

Minutes

CARPENTERSVILLE POLICE PENSION FUND QUARTERLY MEETING

January 15, 2019

10:30 a.m.

Police Conference Room

ROLL CALL

Russ Morehead, Carl Sebastian, John Galason and Michael Salvaggio were present. Scott Adams was absent.

IN ATTENDANCE

Jim Nowicki, John Mitchell and Robert Osnanski from Mitchell, Vaught & Taylor, Derek Flessner from Lauterbach & Amen and attorney David Mejia. Attorney Cary Collins arrived later in the meeting.

Approval of Minutes

John Galason made the motion to approve the Minutes from October 16, 2018, Carl 2nd

A roll call vote was taken: John G. - yes, Carl - yes, Russ - yes, Mike - yes (4-0) Motion carries

Public Discussion

None.

Approval of Bills – 4th Quarter

- Cary Collins – \$900.00 (4th Quarter, 2018).
- Dolores Plocke Admin. Services – \$490.00 (4th Quarter, 2018).
- Kathleen W. Bono, CSR, LTD Legal Services - \$1,169.
- Michael Salvaggio - \$304.50 (Reimburse meals at Cram disability hearing and Pension Board Meeting).
- Center for Sports Orthopedics - \$950.00 (IME John Spencer).
- Lauterbach & Amen – \$3,240.00 (4th Quarter, 2018).
- IRS – \$67,893.21 (4th Quarter, 2018).
- Management and trading fees for MVT, Inc. – \$18,473 + \$531.01 (Adelante) = \$19,004.01 (4th Quarter).
- Management and trading fees – Segall, Bryant & Hamill – \$27,680.06 (4th Quarter, 2018).

Total Bills for 4th Quarter (January 15, 2019 bill list) – \$121,631.23

John Galason motioned to approve the January 15, 2019 bill list, Russ Morehead 2nd

A roll call vote was taken: Russ - yes, John G. - yes, Carl - yes, Mike - yes 4-0) Motion carries.

Old Business

David to confirm with Ken Cram's council that they are available for the hearing scheduled for February 6, 2019 at 9:00am. Michael Salvaggio and the board would like to meet with Cary Collins and David prior to the hearing. David listed the six witnesses they would like to testify: Al Popp (former Chief of Police), Mark Rooney, Tom Heitkamp, Todd Shaver, Kevin Stankowicz, and Mike Kilbourne (current Chief of Police). Michael suggested that only the last four need to be called in to testify. He asked David that he and his office prepare subpoenas to Tom Heitkamp, Todd Shaver, Kevin Stankowicz and Mike Kilbourne to ensure their attendance. David mentioned he obtained video from the workman's comp attorney and will have a couple videos to bring as well.

New Business

- New trustee – Scott Adams. He will receive all correspondence from Michael Salvaggio to get him up to speed on current business with the board.

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- Financial Consultant Hiring consideration, Bill Yocius from Shields Capital. Per Michael Salvaggio, this is not a result of any wrong doing from the other organizations, but this is a way to move forward with a financial consultant that can explain and offer advice on financial implications that the board may not fully understand.

Shields Consulting Fees Structure:

1. Bill proposed to provide consulting services at 6 basis points on the total balance of the fund. Using the last IDOI annual report, the fund was valued at \$42,551,953 and his fee would be \$25,531.
2. Cost savings of approx. \$5,000 by turning the mutual fund and Adelante account management duties to Shields. Currently the fund is paying MVT \$32,000 for that management.
3. The focus is to look at different ways to generate cost savings. Will be looking as a board from accounting, legal services, and administrative fees to be responsible and look for ways to save the community and taxpayers money.

John made a motion to hire Bill Yocius with Shields Capital as a financial consultant. Russ 2nd

Discussion: could the 6 basis points consulting fees be changed at a later date to a flat fee? Bill answered yes.

A roll call vote was taken: Russ - yes, John - yes, Carl - abstained, Mike - yes (3-0-1) Motion carries.

- Actuary Proposal from Foster and Foster. Postponed until Cary Collins present.

- Sergeant John Kreutzer retired on 11/28/2018 with 33 years of creditable service. Pensionable salary is \$118,897.73 with a multiplier of 75%. Original monthly pension amount of \$7,431.11.
- Officer Robert Drews retired on 1/12/2019 with 22 years of creditable service. Pensionable salary is \$97,131.64 with a multiplier of 55%. Original monthly pension amount of \$4,451.87.
- Officer Grant Gerleman retired on 1/19/2019 with 27 years of creditable service. Pensionable salary is \$97,130.60 with a multiplier of 67.5%. Original monthly pension amount of \$5,463.65.

John made a motion to accept John Kreutzer, Robert Drews and Grant Gerleman's retirement, Carl 2nd

A roll call vote was taken: Russ - yes, John - yes, Carl - yes, Mike - yes (4-0) Motion carries.

- New hires, Anna Kocheulova and Damian Wilk started on 1/3/2019 and is currently in the Police Academy.

Carl made a motion to accept Anna Kocheulova and Damian Wilk into the Carpentersville Police Pension fund, John 2nd

A roll call vote was taken: Russ - yes, John - yes, Carl - yes, Mike - yes (4-0) Motion carries.

- Police Pension Board Administrative Assistant. Delores Plocke has since taken on a full-time role with the village and therefore wants to be removed from her pension board responsibilities. John Galason's wife, Tracy Galason, has expressed interest and is fully qualified to take on these responsibilities. She has a degree in business management and does work full-time from home. Michael would like permission to continue to talk with Tracy to bring her on board and would have her train with Delores. The job is approx. 15-20 hours per month. John has agreed to remove himself from any decision making concerning Tracy to avoid conflict.

