

**LAKE BLUFF POLICE PENSION FUND
REGULAR BOARD MEETING**

August 7, 2019 5:30 P.M.

Roll Call

President Vinson called the regular meeting to order at 5:32 P.M. at the Lake Bluff Village Hall Conference Room.

Trustees Present: Brad Adams, Mark Betz, Tim Morris and Tom Vinson. Erik Gehrke arrived at 5:38 P.M.

Trustees Absent: None

Others Present: Treasurer Bettina O'Connell, MWM Consulting Actuary Kathleen Manning, Graystone Consulting Advisor Thomas McShane, Consulting Attorney Jeff Goodloe

Non-Agenda Items and Visitors

None

Approval of Meeting Minutes

Trustee Adams moved to approve the April 18, 2019 Regular meeting minutes as presented; seconded by President Vinson and approved unanimously on a voice vote.

1. FY19 Actuary Report

Kathleen Manning of MWM Consulting who has provided actuary services since 2010 presented summary information on the Pension Fund's actuarial valuation as of May 1, 2019. She included an overview of the participant data, the funding policy, funding results and also reviewed the significant actuarial assumptions utilized in the valuation. Historical funding results were presented. The May 1, 2019 funded ratio of 57.87% slightly down from last year as assets did not meet the 7% rate of return assumptions. Conservative rates and improvements to the mortality tables continue to protect the Fund, funding percentages are dependent on the sustaining investment returns near or above the assumed rate of 7%.

Ms. Manning indicated that the Village must contribute the statutorily required minimum contribution under Illinois statutes equal to the normal cost plus the amount necessary to amortize the unfunded accrued liability such that by 2040 the fund will be 90% funded. The Village has historically contributed amounts greater than the minimum based on the actuarially determined funding policy. This year positive returns were not great enough to decrease the unfunded liability enough to have a positive effect on the funded ratio. The actuarially determined 2020 funding contribution amount is \$744,734, the contribution required to prevent negative amortization is \$677,604.

2. Investments Report

Mr. McShane reviewed the Funds quarterly performance as of August 7, 2019. He provided a capital market overview stating that the international market underperformed slightly in the second quarter, as the US continued its market leadership, international markets remain under pressure as investors weigh weakening economic data in Europe. S&P 500 index gained 4.30% for the quarter. The bond market posted gains on the second quarter as the Fed's concerns surrounding the global market lowered bond yields across the curve. It was also noted that Bloomberg Barclays Capital Intermediate Govt Credit was up to 6.95% for the twelve month period. Mr. McShane continued to analyze the current equity indicators, Morgan Stanley estimated earnings are already pulling back from their original 2020 projections. Tariffs and economic battles with China effect the overall temperament of the market that is not resistant to insecurities. Fixed income valuations typically see rates that usually increase with longer maturities, however current benchmarks are not high in the long term. A further review of targets and allocations led to a discussion concerning excess cash in the account. Equities were not viewed as very opportunistic.

Mr. McShane referenced the "Opportunistic Strategy Sell in Market Weakness" update section in relation to the market performance and discussed the strategy to buy more equity by using the shares of the iShares S&P Index EFT (IVV) at lower price levels. Mr. McShane presented the request to raise buy limits to \$270 from \$265 for the 'Order 1' buy orders.

Trustee Morris moved to direct Graystone to add an order limit level, as discussed to buy 200 shares of IVV at \$270, President Vinson seconded and the motion was approved unanimously on a voice vote.

Mr. McShane remarked that exchange traded funds could be grandfathered in October. He indicated that he would research and provide more information at the October meeting. He also reviewed the *Summary of Recent Actions* on pg.1 of the Performance Report and confirmed that the summary would be included in the report on an ongoing basis. Time weighted returns on pg. 4 of section 2 were discussed. Mr. McShane advised that he will review the monthly returns and provide more detail on the iShares S&P 500 negative .65 time weighted return. He additionally reviewed the portfolio performance indicators on pg. 10 of section 2 and will provide additional analysis on Madison for the October meeting.

3. Treasurer's Report

Treasurer O'Connell reviewed the Statement of Net Assets reflecting un-audited net assets as of June 30, 2019 of \$10,670,568.89, which are 1.239% or \$185,555.14 greater than the FY19 ending net assets. Looking forward to July the fund has rebounded \$678,917.73 from the May of 2019 decline, this equates to a 6.297% gain. For the fiscal year the total gain was \$295.151.01 or 2.756%.

Treasurer O'Connell presented the Board with a listing of the disbursements for the month providing a monthly listing of the payments made dated from the last meeting through the meeting date. There was discussion regarding the completion of the audit and the coordination of the IDOI statement in conjunction with the actuary valuation, Treasurer O'Connell indicated that the auditing firm of Sikich has completed their fieldwork and a draft audit would be available in August. Additionally there was discussion regarding the IDOI expanded data collection and interrogatories for the Annual Compliance reporting. IDOI now additionally requires spousal information. The Board discussed sending request letters to annuitants for future year's compliance.

Treasurer O'Connell discussed the annual tax levy request as calculated by the actuary which determined the funding policy contribution amount of \$744,734. A draft letter requesting this amount from the Pension Board to the Village was presented for approval.

President Vinson moved to approve the levy letter request seconded by Trustee Adams and approved unanimously on a voice vote

Trustee Adams moved to accept the Treasurer's Report, seconded by President Vinson and approved unanimously on a voice vote.

President Vinson moved to approve the disbursement listing seconded by Trustee Adams and approved unanimously on a voice vote

Trustee Adams provided documentation of his nine hours of continuing education credits related to ethics, complying with state training mandates.

4. Old Business

No old business was discussed.

5. New Business

The Board discussed the annual selection of officers; Tom Vinson President, Brad Adams Vice-president, Mark Betz Secretary, Erik Gehrke Assistant Secretary.

Trustee Morris moved to accept the elected positions, seconded by Trustee Adams and approved unanimously on a voice vote.

6. Attorney's Report

Attorney Jeff Goodloe presented a draft of new administrative rules and regulations for review at the next regular board meeting. The Board discussed action regarding 40 ILCS 5/3-115 concerning annual medical examinations for disabled pensioners under the age of 50. It was determined that a policy would be reviewed as part of the rules and regulations.

Attorney Jeff Goodloe gave a brief update on the State Consolidation Task Force indicating that a report on a pooled investment approach may be issued in the fall.

7. Next Meeting

The next meeting date October 17th, 2019 at 5:30 p.m.

8. Executive Session

None

Adjournment

There being no further business to discuss, President Vinson moved to adjourn. Trustee Adams seconded the motion and the motion passed on a unanimous voice vote at 7:34 p.m.

Respectfully submitted,

Bettina K. O'Connell
Treasurer

Thomas Vinson
President