

Park Ridge Police Pension Fund

200 South Vine Avenue Park Ridge, Illinois 60068 (847) 318-5252

Quarterly Meeting
July 28th, 2015
10am

Second Floor Conference Room

Approval of Past Minutes
Financial Reports-Graystone Consulting
Sikich Accounting
Tax Levy/Actuary report
Expenditures/Warrant Disbursements
Attorney Atwell
Officer Vallas
Retirement Dave Keller
New Officers

Trustee Training

Citizens to be heard 3 minutes each

New Business
Old Business
Adjournment

**PARK RIDGE POLICE PENSION FUND
BOARD OF TRUSTEES
April 28, 2015 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 Tuesday, April 28, 2015, at 10:00 at City Hall, 505 Butler Place, Park Ridge, Illinois.

The guest of Andrea Lamberg and Brian Patoska from the City of Park Ridge were introduced to the Board. They work for the city and interact with the pension board financials.

Call to order: President Laura Kappler called the meeting to order at 10:10 a.m. Trustee Kappler took a roll call vote of the trustees. Present were trustees Laura Kappler, Tom Ahlbeck, Robert Kristie, Carl Brauweiler and Duane Mellema. Also in attendance was Brian LeFevre from Sikich LLP, Charles Atwell the board attorney, Mary Tomanek from Morgan Stanley Smith Barney, and the new city finance director Joseph Gilmore with the City of Park Ridge.

Approval of Minutes: The Trustees reviewed the minutes from the January 27, 2015 meeting. Upon a motion made by Duane Mellema, seconded by Robert Kristie the minutes of the meeting were unanimously approved.

Investment Report: Mary Tomanek from Graystone Consulting a business of Morgan Stanley presented the quarterly investment report on the iPads. Ms. Tomanek reviewed the performance of the portfolio and the current equity strategy.

The advisor noted that our portfolio generated a nice return. The performance for the quarter was in an environment of high volatility. The year to date performance of the equity portfolio 2.68% for the quarter. The bond portion of the portfolio on a total return basis was 1.69%

The advisory team is projecting that the Portfolio will do well in the coming year due to the consumer in a slow growth environment. Declining oil prices will also be a positive for the economy and in effect the equity market.

The portion of our equity portfolio in the international portion is also responding very well considering the change in the value of the dollar. The dollar has gone up 20%.

The investment policy has been reviewed and appropriate changes have been recommended. The board reviewed those changes.

On a motion by Duane Mellema and seconded by Robert Kristie is the investment policy was approved with the changes be approved. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler, Mellema, and Kappler. "Nays" -none.

The advisor reviewed the cash flow of the fund and the goal of the board to get into more equities. She is proposing that the fund invest \$350,000.00 for each of the next three quarters.

On a motion by Carl Brauweiler and seconded by Robert Kristie the fund will invest in the next three quarters the amount of \$350,000.00 as follows: \$250,000.00 in the Vanguard Total Stock Market Index Fund and then \$50,000.00 each in the EuroPacific and Mainstay International.

The advisor also did a fee analysis of the what the fund is being charged for the services of both the advisor, the mutual funds and the money managers.

A motion was made by Robert Kristie and seconded by Duane Mellema to approve the investment financial report as submitted dated June 30, 2014. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler, Mellema, and Kappler. "Nays"-none.

Next Meeting Date: Robert Kristie made a motion seconded by Thomas Ahlbeck made a motion that the next quarterly meeting will be held as follows in the Mayor's Conference Room at City Hall at 10:00. The dates will be held on July 28, 2015.

Accounting Firm: Brian LeFevre from Sikich LLP presented the financial statement for the eleven month period ending March 31, 2015. The accountant reviewed the report and the various schedules. He reviewed the financials, the mix of investments, and the sources of various taxes. The graphs which provided an excellent visual representation of the various issues including the amount of administrative expenses in relation to the pensions paid.

He noted that the annual amount of replacement tax was received in April.

The accountant also reviewed the new Governmental Accounting Standards Board standards (GASB) that will affect the plan. One of the standards is GASB 67, which has to do with the reporting by the pension fund. The other standard is GASB 68 is based on disclosing the return and also disclose the long-term return on various asset allocations. The goal is a more realistic rate of return for pension funds.

A motion was made by Duane Mellema and seconded by Carl Brauweiler to approve the accounting financial report dated March 31, 2015. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler, Mellema, and Kappler. "Nays"-none.

Approval of Expenditures: A motion was made by Duane Mellema and seconded by Robert Kristie to approve the expenditures for the first quarter of 2015, which includes January, February and March as detailed in the attached report amounting to \$1,012,995.61 A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler, Mellema and Kappler. "Nays"-none.

The expenditures include the payout to Schaumburg due to portability of the pension funds.

Legal Issues: In the future chief goes to another municipality might not be allowed to collect their pensions.

Employment and retiree status update:

Office Ruth Hahn added her military service to the pension plan and will get two years of creditable service. She contributed \$42,942.96 to purchase these years of service.

A motion by Robert Kristie the contribution for her military time by Ruth Hahn was accepted by the fund. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler, Mellema, and Kappler. "Nays" - none.

A motion was made by Robert Kristie to approve the transfer of former officer Noel Rehana's pension portability to Schaumburg Police in the amount of \$210,748.34. He paid \$84,706.32 to Park Ridge Police Pension to complete the transfer. A roll call vote was taken: "Yeas" - Kristie, Ahlbeck, Brauweiler, Mellema, and Kappler. "Nays"-none.

