

Minutes

CARPENTERSVILLE POLICE PENSION FUND QUARTERLY MEETING

September 23, 2019

10:00 a.m.

Police Conference Room

ROLL CALL

Carl Sebastian, John Galason, Russ Morehead, and Michael Salvaggio were present. Scott Adams called in.

IN ATTENDANCE

Attorney Cary Collins, Bill Yocius (Board consultant), Derek Flessner from Lauterbach & Amen, Jeff Slepian and Amy Kramer from Segall, Bryant & Hamill, Scott Gavin from Nyhart, Dwight Oher from Mitchell, Vaught & Taylor.

Approval of Minutes

John Galason made the motion to approve the Minutes from April 16, 2019, Russ 2nd, no discussion.

A roll call vote was taken: John G. - yes, Carl - yes, Scott - yes, Russ - yes, Mike - yes (5-0) Motion carries

Public Discussion

None.

Approval of Bills – 2nd Quarter

- Management and trading fees for MVT, Inc. - \$12,590.00 + \$316.00 (Schwab) + \$872.15 (Adelante) = \$13,778.15 (2nd Quarter).
- Management and trading fees - Segall, Bryant & Hamill - \$26,758.12 (2nd Quarter, 2019).
- Collins & Radja - Retainer \$1,800.00 (1st & 2nd Quarter, 2019)
- Lauterbach & Amen - \$4,200.00 (\$1,115/Mth for Feb-Apr 2019 & \$855.00 FYE 2018 Workpapers)
- Investment Management and advising fees for Integrated Advisors Network - \$6,168.56 (2nd Quarter, 2019)
- Elgin Police Pension Fund for Edwin Alva employee contributions, interest earned and pension match - \$42,177.92
- IDOI - \$8,000.00 (FYE 2020 IDOI Fee)
- Tracy Galason Admin. Services - \$892.50 (\$437.50 - Apr, \$455.00 - May)
- John Galason reimbursement for IPPAC Conference Expenses - \$453.92
- Charles Schwab & Co - \$144.44 (Foreign Tax Withheld)
- IRS - \$80,600.1 (2nd Quarter, 2019).
- Collins & Radja - \$7,500.00 (Cram Disability hearing) - added during meeting.

Total Bills for 2nd Quarter (September 23, 2019 bill list) - \$192,473.71 amended to include Collins & Radja bill for \$7,500.

Scott Adams motioned to approve the April 16, 2019 bill list, Russ 2nd, no discussion.

A roll call vote was taken: John G. - yes, Carl - yes, Scott - yes, Russ - yes, Mike - yes (5-0) Motion carries.

Old Business

- Pensioners with children with disabilities. Some formal documentation is needed, such as Social Security benefits or from a doctor indicating that the child(ren) are not functioning adults. The child would need to be dependent upon parent for money due to disability.
Cary will draft a letter and create a form to be sent to pensioners and active members and will bring to next board meeting for review.

New Business

- New hire Kara Carlborg started 6/17/2019 and John McDonnell started 7/22/2019, both Tier 2, and submitted pension applications.
John made a motion to accept both Kara Carlborg and John McDonnell into the Carpentersville Police Pension fund. Scott 2nd. No discussion
A roll call vote was taken: Russ - yes, Carl - yes, Scott - yes, John - yes, Mike - yes (5-0) Motion carries.

Minutes

- Sergeant Thomas Heitkamp retired on 7/6/2019 at age 51 with 29 years of creditable service. Pensionable salary is \$121,840.18 with a multiplier of 72.5%. Original monthly pension amount of \$7,361.18. First month pro-rated to \$6,173.89.

John made a motion to accept Thomas Heitkamp's retirement, Russ 2nd. No discussion.

A roll call vote was taken: Russ – yes, Carl – yes, John – yes, Scott – yes, Mike – yes (5-0) Motion carries.

Accountant's Report – Lauterbach & Amen provided a written report for the month ended 7/31/2019.

Assets: Cash and Cash Equivalents – \$235.91, Money Market Mutual Funds – \$1,186,649.26, Fixed Income – \$15,501,088.78, Stock Equities – \$18,571,462.86, Mutual Funds – \$11,454,899.75. Total Cash and Investments – \$46,714,336.56. Accrued Interest – \$73,449.91. Due from Municipality – \$5,966.38. Prepaids – \$250.00. Total Assets – \$46,794,002.85.

Liabilities: Expenses Due/Unpaid - \$11,313.92. Net Position in Trust for Pension Benefits: **\$46,782,688.93.**

Net Position Held in Trust for Pension Benefits: Beginning of year – \$41,222,557.12. End of period – \$46,782,688.93, up \$5,560,131.81 through July 2019.

