

JOHNSBURG POLICE PENSION FUND
1515 W. Channel Beach Avenue, Johnsburg, IL 60051
QUARTERLY BOARD MEETING
January 17, 2020 – 10:30 a.m.

1. MEETING CALLED TO ORDER

President Jason Greenwald called the meeting to order at 10:33 a.m.

2. ROLL CALL

Roll Call: Keith VonAllmen, Mike Majercik, Tom Harrison, Jason Greenwald. Also present: Attorney Laura Goodloe, Lauterbach & Amen representative Derek Flessner, Mark Wolter of Beacon Wealth Advisors, Village Accountant Becky Kijak and Administrative Secretary Carol McMullen.

3. PUBLIC COMMENT – None.

4. READING & APPROVAL OF MINUTES OF LAST MEETING

A motion was made by Keith VonAllmen to approve the minutes of the 10-18-2019 Board Meeting as presented; second by Tom Harrison. All Ayes; motion carried.

5. INVESTMENT PRESENTATION PROPOSALS

Mark Wolter of Beacon Wealth Advisors reviewed the quarterly investment performance report. As of 12-31-2019, there was \$1,554,881.64 in fixed income, \$564,933.33 in the VOYA annuity, and \$1,366,116.89 in the cash/equity account, for a total portfolio balance of \$3,485,931.86. There is 60.81% in fixed income and 39.19% in equities. Mark will e-mail a list of all trades and transactions to Carol for the minutes.

A motion was made by Mike Majercik to accept the Investment Report as presented; second by Keith VonAllmen. All Ayes; motion carried.

There are no changes to the Investment Policy at this time.

6. TREASURER/ACCOUNTANTING REPORT

A motion was made by Keith VonAllmen to retroactively approve the FY2019 Audit as prepared by Lauterbach & Amen; second by Jason Greenwald. All Ayes; motion carried.

Derek reviewed the Quarterly Financial Report as of 12-31-2019, showing the net position held in trust for pension benefits at \$3,722,042.23.

A motion was made by Mike Majercik to accept the 12-31-2019 Quarterly Financial Report as prepared by Lauterbach & Amen; second by Keith VonAllmen. All Ayes; motion carried.

A motion was made by Keith VonAllmen to approve the 2020 cost of living increases as calculated by Lauterbach & Amen; second by Jason Greenwald. Roll call vote taken: Keith VonAllmen - Aye. Mike Majercik - Aye. Tom Harrison - Aye. Jason Greenwald - Aye. Motion carried.

A motion was made by Keith VonAllmen to accept the bills as presented on the Lauterbach & Amen report and to pay them as they become due; second by Mike Majercik. Roll call vote taken: Keith VonAllmen - Aye. Mike Majercik - Aye. Tom Harrison - Aye. Jason Greenwald - Aye. Motion carried.

A motion was made by Keith VonAllmen to approve the payment of the IPPFA membership dues; second by Tom Harrison. Roll call vote taken: Keith VonAllmen - Aye. Mike Majercik - Aye. Tom Harrison - Aye. Jason Greenwald - Aye. Motion carried.

7. ATTORNEY REPORT

Pension Consolidation Legislation - Attorney Goodloe stated that the Legislature passed Public Act 101-610 during the November Veto session. This Act consolidates all of our financial assets into one large downstate fund. As far as the long-term risk associated with the state mismanaging our funds, the Public Act does specifically state that our funds are not going to the Illinois State Treasury. Another important component is that the assets of Johnsburg Police Pension Fund will be held in a separate account and supposedly not impacted by the financial status of other pension funds. According to the language in this bill we will not be bailing out any funds that are transferred into this mega fund, if that fund is going under.

The Act was tailored to mimic what we see with IMRF with respect to pooled investment accounts. The current investment restrictions will be lifted and the new investment board will be operating under more of a prudent man investment rule versus the statutory parameters we are restricted by. The types of allowed investments are going to change and be more liberal. On the date that the investment transfer is initiated, when we take our accounts and hand them over to the investment board, we relinquish all fiduciary authority and control over our investments. We will no longer need an Investment Policy statement, and no longer have an investment manager.

Another component of the legislation is the enforcement of funding. The Statute that has been in place for municipalities that fail to consistently levy a proper tax or properly fund on an annual basis remains intact; there is nothing in this Public Act that helps to strengthen our enforcement of funding.

The Governor, FOP, PBPA and IML are helping to construct an interim board. The interim board is the investment board for the consolidated fund and is slated 5-4 pro labor, pro-police department. The interim board will have 9 members total; 3 members from active participants throughout the state (article 3 pension funds), 3 members will be municipal appointees, 2 members will be pension beneficiaries from article 3 funds throughout the state, and the final member will be from the Illinois Municipal League. The FOP, PBPA and the IML will recommend the 9 members to the Governor; the Governor and the State Senate are going to select who will be on the interim board from those lists. This interim board is given the exclusive authority to retain investment consultants and will be responsible for hiring accountants, actuaries, auditors, legal counsel and an Executive Director who is going to be salaried. The interim investment board will create new rules as far as hiring these vendors to perform services. We will be paying for these services; in the public act there is reference to pro-rata shares of fees. This interim board should be in place by the end of the month and hold office for only one year. So there will be an election for a permanent board at the end of that year. The larger municipalities will have the most weight and pull once you have the permanent board where you hold formal elections next year. In order for an active participant to be on the slate of nominations, they have to obtain 400 signatures from active participants throughout the state and the retirees need 100 signatures.