Russ made a motion to accept Tracy Galason as pension board administrative assistant. Carl 2nd

A roll call vote was taken: Russ - yes Carl - yes, Mike - yes, John - abstained (3-0-1) Motion carries.

- COLA Benefits for 2019 - Derek provided a Summary of Benefit Changes and Notes.

Discussion: John asked about Forsman, Cicala and Shively mentioned at the bottom of the report and are out on disability. Derek explained that 23, 30, and 31 years respectively are the number of years that they turn 60 years old and receive a 3% non-compounded based on initial increase they received from the village. The village typically does not extend insurance to previous members after they turn 60 years old.

Russ made a motion to approve the 2019 COLA benefit increases for Pension Members. Carl 2nd

A roll call vote was taken: Russ - yes, John - yes, Carl - yes, Mike - yes (4-0) Motion carries.

- Lauterbach & Amen five year engagement letter - Derek can request a 12 month proposal. Fee usually is higher. With the five year agreement, the board would have the ability to give 30 day written notice to terminate.

John made a motion to approve the five year engagement with the ability to provide 30 day written notice to terminate (review by council necessary). Russ 2nd

A roll call vote was taken: Russ - yes, John - yes, Carl - yes, Mike - yes (4-0) Motion carries.

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Accountant's Report - Lauterbach & Amen provided a written report for the month ended 11/30/2018. **Assets:** Cash and Cash Equivalents - \$50.00, Money Market Mutual Funds - \$1,017,450.19, Fixed Income - \$14,272,291.62, Stock Equities - \$17,183,255.60, Mutual Funds - \$11,318,049.59. Total Cash and Investments - \$43,791,097.00. Accrued Interest - \$92,745.71. Prepaids - \$250.00. Total Assets - \$43,884,092.71.

Liabilities: Expenses Due/Unpaid - \$1,050.00. Net Position in Trust for Pension Benefits: **\$43,883,042.71.**

Net Position Held in Trust for Pension Benefits: Beginning of year - \$42,551,953.20. End of period - \$43,883,042.71, up \$1,331,089.51 for first eleven months of 2018.

Michael asked regarding Foster and Foster actuarial report if the board can use IDOI report. Derek mentioned the issue could be timing since it may take up to 8 weeks. Board will check with Fire Dept since they may plan to use L&A. Derek said any new actuary would need a copy of last year's valuation. Derek said it would take them about 6 weeks to complete if L&A were to do it.

Treasurer's Report - Not available as there is currently no Finance Director. Treasurer is currently Lauterbach & Amen, which is the reason for wanting to hire a new actuary so all of the finances are not managed by one firm.

Investment Report - No report from Segall Bryant & Hamill as Jeff Slepian was out of town.

Investment Report - Jim Nowicki from (MVT) provided a written and verbal overview of performance as of 12/31/2018. Fixed Income Assets were up 1.8% for the quarter. Equities were down 12.9% for the quarter. Total fund was down 4.75% for 4th quarter. Total equity is at 63.7% and total fixed is at 36.3%. The equity allocation is 55.1% Domestic, 7.1% International and 1.5% Alternatives. Total Portfolio Asset as of 12/31/2018 is **\$41,236,720.**

4th Quarter was brutal for equities and even fixed income. China/US trade tariffs and the government slowdown were part of the downturn for the equity market. End of year in compliance for 65/35 breakdown of Equities and Fixed Income.

Discussion:

John Mitchell mentioned MVT has three new hires: Judy McNabb - Communications Director, Tom Dugan - worked on dividend stock portfolio and developed corporate trading platform, and Rob Osmanski.

Jim Nowicki will be present for quarterly meetings. John Mitchell had questions/concerns regarding the new consulting firm. If Carpentersville does an RFP, MVT wants to participate. He also voiced his concern working with Bill Yocius with Shield Capital due to the nature of his departure of MVT.

Mike Salvaggio first clarified that MVT would definitely have an opportunity to participate in the RFP. Mike also expressed that he has complete confidence in MVT, Mr. Yocius, SBH and all in the room. The board's decision to hire a consulting firm is to provide the board the oversight over the funds. His expectations are that everyone continues to work together to protect funds and to be fiscally responsible to its members and the community.

John Mitchell wants clarification if they have been dismissed in handling the mutual funds.

Mike proposed that they keep the status quo on everything until the board has an opportunity to discuss further with Bill Yocius.

Russ mentioned that there will be something in writing to MVT with any changes to the management of the mutual funds.

Mike asked why MVT wants to look more into International funds. John Mitchell said there are countless articles that show that international performs better over the long run.

John made a motion to accept the SBH and MVT investment reports, Russ 2nd

A roll call vote was taken: Russ - yes, John - yes, Carl - yes, Mike - yes (4-0) Motion carries.

Other Business

Cary Collins mentioned Annual Spring Conference will be held May 15th - 17th, 2019.

Executive Session

Russ made a motion to go into Executive Session at 12:08 p.m. to discuss personnel and Ken Cram hearing, Carl 2nd

A roll call vote was taken: Russ - yes, Carl - yes, John - yes, Mike - yes (4-0) Motion carries.

Regular session resumed at 12:32 p.m. The board scheduled a special meeting for January 29, 2019 at 11:00 a.m. to further discuss K. Cram hearing.

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Adjournment

John Galason made a motion to adjourn at 12:32 p.m., Russ 2nd
A roll call vote was taken: Russ - yes, John - yes, Carl - yes, Mike - yes (4-0) Motion carries.