join this investment group, however; it is unlikely that any of the funds that are in good shape will participate. The group would consist of 6 trustees of the State Treasurer, 3 appointed municipal employees (appointed by the General Assembly), 2 police officers (also appointed by the General Assembly) and one retired/disabled police officer (selected by the General Assembly). This group would be in charge of hiring money managers, consultants, etc. On or

after January 1, 2022; it would then become an elected board. This elected board would consist of 5 police officers (2 retired/disabled and 3 active), 5 municipal elected and then the State Treasurer. How it works, a fund would transfer all its money down to this group, keeping up to 3 months cash for benefit payments. Every quarter the fund would then request the monies needed to make benefit payments from the group. Although irrevocable, it is completely voluntary. Assets are comingled for investment purposes but are not for accounting purposes. Each fund would still have its own monies to draw from. The fear is what happens when a fund depletes all its investments? Does the group now cover those expenses? Will the legislature require this? Will a fund that hasn't done so well now owe the other funds money? Discussion continued. Will continue to monitor.

NEW BUSINESS

Renewal of Fiduciary Insurance Policy – Greg Keiswater, Cook Castle, reported that the new policy has the same underwriters, the same conditions, everything remains the same. The policy covers the fund itself, trustees, the aggregate limit, retention remains \$0, etc.; premium for the new term is \$6607, a 1% increase. Keiswater gave an overview of the fund's status. Discussion was held on the need for this type of policy, liability, trustee's liability, etc.

Motion: To renew the Fiduciary Insurance Policy with Hudson in the amount of \$6607.00 for the new period beginning September 1, 2018.
Maker: Beck
Second: Thomas
Roll Call: Blowers – Aye, Beck – Aye, Thomas – Aye, Knanishu – Aye, Kaluzny – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

IDOA Annual Statement & Interrogatories – The Annual IDOA Statement was completed by Lauterbach & Amen and was electronically filed on 05/29/2018. The certification form, completing the filing, was done on June 28, 2018.

Motion: To approve the IDOA Annual Statement as presented.
Maker: Knanishu
Second: Thomas
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Tax Levy & Actuarial Report – The actuarial evaluation was completed by Lauterbach & Amen, including the GASBE reporting as required by state statute. The tax levy recommendation is \$2,029,041 an increase of \$129,755 over last year. Once approved, Goodloe will forward the request for the recommended tax levy to the City. It was noted that this actuarial evaluation is from the City of Batavia. The Board did not conduct its own evaluation this year.

Motion: To approve Lauterbach & Amen's actuarial evaluation as of January 1, 2018.
Maker: Beck
Second: Thomas
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Motion: To approve Lauterbach & Amen's GASBE 67 & 68 reporting requirements.
Maker: Beck
Second: Thomas
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Motion: To approve the recommended tax levy in the amount of \$2,029,041.
Maker: Blowers
Second: Beck
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Fiscal Year End Audit – The Board has not received a copy of the completed audit at this time. Table to the next meeting.

Konovsky Transfer of Military Time – Blowers stated that Ofc. Konovsky had requested a portability and military calculation. At this time, Konovsky has decided against the portability and is still working on the military calculation. Konovsky may make these transfers at any time but they are on hold at this time.

PUBLIC COMMENTS

None

ADJOURNMENT

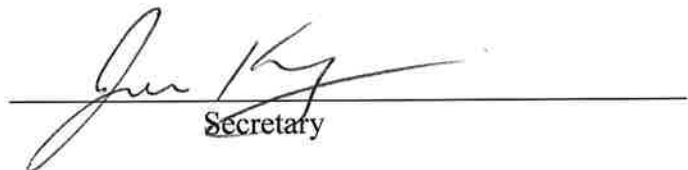
There being no further discussion. A motion was made by Blowers to adjourn the meeting. Seconded by Thomas. All in favor. Motion carried.

5 Ayes 0 Nays 0 Absent

The meeting was adjourned at 9:14 a.m.



President



Secretary

