

PARK RIDGE POLICE PENSION FUND

BOARD OF TRUSTEES

OCTOBER 20, 2020 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 October 20, 2020 at 1000 a.m. via Teleconference in compliance with Governor's Pritzger's Stay-at-Home Order and also in person at City Hall 505 Butler Place, Park Ridge, IL. Information was provided on the agenda for remote participation options.

1. Call to Order

Trustee Stonebridge began the meeting at 1005 hours. Trustee Hejza made a motion to call the meeting to order and Trustee Cavender seconded the motion. A roll call vote was taken: "Ayes" – Stonebridge, Cavender, and Hejza. "Nays" – None.

2. Roll Call

Roll call was taken. Present electronically were Trustees James Stonebridge, Jeff Hejza and Rodney Cavender.

Also in attendance were Brian LeFevre from Sikich LLP, Mary Tomanek from Graystone Consulting, James Ritchie from Lauterbach & Amen, Charles Atwell (Board Attorney), Andrea Lamberg, City Finance Director, and Sue Tunzi, Police Administrative Assistant.

3. Public Comment – Limited to 3 Minutes per Comment

None

4. Old Business

None

5. Approval of Meeting Minutes

a. *Regular Meeting Minutes of July 21, 2020*

The minutes from the previous quarterly meeting held on July 21, 2020 were reviewed. A motion was made by Trustee Cavender to approve the minutes and was seconded by Trustee Hejza. A roll call vote was taken: "Ayes" – Cavender, Hejza, and Stonebridge. "Nays" – None.

b. *Special Meeting Minutes, as necessary*

None

c. *Semi-Annual Review of Closed Session Meeting Minutes, as necessary*

None

6. New Business

a. *Audit Update*

Trustee Stonebridge reported that he and Attorney Atwell responded to questions that came back from the audit. If they receive any more questions, they will respond accordingly.

b. *DOI Annual Report Review*

Trustee Stonebridge reported that they were waiting for the City audit report for the Annual DOI Report. Andrea replied that the audit was finalized and presented and accepted by City Council and is being uploaded on the website. She will send out a copy of it to the group.

Trustee Cavender made a motion to approve the Annual DOI Report and Trustee Hejza seconded the motion. A roll call vote was taken: "Ayes" – Hejza, Cavender, and Stonebridge. "Nays" – None.

7. Applications for Membership/Withdrawals/Special contributions to/from Fund

a. *Contribution Refunds, as necessary*

None

b. *Applications for Membership, as necessary - Dziubla*

Brian LeFevre reported that Officer Dziubla started on July 24th. Trustee Cavender made a motion to accept Officer Dziubla to the fund and Trustee Hejza seconded the motion. A roll call vote was taken: "Ayes" – Hejza, Cavender, and Stonebridge. "Nays" – None.

c. *Special Contributions, as necessary*

None

8. Application for Retirement/Disability Benefits

a. *Approve Regular Retirement Benefits, as necessary - Shaughnessy*

Trustee Stonebridge reported that Cmdr. Shaughnessy retired in August. Brian LeFevre added that her hire date was July 20, 1990 and she retired on August 3, 2020. The effective date of her benefit was August 4, 2020, which is a full 30 year pension. Her benefit for August was \$6,977.31 and her full monthly benefit going forward is \$7,724.88. Trustee Cavender made a motion to approve Cmdr. Shaughnessy's retirement benefits as stated and Trustee Hejza seconded the motion. A roll call vote was taken: "Ayes" – Hejza, Cavender, and Stonebridge. "Nays" – None.

b. *Disability Application Status Update, as necessary - Cruz*

Trustee Stonebridge reported that there is a disability application for Officer Cruz. Attorney Atwell added that they are still waiting for records from several of the providers and he will copy the board as things go along. Once he obtains those records, then a request for an independent medical examination can be put in.

c. *Deceased Pensioner – Speciale*

Trustee Stonebridge reported that we sadly lost an active officer, Speciale, on August 13, 2020, and that a small estate affidavit had been provided to Sikich. Brian LeFevre from Sikich reported that there were no surviving spouse and no children. His mother completed the small estate affidavit and a refund is being mailed to her in November. The amount of those contributions are \$4,856.80. Trustee Cavender made a motion, pursuant to the small estate affidavit, to pay the amount as stated to the estate and Trustee Hejza seconded the motion. A roll call vote was taken: "Ayes" – Hejza, Cavender, and Stonebridge. "Nays" – None.

