



**Prospect Heights Police Pension Board Regular Teleconference Meeting  
Minutes**

**Tuesday  
July 14, 2020 at 9 AM**

**Call to Order** - At 9:03 AM, President Smith called to order the Regular Teleconference Police Pension Board Meeting.

**Roll Call** - Recording Secretary Schultheis called the roll. A quorum was present. TRUSTEES PRESENT – President Smith, Trustees – Lange, Huitink (entered meeting at 9:15 AM), Minniear, Kearns.

OTHER OFFICIALS PRESENT – Pension Portfolio Manager Wall, Pension Attorney LaBardi, Pension Accountant Earnhardt, Lauterbach and Amen Actuarial Client Manager Kevin Cavanaugh

OFFICIALS ABSENT – Treasurer Tibbits (by previous notification)

**Approval of Minutes**

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

**ROLL CALL VOTE:**

Ayes –	Kearns, Smith, Lange, Minniear
Nays -	None
Absent -	Huitink (arrived at 9:15 AM)

Motion carried 4 – 0, one absent

**Public Comments** – Recording Secretary spoke on behalf of Treasurer Tibbits, who would like to see the Police Pension Board meetings taped 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 -

July 14, 2020 Third Quarter Meeting **\$ 125.00**

C. Approval of Pending Expenses - **None**

**President Smith moved for omnibus approval of Richard Reimer Pension Board Legal Counsel Payment - Quarterly Retainer \$750.00 and Karen Schultheis, Recording Secretary -July 14, 2020 Third Quarter Meeting \$ 125.00; seconded by Trustee Lange. There was unanimous approval.**

**ROLL CALL VOTE:**

Ayes –	Lange, Smith, Minniear, Kearns
Nays -	None
Absent -	Huitink (arrived at 9:15 AM)

Motion carried 4 – 0, one absent

## **Trustee Huitink entered the meeting at 9:15 AM**

**Pension Board Investment Report** – Pension Portfolio Manager Wall said that the portfolio had recovered all of its unrealized losses since the last quarter. He stated that the Plan was invested 65% in equities. The gain for the Quarter was \$1.9 million, representing 12.75% rate of return. The fund is still down year to date. It was also noted that Fixed Income was down because Bonds had a challenging quarter. It was noted that interest rates have been and will stay low. Some other salient updates in the Quarter are that the Global Equity Fund had a 21% rate of return, topping the Index benchmark. And, there has been an input of \$76,000 in the Equity Index. The Pension’s NASDAQ position did well. In the Performance Evaluation reports, the Pension Fund’s position underperformed the S&P in three of the four categories. The Pension is positioned defensively.

Trustee Kearns asked why the fixed income portion of the Fund was doing so poorly. Pension Portfolio Manager Wall said that the bonds were difficult to trade. He said that the issue was short durations. He said that long term interest rates cannot be at zero forever, but that it might remain low for the next 12-18 months.

**President Smith moved to approve the Pension Board Investment Report as presented; seconded by Trustee Lange. There was unanimous approval.**

**ROLL CALL VOTE:**

Ayes –	Huitink, Smith, Lange, Minniear, Kearns,
Nays -	None
Absent -	None

Motion carried 5 - 0

**Pension Board Legal Counsel Report -**

Attorney LaBardi said that there has been an amendment to the Open Meeting Act. There is a permanent addition to the Open Meetings Act as June 12, 2020 tied to the Disaster Declaration as long as there is a disaster in place.

Attorney LaBardi said that in regards to Consolidation – in January, 2021 the State’s elected Board will take the place of the local Board. the election of that State Board will take place in December, 2020.

Money will be moving to the consolidated Board. This has not yet begun. The money is to be transferred no later than June, 2022.

President Smith wanted to know if there would be a direct contact for the local Board. Attorney LaBardi said that there would be someone would be assigned as a contact person. He added that after the consolidation, Prospect Heights Police Pension Board Meetings would look the same, except that the Investments with the omission of investment decisions. Wall Capital Group would not be part of the Board. President Smith said that the legislation has removed the individual investment ability of the Board; and Attorney LaBardi added that the money would be invested as a pool. – **No action was taken.**

**A. Approval of Sustainable Investing Act amendment to investment policy**

**Statement** – Attorney LaBardi said that he had edited some of the language in the Prospect Heights Police Pension Fund Statement of Investment Policy, Objectives and Guidelines. Trustee Huitink asked if the Pension Board members are considering all the language in the guidelines when investing? Attorney LaBardi said that the keywords in the language of the guidelines is “within bounds of fiduciary prudence,” and that the decision is left up to the Board on the investments.

