

LAKE BLUFF POLICE PENSION FUND  
REGULAR BOARD MEETING  
August 11, 2016 5:30 P.M.

Roll Call

President Vinson called the regular meeting to order at 5:32 P.M. at the Lake Bluff Public Safety Building Community Room.

Trustees Present: Brad Adams, Mark Betz, Catharine Lemieux and Tom Vinson.

Trustees Absent: Erik Gehrke.

Others Present: Treasurer Susan Griffin, Graystone Consulting Advisor James Kolbusz (arrived at 5:50 PM) and Peter Arnstein, Visitor.

Non-Agenda Items and Visitors

None

Approval of Meeting Minutes

*Trustee Lemieux moved to approve the April 21, 2016 minutes as presented; seconded by Trustee Adams and approved unanimously on a voice vote. Trustee Lemieux moved to approve the May 9, 2016 minutes as presented; seconded by President Vinson and approved unanimously on a voice vote.*

**1. Election of Officers**

Discussion ensued regarding the willingness of the current officers to continue in their respective positions for another year with the exception of Trustee Lemieux who will be leaving the Board by the end of the calendar year. *Trustee Lemieux moved to elect Thomas Vinson as President; Erik Gehrke as Vice-President; Mark Betz as Secretary and Brad Adams as Vice-Secretary. Trustee Adams seconded the motion and it was approved on the following roll call vote: Ayes: Adams, Betz, Lemieux, and Vinson. Nays: None. Absent: Gehrke.*

**2. Treasurer's Report**

Treasurer Griffin reviewed the Statement of Net Assets and Changes in Net Assets reflecting audited net assets as of April 30, 2016 of \$8,813,537 and unaudited net assets of \$9,014,964 as of July 30, 2016. The changes in net plan assets for FY16 reflects a net deduction of \$120,912 and for May 2016-July 2016 a net addition of \$201,427. She highlighted the loss on the sale of equity investments, predominately from the mutual funds, of \$239,388 during FY16.

Treasurer Griffin advised the Board that the personal property replacement tax (PPRT) the FY16 net assets reflect a deduction of \$780 for the overpayment of PPRT to the Police Pension Fund in years 2014 and 2015. This amount will be deducted from FY2016 revenue and shown as a liability as it is expected to be repaid in calendar year 2017 (the State has not announced the repayment plan at this time.) *President Vinson moved to accept the Treasurer's Report, seconded by Trustee Adams and approved unanimously on a voice vote.*

**3. Request by Former Officer to Transfer Service Credit to Deerfield Police Pension Fund**

Officer Ryan Kass terminated service with the Lake Bluff Police Pension Fund on June 18, 2016 and began employment with the Deerfield Police Department. Officer Kass has elected to transfer his creditable service of two years, five months and fifteen days earned as an officer in Lake Bluff to the Deerfield Police Pension Fund. Pursuant to 40 ILCS 5/3-110.7(a)(1) Treasurer Griffin calculated the total to be transferred to Deerfield as follows: employee contributions of \$17,242.85 plus 6% compounded interest for a total of \$18,620.68 plus the Village match of \$18,620.68 for a total of \$37,241.36. Trustee Betz noted that the letter to Deerfield had a transposition in the total amount reflected as \$37,421.36. Treasurer Griffin confirmed the amount as \$37,241.36 and will advise Deerfield of this typographical error.

Mr. Kolbusz arrived.

#### 4. FY16 Audit Results and Actuarial Valuation

(a) Treasurer Griffin stated that Village's independent auditors noted under minor deficiencies that several of the corporate bonds being held by the Fund are not approved pursuant to the Investment Policy based on their credit rating. Trustee Lemieux requested a listing of the corporate bonds and their credit ratings be presented at the next meeting. Mr. Kolbusz will investigate this matter and report back to the Board at the next meeting.