9. Communication and Reports

a. *Affidavits of Continued Eligibility Update*

Trustee Stonebridge asked if there is anything that should be done regarding collecting affidavits of continued eligibility. Discussion ensued and it was decided that the process will be started in early 2021 and will be added to the next meeting's agenda.

b. *Active Member File Update*

Trustee Stonebridge stated that there was a request from the consolidation group for contact information for both active and retired members and he provided what he had. There were still a few gaps, and he asked about best practices. Attorney Atwell replied that the information was provided as requested and therefore he was doing everything that should be done. He added that all members of the fund are required to provide current information on where they live and contact information. Trustee Hejza offered to do a beneficiary review for everybody. Attorney Atwell believed that this is a good idea to do periodically to keep the files up-to-date.

c. *Trustee Training Update*

Trustee Stonebridge stated that the Trustee Training is based on fund year. Attorney Atwell added that eight hours of consolidation training will be required by April 30, 2021.

10. Accountant's Report – Sikich, LLP

a. *Monthly Financial Report*

Brian LeFevre from Sikich presented the Compilation Report for the Fiscal Year ending September 30, 2020, which reflected an increase of \$6.164 million. The Cash and Investments show the Mutual Funds at 64% and Stock Equities at 2%, which total 66%.

The Expense Report for the pension for the current month of September was at \$320,799.60. The 2019 Levy is at 91.49% collected. The Disbursement Warrant for the time period of July 1, 2020 through September 30, 2020 totaled \$1,002,367.84.

Andrea Lamberg reported that the City Council changed the City's Fiscal Year and planning to do a stub budget for May 1, 2021 through December 31, 2021 and will move to a Calendar Year budget in 2022. Brian LeFevre will need the resolution or ordinance that was adopted. He also stated that with this change, the pension funds will need to follow that same fiscal year. The pension fund will change their fiscal year from May 1, 2021 through December 31, 2021, which will be a short year, and beginning January 1, 2022 will be another new year. The only thing that needs to be done is to notify the Department of Insurance of the fiscal year end change and there will be a stub year annual statement as well.

Trustee Cavender made a motion to approve the September 30, 2020 Compilation Report and the Disbursement Warrant for the time period of July 1, 2020 through September 30, 2020 and Trustee Hejza seconded the motion. A roll call vote was taken: "Ayes" – Hejza, Cavender, and Stonebridge. "Nays" – None.

b. *Presentation and Approval of Bills*

None

- c. *Additional Bills, as necessary*
None

11. Actuarial Report – Lauterbach & Amen

a. *Tax Levy Request/Municipal Compliance Report*

James Ritchie from Lauterbach & Amen presented the Draft Report. The recommended contribution has increased by \$598,582 from the prior valuation. The contribution last year went from \$2,567,818 and this year is \$3,166,400. The percent funded decreased by 3.17% on an Actuarial Value of Assets Basis. The current year unfunded actuarial liability had a significant growth at \$33.45 million compared to \$27.97 million last year. There are 53 active members compared to 60 inactive members. The market value of assets is less than the actuarial accrued liability for inactive members. The ratio of benefit payments to the Market Value of Assets is 6.95%, compared to an Expected Rate of Return on Investments of 6.75%. Based on the number of active Members in the Plan, there is a low demographic risk. As part of a comprehensive study in Illinois, the following actuarial assumptions were changed in the current valuation: Total Payroll increases, individual pay increases, retirement rates, termination rates, disability rates, mortality rates and mortality improvement rates. As of January 1, 2020, legislative changes reflect modifications to the Tier II Plan Provisions for Pensionable Salary Cap, Final Average Salary, and Survivor Benefit Initial calculations. The Expected changes were 89,874. The salaries increased by \$45,851. The Demographic changes were \$107,474, Assumption changes with mortality were \$245,886, plan changes were \$69,337, the Asset Returns were a \$39,087 shortfall, and contributions on average were less than expected at \$1,073. The overall increase of the fund is \$598,582.

James Ritchie stated that he was asked to put together a Transition Plan. Trustee Stonebridge expressed concern about the significant shortfall and the actuary assumptions changing adversely on a consistent basis and discussion ensued. Brian LeFevre stated that the Municipal Compliance Report includes information from the actuary report from the accounting records and it essentially has the \$3,166,400 as the recommended contribution which the board typically approves.