President Smith wanted to know where the language of the policy was edited.

Attorney LaBardi noted Page 3, Paragraph 8 language was added. That was the only edit.

**President Smith moved to approve the Sustainable Investing Act amendment to investment policy as presented; seconded by Trustee Kearns. There was unanimous approval.**

**ROLL CALL VOTE:**           Ayes –           Lange, Minniear, Kearns, Huitink, Smith  
                                      Nays -           None  
                                      Absent -       None

Motion carried 5 - 0

**Pension Board Lauterbach and Amen Monthly Financial Report** – It was noted that that the net position of the Pension Fund as of June 30, 2020 is over \$18,000,000 without expenses. Accountant Earnhardt said that there was \$4000 in liabilities. The net amount in the pension is \$17,998,630.87.

Trustee Huitink said that in the last two meetings, he has asked for PBO to be added. Accountant Earnhardt replied that the PBO number is addressed once per year, outside of the standard reports. He added that the actuarial statement will provide for PBO. Trustee Huitink said that he wanted to know what was needed to satisfy the obligation. (\*PBO – Projected Benefit Obligation – a measure of a pension plan’s liability at the calculation date). Accountant Earnhardt said that the actuary keeps it “front and center” and that there was no desire to stray from our procedures. President Smith asked that while there might be enough money to pay for the benefits, is there any money that needs to be shifted? Accountant Earnhardt said that the City has enough money to pay its bills and make contributions; and the tax revenue will bring an inflow of cash.

**President Smith moved to Accept the Lauterbach and Amen Monthly Financial Report as presented; seconded by Trustee Lange. There was unanimous approval.**

**ROLL CALL VOTE:**

Ayes –	Smith, Lange, Minniear, Kearns, Huitink
Nays -	None
Absent -	None

Motion carried 5 - 0

## **9. Old Business – None**

### **New Business**

**A. Semi-Annual Review of Closed Session Minutes to determine what needs to remain confidential - None**

**B. Election of Board Officers (ex. President, Secretary, etc)** – The election had been conducted. President Smith and Trustee Lange won re-election unanimously. Both re-elected trustees wish to maintain their positions on the Board. The Attorney noted that as Trustees are elected to the Board and not the positions, a vote needed to be taken to certify the ballots; and another one to elect the Trustees to their positions.

\*It was noted that Kevin Lange and Michael Smith each received 20 votes – a unanimous count for active officers on the Board. There were no other votes or candidates.

**Trustee Lange moved to certify the election results of Kevin Lange and Michael Smith, each receiving 20 – 0 votes to be elected to a new two-year term from May, 2020 – May, 2022; seconded by Trustee Huitink. There was unanimous approval.**

**ROLL CALL VOTE:**           Ayes –           Minniear, Smith, Lange, Kearns, Huitink  
                                  Nays -           None  
                                  Absent -       None

Motion carried 5 – 0

**Trustee Kearns moved to Approve the following positions on the Board – President Smith, Secretary Kearns, Vice President Lange, and Assistant Secretary Minniear; seconded by Trustee Huitink. There was unanimous approval.**

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

Motion carried 5 - 0

**C. Potential Selection of Independent enrolled actuary for recommended tax levy –**

President Smith noted that the Board uses Lauterbach and Amen as its actuary. Actuary Cavanaugh noted that consolidation has improved Tier II benefits, causing a bigger than average contribution increase. The recommended contribution is 17% (\$1,239,000). The unfunded liability is \$10,244,000. It was noted that this is a stable, well-established fund. The City contributed the “full” recommended request. The risks are that theoretically some money should be accrued to future beneficiaries. It was stated that 6% the fund’s assets were paid out.

It was noted that the Pension’s cash flow is ideal, because the cash flow is covering the expenses. The Fund has 22 active members.