DOI report has been filed. Board approved the actuarial study, which was completed. Representative from Nyhart, Scott Gavin, is here. Mike will make sure Nyhart bill is on the list to be approved.

Actuarial Report – Scott Gavin with Nyhart provided a written report to provide legislative update, current IDOI and Pub-2010 mortality tables, 2019 valuation results and a projection of net village contributions. Scott recommends continued use of 7% interest rate assumption. IDOI uses 6.5%.

Investment Report – Jeff Slepian from Segall Bryant & Hamill provided a written and verbal overview of performance as of 8/31/2019. The cash balance is currently at \$825,749 (4.5%); equity is currently at \$17,335,782 (95.5%). Equity includes Alternative equity, which is a hedge fund/equity holding - Ares Management Corp, that buys guaranteed mortgages. Their current yield is 4.4%. Beginning portfolio balance as of 1/1/2019 was \$15,642,475, net cash flow of (\$23,448), realized income of \$43,928, gain of \$2,180,573. Ending portfolio balance as of 8/31/2019 is **\$18,147,211.73.** 5 out of the top 10 holdings are tech stocks, scaling more into the defensive sector.

Investment Report – Dwight Oher from (MVT) provided a written and verbal overview of performance as of 6/30/2019. Fixed Income Assets were up 1.84% for the quarter, +\$268,347. Equities were up 1.80% for the quarter. Total Fund was up 1.85% for 2nd quarter. Beginning Value: \$14,848,977. Contribute & Withdraw: \$1,254,026. Net Investment Gain: \$274,915. **Ending Value: \$16,377,918.**

Tariffs continue to influence the economy and Global markets. In early May, an announcement that tariffs will be increased caused the markets to fall sharply, dropping 3% in two days and on average 4%-8% for the month. In late June, it was announced that new tariffs will be postponed, and the markets reacted favorably.

All the bonds, treasury and corporate, had gains for the quarter.

Adelante yielded a return of 1.8 for 2nd quarter, which exceeded the REIT index of 1.6. YTD Adelante is at 19.2 vs. REIT index of 17.9.

Investment Consultant Report – Bill Yocius from Shields Capital provided an in-depth overview of the total portfolio asset allocation, fund quarterly performance. Asset allocation: Domestic is 58.4% (target 55%), International 7.2% (target 10%) and Fixed Income 34.4% (target 35%)

- SBH has reduced their fee structure from 60bps to 50bps, as a result of discussions with Bill.

- Asset allocation has two developing emerging market funds, only need one. Recommendation is to move Goldman Sachs EM to Oppenheimer Developing Markets.

John made a motion to sell Goldman Sachs EM \$99,428 and move to Oppenheimer DM fund. Scott 2nd. No discussion.

A roll call vote was taken: Russ – yes, Scott – yes, Carl – yes, John – yes, Mike – yes (5-0) Motion carries.

- Another recommendation is to move Oakmark FDS International Fund of \$668,857 and divide evenly among Artisan International Adv and Goldman Sachs International Equity Insights.

John made a motion to sell Oakmark FDS International Fund and move to Artisan International Adv and Goldman Sachs International Equity Insights Fund. Carl 2nd. No discussion.

A roll call vote was taken: Russ – yes, Scott – yes, Carl – yes, John – yes, Mike – yes (5-0) Motion carries.

John made a motion to accept the reports from SBH, MVT and Shields Capital as presented. Scott 2nd. No discussion.

A roll call vote was taken: Russ – yes, Scott – yes, Carl – yes, John – yes, Mike – yes (5-0) Motion carries.

Scott Adams left the meeting via phone.

Minutes

Investment Consultant Report (cont'd) – Bill was tasked with sending an RFP to companies that manage investments and benchmark them against each other. He provided a quantitative analysis of each firm's benchmark performance in an anonymous, unbiased format so the board can review and make decisions based on a company's performance only.

Received seven RFI's. Reasons to re-examine managers include (1) change in investment process, (2) higher than category fees, (3) prolonged sub benchmark performance, (4) change in investment team.

Bill to invite Firms 1 & 2 to the next board meeting.

Other Business

Cary mentioned that the board needs to vote on officers of the board: president, vice president, secretary, assistant secretary.

John made a motion to retain the same officers for 2019 to 2020. Carl 2nd.

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

Executive Session

No Executive Session

Adjournment

Carl Sebastian made a motion to adjourn at 12:58 p.m. Russ 2nd

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