

PARK RIDGE POLICE PENSION FUND

BOARD OF TRUSTEES

JANUARY 22, 2019 REGULAR QUARTERLY MEETING MINUTES

Pursuant to public notice, a regular quarterly meeting of the Board of Trustees of the Park Ridge Police Pension Fund was held on January 22, 2019 at 1000 a.m. at City Hall, 505 Butler Place, Park Ridge, Illinois.

Call to Order: Trustee Stonebridge called the meeting to order at 1010 hours. A roll call vote was taken of present trustees. Present were Trustees Jon Moehrlin, James Stonebridge, and Jeff Hejza. Absent were Trustees Greg Orta and Robert Kristie. Also in attendance was Debbie Crabtree from Sikich LLP, Mary Tomanek from Graystone Consulting, Charles Atwell (Board Attorney), Andrea Lamberg, City Finance Director, and Sue Tunzi, Police Administrative Assistant.

Approval of Minutes: The minutes from the previous quarterly meeting held on October 23, 2018 were reviewed.

A motion was made by Trustee Jon Moehrlin to approve the minutes and was seconded by Trustee Jeff Hejza. All were in favor and the minutes were unanimously approved by the board.

2019 Meeting Dates: Trustee Stonebridge suggested 2019 Meeting dates to include Tuesday, April 23rd, Tuesday, July 23rd and Tuesday, October 22nd all at 10:00 am.

Trustee Hejza made a motion to accept these dates and Trustee Moehrlin seconded. All were in favor.

Accounting - Sikich: Debbie Crabtree from Sikich presented the Compilation Report for the preceding eight months, ending December 31, 2018 which reflected a loss of \$2.6 million. The Cash and Investments show the Mutual funds at 58% and Stock Equities at 3%, which total 61%. She also reported that the expenses are at 95% which is where you want to be. The following officers, Ryan Brown, Michael Fitzgerald and Scott Pearson are contributing. She had no information yet on officer Gary Lynch who was hired on December 21st. The 2017 Levy is at

98.5% collected. The Disbursement Warrant is now included in the Compilation Report for the period of October 1, 2018 thru December 31, 2018 which totaled \$925,094.17.

Trustee Hejza made a motion to approve the Compilation Report ended December 31, 2018 including the Disbursement Warrants and Trustee Moehrlin seconded the motion. A roll call vote was taken: "Ayes" – Moehrlin, Hejza and Stonebridge. "Nays" – None.

Sikich Engagement Agreement: Trustee Stonebridge stated that he received a proposal for an ongoing agreement for Sikich's services which had expired at the end of April of 2018 and wasn't formally extended beyond there. They had offered a three year version, but it is incumbent on the board to do an RFP on a three to five year rolling basis, and will be looking at a three year deal at the next meeting.

Trustee Hejza made a motion to approve the kickoff of an RFP to be delivered for the April meeting for a Fund Accounting Service and Trustee Moehrlin seconded the motion. All were in favor.

Trustee Hejza made a motion to approve a one year engagement for the period of May 1, 2018 thru April 30, 2019 for Sikich to do Fund Accounting and Trustee Moehrlin seconded the motion. A roll call vote was taken: "Ayes" – Moehrlin, Hejza and Stonebridge. "Nays" – None.

Police Officer Status (Brown, Fitzgerald, Pearson, Lynch): Trustee Stonebridge stated that the first three officers are fully on board and Lynch is in process. All are Tier 2.

Trustee Moehrlin made a motion to accept Ryan Brown, Michael Fitzgerald and Scott Pearson into the fund and Trustee Hejza seconded the motion. All were in favor.

Trustee Moehrlin made a motion to table adding Gary Lynch to the April meeting and Trustee Hejza seconded the motion. All were in favor.

Attorney Atwell: Attorney Atwell reported that the consolidation is the main issue before the legislature at this time and he suspects that it will heat up but not sure at this time where it is going to go. Mary Tomanek responded that there are six or seven proposals out there. Discussion ensued. Trustee Stonebridge stated that we are on this track until 2040 and doesn't believe that it will really impact us.

Rules & Regulations Update (disability polices & board action disclosures): Attorney Atwell had been working on rule updates on disability policies and board action disclosures and had provided Trustee Stonebridge rules on annual examination requirements for physicals.

Attorney Atwell stated that you have to be a little careful on your rules and regulations and that the statutes for the most part provides for the rules. The process for hearings, medical examinations, elections and travel policies are not really addressed too much by the statute. The hearing process addresses that you have to provide them a due process hearing. From the medical side, the annual examination advises those on disability of what the board is going to do and that you are going to assume the cost of the examination. If you are out of state, you have to make yourself available at your cost to come back and if you fail to make your examination, you are going to assume any related costs that are charged. The statute states that if you are over 50, an annual exam is not required. Trustee Stonebridge stated that all people on disability need to be treated similarly and that there are no grey areas and believes that having this formalized will eliminate any problems. For the next meeting, he would want to come up with one or two independent doctors to suggest for the annual disability examinations. He would also like for the two on disability, the final date of their last exam, their physician information, what the injury is, what doctors they have seen that have not been involved in the initial disability process and give this information to Attorney Atwell. On the board action disclosure, Trustee Stonebridge stated that because it is an open meeting, we are required to disclose what investment changes were made but as a policy, nothing is to be released until the minutes are approved at the next meeting.