Actuary Cavanaugh said that there are updated assumptions on mortality rates – there is a new mortality table for public safety employees. This table would be blended with the Illinois data to give a better assessment of mortality. It was noted that income is the best predictor of mortality. All of the pension funds in Prospect Heights are above the median

Changes in the Tier II benefits were improved. \$108,000 of the \$184,000 increase was due to Tier II changes. The cost is borne by the pension funds. Prospect Heights is weighted toward Tier II, so this change affects many in the Police Department.

It was noted that asset returns were less than expected at a rate of 4.13% versus the expected 6.75%.

PBO – is calculated for GASB. There is no monthly calculation. There has been an entry age normal reevaluation.

Actuary Cavanaugh said that he would send a memo regarding Tier II to the Trustees. He noted that in the past, the cap for Tier II was the lesser of 3% or half of the CPIU. Now, the increase will be the lesser of 3% or full CPIU. This was set to take effect retroactively to 2011 when Tier II started. Also the salary used to be calculated as the high of the last 8 of the last ten years, and now is four of the last five.

Active Death Benefits now match Tier I benefits.

Trustee Huitink asked about the unfunded obligation. He wanted to know if some of the increase due to a decline in the market. The response was “yes,” and it was noted that investment performance has not been in line with expectations.

Trustee Huitink asked if 6.75% rate of return or the discount rate changed recently. Kevin Cavanaugh said that it has not changed since 2017. In 2016, the rate of return was 7%. Trustee Huitink asked if that was “sensible,” as there usually a delta between the rate of return and discount rate. Actuary Cavanaugh responded that occasionally there is a discrepancy as to how liability is calculated. Trustee Huitink asked if the investment rate should be higher over time than the discount rate.

Attorney LaBardi asked if there is a DOI minimum account? Actuary Cavanaugh said that there is no minimum contribution. He noted that the DOI rate of return is 6.5%. the DOI has a lower rate but greater contribution from the City.

He said that most funds over \$10,000,000 use between 6.5% - 6.75% as the rate of return. President Smith said that the City has consistently exceeded the recommended contribution amount. He suggested that the rate could be revisited if the City’s contribution levels changed. He did not want to compromise the Pension Board’s relationship with the City. Actuary Cavanaugh added that the City is contributing 115% above recommendations on a five-year average.

Trustee Huitink said that he would like to see the alternative calculation. Actuary Cavanaugh said that to manipulate the number with the 6.5% would also mean having to change all of the assumptions; and there would need to be discussion with

the Pension Manager Dave Wall. Trustee Huitink said that he would like to revisit the topic at another meeting. It was also noted that when the Consolidated Board took over the funds, they would be determining the rate of return.

– **No action was taken. TABLED until the October Meeting when the audit is finished.**

**D. Review of the status of the Trustees’ annual training requirements** – Attorney LaBardi said that to-date, this will be an in-person training. The IPPFA is scheduled for October that can be scheduled in-person or online. It will be held in Naperville. This is an 8-hour requirement. There is 4-hour new rules training. New trustees are required to take a 16-hour course. It was noted by Attorney LaBardi that the Fall Conference did not cover the 16-hour training for new trustees.

Trustee Kearns said that The Board is an IPPFA member so that the member rate applies, and said that the expenses should be submitted for reimbursement. – **No action was taken**

**E.Approval of Benefits for Retired Sergeant John Yanke (retired July 7, 2020)**- It was noted that all of the paperwork is in from Sgt. Yanke. The calculation for the benefits was sent to the Board. He has had 30 years of service. His salary was \$120,597 and he will be receiving 75% of that for an annualized amount of \$90,447.72. the first month will be a prorated amount of \$5835.34, and the monthly amount after that will be \$7,537.31. This will be the monthly amount until August, 2021 when the first COLA increase goes into effect.

**President Smith moved to Approve benefits for retired Sergeant Yanke as of July 7, 2020 with an annual salary of \$90,447.72 (monthly - \$7,537.31); seconded by Trustee Lange. There was unanimous approval.**

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

Motion carried 5 - 0

**Next Meeting Date – Tuesday, October 13, 2020 at 9 AM – City Hall, 8 North Elmhurst Road, Prospect Heights, IL 60070**

**Adjournment – At 10:40 AM, President Smith moved to Adjourn; seconded by Trustee Huitink. 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 13<sup>th</sup> day of October, 2020.

Approved by the Pension Board – meeting was held remotely as per Governor's Covid-19 guidelines

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President Smith