



**NOTICE. MEETING**

**MODIFICATION DUE TO COVID-19**

**Prospect Heights Police Pension Board**

**Tuesday  
April 14, 2020**

**NEW MEETING TIME: 9:00 AM Police Pension Board Regular Meeting**

**Call to Order** - At 9:06 AM, President Smith called to order the Regular Teleconference prospect heights Police Pension Board Meeting.

**Roll Call** – Secretary Schultheis called roll. A quorum was present.

**TRUSTEES PRESENT** – President Smith, Trustees – Lange, Huitink, Kearns, Minniear

**OTHER OFFICIALS PRESENT** – Treasurer Tibbits, Secretary Schultheis, Attorney LaBardi, Insurance Representative Greg Kiesewetter, Pension Fund Manager McLeod, Pension Fund Manager Wall and Pension Fund Director AJ Weber.

**Approval of Minutes**

A. January 14, 2020 Regular Meeting Minutes – **President Smith moved to approve the January 14, 2020 Regular Meeting Minutes as presented; seconded by Trustee Lange. There was unanimous approval.**

**VOICE VOTE:** All ayes, no Nays

Motion carried 5 - 0

**Public Comments – ATTENDEES WHO WISH TO SPEAK ON AGENDA OR NON-AGENDA ITEMS WILL BE PROVIDED AN OPPORTUNITY DURING THE TELECONFERENCE** - Treasurer Tibbits asked that the Pension Board consider recording the meetings for the sake of transparency.

**Approval of Expenditures**

A. Richard Reimer Pension Board Legal Counsel Payment -

a. Quarterly Retainer - **\$750.00**

B. Karen Schultheis, Recording Secretary -

April 14, 2020 First Quarter Meeting **\$ 125.00**

C. Approval of Pending Expenses – **President Smith moved for omnibus approval of the Richard Reimer Pension Legal Counsel Payment of \$750 for quarterly retainer and the Recording Secretary Fee for Karen Schultheis for April 14, 2020 First Quarter Meeting of \$125.00; seconded by Trustee Lange. There was unanimous approval.**

**ROLL CALL VOTE:**

AYES –	Lange, Minniear, Kearns, Huitink, Smith
NAYS -	None
ABSENT -	None

Motion approved 5 - 0

**Pension Board Investment Report** – Fund Manager McLeod said that the market conditions are poor, and they went into a tailspin in March. Before that the Fund had been up in January and February, 2020.

It was noted that the equities were underweighted because the market had crashed. To comply with the DOI requirements the Fund was not above 60% in equities for the end of the fiscal year.

There had been a First Quarter negative return of \$2,290,000.

Trustee Huitink asked why there was a “pop” in fixed income in the First Quarter.

Manager McLeod said that ¼ of the portfolio is invested in top grade corporate bonds. Manager Wall noted that this is a defensive portfolio. He said that at that time they were expecting a rise in interest rates by the Fed.

Manager Wall said that the Fund was holding cash.

It was noted that equities had borne the brunt of the drop in the portfolio.

Manager Wall said that the Market was picking in April.

Manager Wall discussed how to invest the cash that was being held in the fund. He noted that close to 4% more could be added to the equities. He said that March 23<sup>rd</sup> was the lowest level of the Stock Market, and that the last week had shown some momentum. He said that the stock market could be expensive but that the Pension Fund was in the market for the long term.

It was noted that the cash was from bonds that had matured. \*No equities had been sold to get the cash.

Manager Wall introduced a statistic that showed of the 13 watershed events like the dot-com bubble burst and the 2008 economic crash, two years later, there was a 37% increase in returns. Manager Wall said that “in the last three trading days, 90%

of the stocks had risen. In recent history, one hundred percent of the time when that has occurred, there was an upswing the next year with double digit returns.”

It was noted by Manager Wall that Goldman Sachs had said that the Stock Market had seen its lows.

Trustee Huitink said to move additional money into stocks but avoid global stocks and financial stocks; and stay away from energy and “cheap” stocks. Fund Manager Wall said that they were staying away from energy because there was still more debt there. He stated that the top four sectors for investment were – technology, healthcare, communications, and the staple stocks.

Trustee Kearns said to lean towards pure indices. He noted that it would be difficult to predict market swings with no information. He just wanted money added to the indices.

Manager Wall said that the Fund owned Vanguard and S&P 500.

He said that some countries like Australia, Denmark and Norway were recovering; and that it was difficult to know in which direction the US was heading.