Trustee Hejza made a motion to approve the new rules and the amendment to the rules and Trustee Moehrlin seconded the motion. All were in favor. It was sent over as an amendment and signed by the Board. Attorney Atwell will send the whole new rules so that they can be posted on-line.

Trustee Training Completed/Update: Trustee Stonebridge stated that this had been previously discussed with all training being completed through April 30th and that everybody has been covered.

Lauterbach & Amen LLP – LifeStatus 360 Service: Trustee Stonebridge stated that this is a free service that Jessica Fain from Lauterbach mentioned at the last meeting. It is something that they are doing with an outside provider to track retirees to verify that they are still living, in order to make sure that the funds are not paying out money, which is very difficult if not impossible to recover. Attorney Atwell believed that this is a pretty good service. Trustee Moehrlin added that he and Trustee Orta send out affidavits once a year to retirees.

Trustee Hejza made a motion to approve the use of Lauterbach & Amen's LifeStatus 360 Service and Trustee Moehrlin seconded the motion. A roll call vote was taken: "Ayes" – Moehrlin, Hejza, and Stonebridge. "Nays" – None.

Financial Reports - Graystone Consulting: Mary Tomanek from Graystone Consulting presented copies of the Pension Fund Quarterly Performance Review for the period ending December 31, 2018 reflecting a loss of 9.14%, with year to date tracking a loss of 4.51%. Mary stated that the Policy Index made a lot of changes in May and had outperformance on the equities side. The Total Policy index of -8.47% is 60% equity and 40% fixed income in terms of the allocation and includes the sub weights of the 60%. The Total Fund Index differs from that in terms of where we actually are and is 65%/35%. Mary stated that on the Asset Allocation, a fee column has been added with the percentage of assets and a dollar amount. Another chart that was added is the Active vs Passive, along with the fees. On the Equities, 85% are passive and 15% are active. Mary reported that the Cash Flow and Asset Liability Analysis, which is the longer term prediction, has been updated and assuming that the numbers come in as anticipated with the levy and the contributions, the annual differentials are small but they are there so the outlook is pretty good.

Investment Policy Update – Equity/Fixed Targets: Mary Tomanek stated that it was discussed at the last meeting about adding some structure to the guidelines for Fixed Income of the Investment Policy and was something that CS McKee were on board with in terms of their strategy and how they manage. It provides some guardrails and is good to have it. This would be added to the strategy monitor page. A line could be added, should there be a deviation, that it could be corrected within a quarter. Mary Tomanek also went over Proposed Asset Allocation Targets. Discussion ensued.

Trustee Hejza made a motion to change the Fixed Income investment policy and addendum adopting the following language and adding the line, **if they deviate, the manager will correct within a quarter:**

The fixed income portfolio shall be compared to the benchmark that most accurately reflects the sector, duration and risk characteristics of the underlying portfolio and be managed with the following guidelines:

- a) *Duration: +/-20% of the benchmark*
- b) *Sector Level:*
 - Credit 0-60%*
 - Agency 0-80%*
 - Treasury 0-80%*
 - TIPS 0-35%*
- c) *Quality:*
 - Investment Grade (by one nationally recognized rating agency).*

Trustee Moehrlin seconded the motion. A roll call vote was taken: “Ayes” – Moehrlin, Hejza and Stonebridge. “Nays” – None.

Trustee Hejza made a motion to approve the following: *On the Equity Allocations Board Targets, first move Equity Target from 60% to 65%, equity minimum from 55% to 60%. On the fixed income allocation, move the target from 40% down to 35%, and the maximum from 45% to 40%. On the Equity Style Target, set a 50/50 target for value vs growth with a 10% range around each. On US Equity Allocations, move Large Cap from 55/65/75 minimum target max down to 50/60/70 and move Small Cap from 5/10/15 to 10/15/20. On International, create sub-targets for Large Cap of 70/80/90 and Small/Mid Cap of 10/20/30.* (These changes will not be attached to the policy and will be monitored at the board level and are targets for Mary.) Trustee Moehrlin seconded the motion. A roll call vote was taken: “Ayes” – Moehrlin, Hejza and Stonebridge. “Nays” – None.

Mary Tomanek reported that they are getting short of money for benefits payments, adding that two months of payments, would be \$560,000.

Trustee Hejza made a motion to approve a move of \$560,000 out of CS McKee and into a money market. Trustee Moehrlin seconded the motion. A roll call vote was taken: “Ayes” – Moehrlin, Hejza and Stonebridge. “Nays” – None.

Trustee Moehrlin made a motion to approve the Quarterly Investment Report dated December 31, 2018 and Trustee Hejza seconded the motion. A roll call vote was taken: “Ayes” – Moehrlin, Hejza and Stonebridge. “Nays” – None.

A clean copy, adding the line about the manager, will be signed at the April meeting.

Adjournment: A motion was made to adjourn the meeting at 1209 hours by Trustee Moehrlin and was seconded by Trustee Hejza. A roll call vote was taken: “Ayes” – Moehrlin, Hejza and Stonebridge. “Nays” – None.