Trustee Cavender made a motion to accept the Tax Levy Actuarial Report and the Municipal Compliance Report as presented for the fiscal year ending April 30, 2020 in the full amount of \$3,166,400 and Trustee Hejza seconded the motion. A roll call vote was taken: “Ayes” – Hejza, Cavender, and Stonebridge. “Nays” – None.

b. *City Levy Funding Proposal*

Andrea Lamberg reported that because there is such a significant change in such an unusual year, she asked Lauterbach & Amen to prepare a transition plan to smooth out the significant changes this year over several years. The Police’s increase is over 23% and the Fire’s increase is 17%. The only way that the City as a whole can keep their levy at a reasonable amount in light of Covid is to somehow adjust the Police and Fire Pension, as the other option would be to cut city staff and city services because there won’t be enough levy to go around. She is hoping that the Pension boards will be willing to come to a compromise and use the Transition Plan to smooth out the increases this year in order to come in as a united front. With the transition

plan, there is a commitment from the City, a plan and a compromise. It is her recommendation to the City Manager to use a transition plan and he is supportive of that as well. She explained her reasons of why she is comfortable with this plan and the safety in using it and discussion ensued.

Trustee Stonebridge requested that Lauterbach & Amen provide a series of amortizations of what the next 5, 10 years, etc. will look like and James Ritchie replied that they are putting the numbers together. The board meeting is on November 23rd and he would like to have it completed a week prior. Trustee Stonebridge would like to have these numbers sooner than that. Discussion ensued. There was talk of having a Special Meeting in advance of the City meeting to discuss the levy amount once the amortization schedule is completed by Lauterbach & Amen.

c. City Fiscal Year Change

Trustee Cavender made a motion to accept the City's fiscal year change previously adopted by City Council starting after the Fiscal Year ending April 30, 2021. It will then go into stub year ending December 31, 2021 and cycle on the calendar year thereafter and Trustee Hejza seconded the motion. A roll call vote was taken: "Ayes" – Hejza, Cavender and Stonebridge. "Nays" – None.

12. Attorney's Report – Atwell & Atwell

a. Legal Updates

Attorney Atwell reported that everything is still up in the air regarding the consolidation. The Police are at least six months behind Fire. The permanent board is supposed to be in place at the end of January. He believes that Police is still up in the air as far as who they are going to hire as consultants. The consolidation is moving forward but with everything else, things have been delayed until the permanent board is in place. Attorney Atwell stated that one of the main questions that has come up is budgeting and the amount of funds that are going to be needed for day to day operations including paying benefits, etc. That has not been determined at this time as to how that is going to proceed.

b. Consolidation Update

See above

13. Investment Report – Graystone Consulting

a. Quarterly Investment Performance Report

Mary Tomanek from Graystone Consulting reported that it was a great quarter of just under 6% as of September 30, 2020. On the equities side, the return was just under 8.5%. The year-to-date total for the fund was just under 6.5%, and the trailing one year at 12.31%. The big gain for the fund was being able to add when the market was so low and that had a significant impact on the returns. She does not have any recommended changes for funds and is happy with the active/passive balance. She thinks that there is going to be more volatility heading into the election, along with the virus uncertainty and hopes for the best. The gains for the fund were a little over \$3 million, bringing it to about \$58.5 million for total assets. She stated that the money market balance should be enough to get to January and is running about \$325,000 a month with a current amount of \$963,000. Other notable items are that the policy is within

limits except for 1 percentage point over on equities. She would like to meet again on or before January 20th.

Trustee Cavender made a motion to approve the Quarterly Report dated September 30, 2020 and Trustee Hejza seconded the motion. A roll call vote was taken: “Ayes” – Hejza, Cavender, and Stonebridge. “Nays” – None.

Trustee Stonebridge discussed tentative dates for future meetings. The meeting dates decided for 2021 were as follows: Wednesday, January 20, 2021, Tuesday, April 20, 2021, Tuesday, July 20, 2021, and Tuesday, October 19, 2021. Trustee Cavender made a motion to approve the four tentative meeting dates for 2021 and Trustee Hejza seconded the motion. A roll call vote was taken: “Ayes” – Hejza, Cavender, and Stonebridge. “Nays” – None.

b. Review of Investment Policy and Amendments, as necessary

None

c. CS McKee/Fixed Income Manager Review

None

14. Closed Session, as necessary

None

15. Adjournment – Roll Call

A motion was made to adjourn the meeting at 1217 hours by Trustee Cavender and was seconded by Trustee Hejza. A roll call vote was taken: “Ayes” – Hejza, Cavender, and Stonebridge. “Nays” – None.