President Smith said that he did not feel comfortable that there would be a steady rise in the economy or the market. He did not feel that losses had been recognized fully.

Manager Wall replied that the issue was consumer confidence and that there were signs of recovery. He felt that a 2% increase in the equity position, as had been suggested by Trustees, was a good number.

Trustee Kearns suggested investing 1 % at a time to better gauge the trend in the market before investing the other 1%.

Manager Wall said the investment is date specific and that 2% equated to \$300,000.

Trustee Huitink suggested investing \$50,000 weekly.

Manager McLeod said that \$50,000 per week would take the emotion out of the equation, and would allow for a weekly investment over the next six weeks.

Trustee Huitink added that it could be \$25,000 per week over an extended number of weeks to make certain there was no big drop in the market.

**Alderman Kearns moved to deposit \$50,000 per week over the next six weeks into the Vanguard Large Cap Fund with monies that matured from the Fixed Income; seconded by Trustee Huitink.**

Discussion followed. There was a question as to whether there should be a follow up Special Meeting. Manager Wall said that it would have to be before April

**There was unanimous approval.**

<b>ROLL CALL VOTE:</b>	AYES –	Lange, Minniear, Kearns, Huitink, Smith
	NAYS -	None
	ABSENT -	None

Motion approved 5 - 0

**President Smith moved to accept the Wall Capital Group report as presented; seconded by Trustee Lange. There was unanimous approval.**

**ROLL CALL VOTE:**            AYES –            Lange, Minniear, Kearns, Huitink, Smith  
                                      NAYS -            None  
                                      ABSENT -        None

Motion approved 5 - 0

**Pension Board Legal Counsel Report –** Attorney LaBardi said that the Executive Orders on COVID-19 Shelter-in-place expires on April 30<sup>th</sup>.

- Sustainable Investing Act – he noted that a minor amendment to the investment policy statement will be on the July agenda.
- He noted that there still was no movement of money regarding the State pension fund new rules and regulations. He said that the Police were hiring an Executive Director. He added that procedures for a permanent Board will be the lead in to conduct elections. There are up to 18 months to transfer assets.

President Smith asked if there are any fees incurred by the Board to transfer the assets? Attorney LaBardi replied that the issue of fees has not been addressed, nor how the assets will be transferred. – **No action taken.**

**Pension Board Lauterbach and Amen Monthly Financial Report -** Fund Director Weber noted that the Total Assets as of April 1, 2020 was \$16,128,632.54. He said that the net change in the Police Pension Fund position for the last eleven months was **(\$1,141,106.93)**

Trustee Huitink noted that there was not much spread between contributions and planned distributions. Mr. Weber replied that it was not uncommon for that occurrence.

**Trustee Huitink said that he would like to have included a current plan benefit obligation (PBO). Director Weber said that he would include a PBO page.**

It was noted that the Prospect Heights Police Department was started in 1990, and for many years, no officers retired. Recently, there have been many retirements. It was noted that there are monthly compilations that are sent to the Board. the pension Benefits are currently \$90,410 per month.

There was a \$2500 listed as OTHER EXPENSE questioned by Treasurer Tibbits. Director Weber said that he would research the expense.

**President Smith moved to accept Lauterbach and Amen’s monthly report; seconded by Trustee Huitink. There was unanimous approval.**

**ROLL CALL VOTE:**            AYES –            Lange, Minniear, Kearns, Huitink, Smith

NAYS - None  
ABSENT - None

Motion approved 5 - 0

### Old Business

**A. Addition of Bradley Sigsworth to the Pension Fund- President Smith moved to approve the addition of Bradley Sigsworth to the Pension Fund with a start date of September 19, 2019; seconded by Trustee Kearns.**

**ROLL CALL VOTE:** AYES - Smith, Kearns, Minniear, Lange  
NAYS - None  
ABSENT - None  
ABSTAIN - Huitink

Motion carried 4 – 0, one abstention

### New Business

**A. Fiduciary Liability Insurance Renewal – Cook Castle Associates – Insurance**  
Representative Kiesewetter proposed the renewal of offered the renewal of the Fiduciary Liability policy from Vanguard – discussing the terms, conditions and limits and noting that they were exactly the same as the previous year’s. He noted that the Prospect Heights Police Pension Board policy was in line with that of other pension boards. President Smith noted that 10% of the assets are covered by the Pension’s \$1,000,000 policy. Representative Kiesewetter reminded the Trustees that the policy is a \$1,000,000 aggregate not per insured.