No active officer ran for the vacant position of active duty member, so the Laura Kappler will continue to fill this position.

On a motion by Duane Mellema and seconded by Robert Kristie the board acknowledged that there was no active duty member interested in being on the board. This was approved on a voice vote by the board.

The board reviewed the educational requirements and attendance by the board members at various continuing education.

Adjournment: On a motion made by Robert Kristie and seconded Thomas Ahlbeck the meeting was adjourned at 12:00 p.m. Approved unanimously carried in a roll call vote.

Respectfully submitted,

Laura Kappler, President

Robert Kristie, Secretary

Approved by the Board of Trustees on July 28, 2015.

These minutes were prepared by Tom Ahlbeck and Laura Kappler.

Park Ridge Police Pension Fund, Summary; 2nd Quarter 2015

Quarter in Review

After a tumultuous quarter, most equity markets around the globe ended up slightly, fixed income faced headwinds. Job growth slowed notably and inflation remained well below goal. Monetary policy of global central banks remained accommodating.

Looking Ahead

The second half of 2015 should be better than the first half. 2-3% expected GDP for remainder of 2015 and into 2016. Upcoming earnings season and improving economic data is expected to be a catalyst for the US market. Global central banks are expected to remain aggressive. Anxiety around Greece, China and Puerto Rico will provide potential buying opportunities. Pro-growth fiscal policy initiatives are expected to take "center stage" as the 2016 presidential campaign begins

Graystone During the Quarter

Completed Asset Allocation Analysis and Money Weighted Return calculation for GASB 67/68 reporting. The Pension Fund's Long Term Expected Total Return (before inflation) is 7.8%. The Global Investment Committee is projecting inflation to average 2.1%. Returns are based on the asset allocations as of 4/30/15.

Police Pension Fund's 2014/2015 FYE money weighted net rate of return was 7.33%.

Board Considerations

Continue to utilize dollar cost averaging strategy approved in the last meeting to invest new funds into equities at \$350,000 per month, for the next 2 quarters, Split \$250,000 to Vanguard total Stk Mkt; \$50,000 to Europacific, 50,000 to Mainstay Int'l

Bill 7-8

Pension Reform Bill

Summary:

- Applies consideration model to State of Illinois pension plans, downstate public safety plans and Chicago Teachers' Pension Fund
- Adopts Mayor Emanuel's pension bill, and adds downstate public safety while providing more local control over funding and benefits
- Provides Cook County a choice of their pension reform bill or a consideration model
- Grants local governments the right to restructure finances

Changes Based on the Consideration Framework

- SERS
 - After removing certain subjects from collective bargaining, create a baseline independent of pension benefits:
 - Wages guaranteed not to decline for five years;
 - Vacation reset to two weeks (under 15 years of service) and three weeks (15+ years of service);
 - Adjusted vacancy/overtime rights; and
 - Overtime pay normalized to match federal law, kicking in at 40 hours, not 37.5
 - Create several optional packages to incentivize different groups of employees to transition into Tier 2 pension formula prospectively:
 - Salary package: \$2000 transition bonus; one-time \$3000 salary increase; OT at 37.5 hours; no additional vacation
 - Vacation package: \$2000 transition bonus; one-time \$2000 salary increase; OT at 37.5 hours; 2 additional weeks of vacation
 - Overtime/vacancy package: \$2000 transition bonus; no salary increase; OT at 37.5 hours; 2 additional weeks of vacation; priority rights in work schedule, vacation, overtime, and "bumping"
- TRS, SURS, GARS, CTPF, and Downstate Police and Fire Tier 1 employees must choose between:
 - A. COLA shifts from 3% compounded (Tier 1 COLA) to the lesser of 3% or 1/2 CPI non-compounded (Tier 2 COLA) OR
 - B. All future salary increases are not included in pension benefit calculations
- Cook County must choose between:
 - A. Pension plan as introduced by Cook County (except with collective bargaining changes discussed above) OR
 - B. A consideration-based plan that prompts employees to choose between a reduced COLA benefit or agreeing that all future salary increases are not included in pension benefit calculations

Public Safety Changes

- Chicago Police and Fire funding schedule is changed from the current target of 90% by 2040 to 90% by 2055 including a 5 year period from FY16 – FY21 where mandatory payments are set in statute.

- Downstate Police and Fire funding schedules would be treated the same as Chicago Police and Fire, changing the current target of 90% funded by 2040 to 90% funded by 2055.
- 642 individual downstate police and fire funds are consolidated under IMRF for investment efficiency.
- Public Safety Employee Benefit Act definition of catastrophic injury is changed to clearly state that it would preclude the injured employee from performing gainful work.
- Tier 3 benefits are created for newly hired public safety employees. Tier 3 is a hybrid DB/DC with local control on DC benefits.
- Contains all aspects of Chicago's SB777 including allocating casino revenue to the pension funds.

Local Government Restructuring

- Local government restructuring is allowed by authorizing a local public entity to initiate a Chapter 9 filing after review from a neutral evaluation process or the declaration of a fiscal emergency.

Chicago Teachers' Pension Funding

- The State will pay the employer normal cost and the cost of defraying health insurance to CTPF contributions for FY16 and FY17.
- Requires CPS to end the practice of picking up the employee pension contribution.