Once the interim board is set up, they will hire an auditor who, pursuant to the Public Act, is required to audit all 650 pension funds throughout the state. After that, they will provide each pension fund with a certified list of all of our investments. Once that list is received, we will be told to cease all investment activity. Subsequent to that letter, we will get another letter from the investment board informing us of the date they will be taking over and the date the transfer will occur. When that transfer occurs, the board will no longer hold duties as fiduciaries with respect to investments. We will not have to liquidate our investments but transfer everything as is; they will figure out how to receive it and what to do with it. They will be required to provide us with routine auditing reports and routine quarterly financial reports. We should receive these reports on a regular basis.

There will be a one-time \$7.5 million loan taken out by the Illinois Finance Committee to help support and initially fund this endeavor and every pension fund will be required to pay back a portion of that loan at a reduced interest rate in our pro-rata share down the road.

Two things taken away are the control over the investments of our pension assets and what our recommended tax levy will be. We will have no control over our actuarial report. The new public act mandates that the investment board is going to be the entity responsible for procuring an actuary and providing the actuarial information to us. The investment board is now the authoritarian with respect to assumptions, so they could either increase or decrease your rate of return which could cause an increase or decrease of your tax levy and the funding level of your pension fund. We will get a report and still have to certify a tax levy to the municipality; we will still have to file a Municipal Compliance Report. Between now and June 30, 2022, we will get instructions from the new investment board that is going to be established in Springfield.

Training requirements have been reduced. The Certified Trustee Training is now 16 hours; the annual training is now 8 hours; however there is an additional 4 hours of training mandated for all trustees to review the new Public Act, which has to be through IPPFA or IPAC.

Changes to the Tier Two benefits are: 1) the final average salary is going to be calculated based on the aggregate of 48 consecutive months of service within the last 60 months of service, or 96 of 120 months, whichever is higher. 2) The annual salary cap will now increase by the lesser of 3% or CPI-U as opposed to 3% or 1/2 of CPI-U. 3) Survivor pensions were changed to the greater of 54% of the monthly salary at the date of death, or 66 2/3% of the earned pension at the date of death. There are added benefits for children. The total pension paid cannot exceed 75%.

It is advised that we maintain a local bank account for payment of benefits, bills and other administrative costs. There will probably be more rules promulgated by the investment board that will tell us how often we are to ask the investment board for money and how much money we should hold as a float on that account to pay benefits and costs. It's unclear what happens when there is a transfer of creditable service or when unanticipated costs arise. There will most likely be rules forthcoming to give us a better idea and understanding of how we should operate.

We will most likely still require the services of Lauterbach & Amen to help with administration, monthly or quarterly reports, payment of benefits, payment of expenses, auditing of the small account, etc. We will still be required to file an Annual Statement; the financials will be provided by the investment board. There will be changes in our duties and obligations with respect to the Annual Statements and DOI Audits. The investment board will now be the auditor for us, so we won't be auditing our invested assets anymore. We probably will need to audit our local account on an annual basis and certify that to them. The IDOI Compliance Audits will be at the control of the investment board, and should not take place as often. We will still be adjudicating all benefits and fulfill our duties as fiduciaries; we will remain intact as a Board for everything except the investment component and some reporting components.

8. OLD BUSINESS

Investment Firm Proposals - It was the consensus of the Board to not take any action at this time.

Election for retired/annuitant Trustee - Nomination letters will go out in March to the two annuitants.

Appointment term dates of Tom Harrison and Mike Majercik - Both mayor appointees terms expired 2019. The mayor appoints the Trustees annually; Becky Kijak will provide a letter to Carol for the minutes showing current term dates.

Training certificates were received for Mike Majercik and Tom Harrison. Keith VonAllmen and Jason Greenwald completed their training and will provide their certificates to Carol.

9. APPLICATION FOR MEMBERSHIP - None at this time.

10. NEW BUSINESS

A motion was made by Keith VonAllmen to engage Lauterbach & Amen to perform the actuarial services pending the proposed fees, otherwise legal counsel will go out for RFP's; second by Mike Majercik. All Ayes; motion carried.

The 2020 IPPFA Conference scheduled in Lake Geneva has been cancelled and is currently being rescheduled pending a new location.

There are no changes at this time to the Administrative Rules & Regulations; there will be new proposed Rules & Regs forthcoming.

The membership files are due for their annual review. Jason Greenwald will schedule a time to meet with Carol to review the files.

11. MEMBERSHIP BENEFITS

A motion was made by Keith VonAllmen to approve the refund of pension contributions in the amount of \$5,477.26 to Ari S. Briskman, DOB 1985, DOH 09-10-2007, resignation date 12-27-2008; second by Jason Greenwald. Roll call vote taken: Keith VonAllmen - Aye. Mike Majercik - Aye. Tom Harrison - Aye. Jason Greenwald - Aye. Motion carried.

A motion was made by Mike Majercik to accept the resignation of Joshua Prokuski, DOB 1993, DOH 01-15-2019, resignation date 11-04-2019, and to approve the refund of pension contributions in the amount of \$4,528.28; second by Tom Harrison. Roll call vote taken: Keith VonAllmen - Aye. Mike Majercik - Aye. Tom Harrison - Aye. Jason Greenwald - Aye. Motion carried.

Todd Colander update - A motion was made by Keith VonAllmen to tentatively set March 18, 2020, as the date to hold a hearing for Todd Colander's restoration to active service, time to be determined; second by Mike Majercik. All Ayes; motion carried.

12. EXECUTIVE SESSION - None at this time.

13. ADJOURNMENT

The next meeting is scheduled for April 17, 2020, at 10:30 a.m. With no further business a motion was made to adjourn by Keith VonAllmen at 11:42 a.m.; second by Tom Harrison. All Ayes; motion carried.

Respectfully submitted,

Mike Majercik
Secretary

BY: Carol McMullen
Recording Secretary