Treasurer Tibbits asked how trustees were named on the policy. Mr. Kiesewetter replied that, by policy language, as long as the policy is active it covers past, present and future trustees. He added that the policy covered the Recording Secretary, and that he would make certain that it covered Treasurer Tibbits. This would be done at no additional cost, as long as it is approved by the Board President, Mike Smith.

Trustee Huitink asked if the fiduciary policy was the equivalent of a D&O policy. Representative Kiesewetter said that it is a hybrid of a D&O.

He added that this is the first renewal of the policy. President Smith noted that the policy was vetted, and that Mr. Kiesewetter had been a reliable and reachable representative for service.

Trustee Kearns followed up by stating that two years ago, the Board found that no fiduciary coverage had been put in place. This is a specialized insurance, and one that was deemed necessary.

**President Smith moved to Approve the renewal of the Euclid Specialty Vanguard Fiduciary Liability Insurance through Cook Castle and Associates with the addition of Treasurer Tibbits to the Policy; seconded by Trustee Lange. There was unanimous approval.**

**ROLL CALL VOTE:**           AYES –       Lange, Minniear, Kearns, Huitink, Smith  
                                  NAYS -       None  
                                  ABSENT -   None

Motion approved 5 - 0

**B. Review Statutory Asset Allocation Requirements and Portfolio Allocation Prior to Close of Fiscal Year – This was covered by Wall Capital Group earlier in the Meeting – No action was taken.**

**C. Election of Active/Retired/Disabled Trustees – It was noted that President Smith and Trustee Kearns need to run, and nominations needed by the 3<sup>rd</sup> week of April. Attorney LaBardi stated that there must be an election ballot. President Smith said that he would issue the election material to the Police Department. Attorney LaBardi said that it must be an Australian ballot – that is, that it has to be a secret ballot, and not by email. It must be a sealed ballot. – No action was taken.**

**D. Review and/or Modification of Board’s Investment Policy – Handled previously in the meeting by Wall Capital Group. – No action was taken.**

**E. Authorize preparation of Annual Department of Insurance Report – Director Weber said that he will reach out to Treasurer Tibbits and discuss the audit. – No action was taken.**

**F. Authorize Payment of Annual Department of Insurance Compliance Fee – Attorney LaBardi said that this fee is due prior to the next meeting. President Smith moved to approve payment of the Annual Department of Insurance Compliance Fee upon Receipt; seconded by Trustee Kearns. There was unanimous approval.**

**ROLL CALL VOTE:**           AYES -       Minniear, Huitink, Kearns, Lange, Smith  
                                  NAYS -       None  
                                  ABSENT -   None

motion carried 5 – 0

It was noted that the fee in 2019 was \$3200.

**G. Status of Independent Audit Report (Due within six months of close of fiscal year) – It was noted that this was part of the City’s audit that was usually done in October. – No action was taken.**

**H. Review and/or modification of Board's Administrative Rules and Regulations –** there were no changes or modifications necessary – **No action was taken.**

**I. Annual Filing of Statement of Economic Interest for Each Trustee –** It was noted by Trustee Huitink that he had completed his Statement of Economic Interest, as he is the newest Trustee, President Smith wanted to make certain that his name had been sent to the Ethics Committee at the County. – **No action was taken.**

Trustee Huitink requested documents regarding the pension bylaws. Attorney LaBardi said that there were no bylaws and that the Pension operated under a statutory plan. He stated that police hires' salaries were set by the employer, but that the benefit structure was set by the State. Trustee Huitink said that he would like to better understand Tier I vs. Tier II. Attorney LaBardi suggested that he attend the Trustee Training – IPPFA training. Attorney LaBardi will email information.

Trustee Kearns wanted to know the policy regarding calling into a scheduled meeting. Attorney LaBardi said that the Pension Board mirrors the Open Meeting Act requirements; except during this emergency.

**Next Meeting Date – Tuesday, July 14, 2020 at 9 AM – City Hall. 8 North Elmhurst Road, Prospect Heights, IL 60070**

**Adjournment – At 10:48 AM, President Smith moved to Adjourn; seconded by Trustee Lange. There was unanimous approval.**

**VOICE VOTE: All Ayes, No Nays.**

Motion carried 5 – 0

Approved by the Prospect Heights Police Pension Board on this the 14<sup>th</sup> day of July, 2020.

Approved by the Police Pension Board on July 14, 2020, but attendance was remote only due to Governor's Order on Covid 19 guidelines

President Michael Smith

Police Pension Board Secretary