(b) Treasurer Griffin presented the highlights of the Police Pension Fund FY16 Actuarial Valuation prepared by Kathleen Manning of MWM Consulting. She distributed Attachment A showing the actuarially determined funding policy contribution based on the past methodology (Entry Age Normal Cost method) but with a 50% duty disability and different mortality load factors as discussed at the May 9, 2016 joint meeting with the Village Board. The first scenario showing a 25% mortality load requires a tax levy (Village contribution) of \$666,930 or 2.6% greater than the 2015 tax levy of \$650,024. The second scenario contribution of \$672,314 is based on a 20% mortality load factor and the third scenario contribution of \$728,293 is based on no mortality load. Scenario 2 is a 3.4% increase over 2015 and Scenario 3 is a 12.2% increase over 2015. The Trustees reviewed the entire draft valuation which was prepared using Scenario #2 (contribution of \$672,315) which represents 51.2% of the covered payroll. The present value of the assets is \$9.277 million with a funding liability of \$16.052 million and a funded ratio of 57.80% at April 30, 2016. The recommended contribution is projected to reduce the unfunded liability to 5% by 2040 (better than the 10% required by law) with contributions as a level percent of payroll. The property tax revenue will be received in the fiscal year beginning May 1, 2017. The actuarial valuation prepared by the State of Illinois (based on the PUC method) was not available at the time of this meeting. Multi-year historical plan data was presented showing statistics on the fund for fiscal years 2003-2017. *President Vinson moved to request a 2016 property tax levy for police pension purposes in the amount of \$672,314; the motion was seconded by Trustee Adams and approved upon a roll call vote. Ayes: Adams, Betz, Lemieux, and Vinson. Nays: None. Absent: Gehrke.*

#### 5. Investments/Investment Policy

##### a. Investment Report

Mr. Kolbusz distributed an investment report as of July 31, 2016 and a handout "Custom Report dated August 11, 2016" noting that 5.70% returns net of fees on page 6 of the hand-out has a more accurate percentage than the bound report showing returns of 5.33%. Upon review of the target allocations and fund performance, the members discussed the Cohen & Steers REIT fund performance remarking that it is underperforming its benchmark. Mr. Kolbusz suggested that this fund be revisited at the next meeting. Trustee Adams highlighted the poor bond performance. Mr. Kolbusz will do a comparison of attributes on McDonnell fixed income manager. The members were reminded that the fund is required to have a minimum of 55% of its portfolio in fixed income. Mr. Kolbusz recommended investing \$200,000 from cash into other fixed income. Because cash is considered fixed income that will have no effect on the asset allocations. *Trustee Adams moved to authorize the reallocation of \$200,000 from cash into other fixed income; seconded by President Vinson and approved on the following roll call vote: Ayes: Adams, Betz, Lemieux and Vinson. Nays: None. Absent: Gehrke.*

It was recommended to move \$100,000 each month during August, September and October for a total of \$300,000 proportionally based on the target allocations from both fixed and equities to be invested in the small, mid and large cap US equity/ETF passively managed funds. *Trustee Adams moved to authorize execution of this recommendation; seconded by Trustee Betz and approved on the following roll call vote: Ayes: Adams, Betz, Lemieux and Vinson. Nays: None. Absent: Gehrke.*

Mr. Kolbusz suggested the Board consider allowing limit orders for addressing over/under weight positions to capture opportunities that occur between Board meetings to buy low in the market. This would be used specifically for International/EFA investments. Mr. Kolbusz will present additional information on this concept at the next meeting.

#### 6. Liability Insurance Discussion

At the last meeting Treasurer Griffin presented information regarding the Village's liability insurance for Pension Board Trustees as requested by Trustee Adams. Treasurer Griffin contacted the Village's insurance administrator, Intergovernmental Risk Management Association ("IRMA"). The Village has public officials (which includes Pension Board Trustees) liability ("POL") coverage but it does not include fiduciary liability coverage. Fiduciary liability is typically excluded under POL policies. Discussion ensued regarding the reason for fiduciary liability

insurance. IRMA has an optional fiduciary liability coverage program for police pension boards that can be pursued if the trustees desire to pay for this coverage. Treasurer Griffin obtained the application for this insurance but noted that there are questions that require the Board's consideration. A quote would be provided upon completion and submission of the application to the broker. Treasurer Griffin had no update on this matter having not heard from the plan Attorney. Trustee Adams requested that the Attorney Collins present written information on breach of fiduciary liability coverage for Pension Boards.

**7. Board Member Training Updates**

Discussion ensued regarding whether Chartered Financial Analyst training complies with the State training requirements. The Attorney will be queried at the next meeting.

**8. Executive Session – None**

Items from the Members/Treasurer

None

Next Board Meeting Dates

- The next 2016 regular meeting is scheduled for: **Thursday at 5:30 PM on October 20, 2016 in the Lake Bluff Public Safety Community Room.**

Adjournment

At 7:12 P.M. Trustee Adams moved to adjourn the meeting; Trustee Lemieux seconded the motion and it was approved unanimously on a voice vote.

Respectfully submitted,

Mark Betz  
Secretary

Susan Griffin  
Treasurer/Recording Secretary