BEFORE THE DOWNERS GROVE POLICE PENSION BOARD

IN RE THE MATTER OF:)
)
MEETING MINUTES)

PENSION BOARD MEETING

Report of proceedings had before the DOWNERS GROVE POLICE PENSION BOARD, held at Dowers Grove Village Hall, 801 Burlington Avenue, Downers Grove, Illinois, on the 23rd day of April, 2019, commencing at the hour of 9:00 a.m.

BOARD MEMBERS PRESENT:

MR. ANDY BLAYLOCH, President
MR. DENNIS BURKE, Secretary
MR. NORM SIDLER, Trustee
MR. WILLIAM NIEMBURG, Trustee
MR. STEVE MILLER, Trustee

ALSO PRESENT:

MR. DOUG OEST, Marquette & Associates
MS. JUDY BUTTNY, Treasurer
MR. ERIC ENDRIUKAITIS, Lauterbach & Amen
MS. JESSICA FAIN, Lauterbach & Amen

MR. BLAYLOCH: Well, we'll call to order today's Downer's Grove Police Pension board meeting. Voice record of the members here.

MR. BURKE: Burke, here.

MR. BLAYLOCH: Blayloch, here.

MR. SIDLER: Sidler, here.

MR. MILLER: Miller, here.

MR. NIEMBURG: Niemburg, here.

MR. BLAYLOCH: Number 2 is the motion to permit electronic attendance. That is not necessary today, so we will skip that. Next is the minutes of January 28th, 2019.

MR. BURKE: I make a motion that the Board accept the minutes of January 28, 2019.

MR. SIDLER: Second.

MR. BLAYLOCH: Role call.

MR. BURKE: Burke, aye.

MR. BLAYLOCH: Blayloch, aye.

MR. SIDLER: Sidler, aye.

MR. MILLER: Miller, aye.

MR. NIEMBURG: Niemburg, aye.

MR. BLAYLOCH: All right. Now it's the big show.

MR. OEST: Everyone should have a book.

MR. SIDLER: So happy to come in at the end of March versus what we talked about in January.

MR. OEST: Much better quarter. Take any time we can hit our actuarial rate in the first three months of the year --

MR. SIDLER: Perfect.

MR. OEST: So just real quick up front, if you are planning on going to IPPFA on your way home, you can stop off at our symposium. It's October 4th. I think it's that Friday, the last -- don't ask me about the timing. But that's how they did it. So anyway, everyone is invited if you'd like to attend that. Otherwise, we'll skip forward. Past the first tab and go to market environment here.

And you're absolutely right, Norm. The market is looking much better right now than it did the last time we met, you know, if you look at the economy on page two, these numbers don't look all that different from last quarter. I'll say from a gross standpoint, fourth quarter gross was revised down to 2.2 percent. The early forecast coming in for first quarter, so the numbers haven't come out yet.

But the forecast has actually been improving over the last few months to where at the time of printing it was 2.3 percent in an estimate for what 1Q could be. Now, the Atlanta Fed is saying close to a 2.8 percent. We'll see what the numbers come out. But the point here is that growth is actually trending a little bit upward for the first quarter, which is a better scenario than what it looked like a couple months ago.

Unemployment is still at 4 percent. The CPI is still right around 2 percent, so inflation and unemployment are still right where the -- I would like them to be. I think the last bullet point here is one of the main points of you still have some geopolitical events, particularly the U.S., China trade talks. There's reportedly been progress. I don't know how accurate that is. What people have said is it might be 90 percent through, but it's the hardest 10 percent that is remaining.

That's not the only thing out there. There's been some talk of potential tariffs against the EU. So this still is an overhang on the market and, you know, when it comes to your underlying managers, this plays a role in how companies are willing to invest, when customers are willing to buy, and from a manager standpoint, just determining sentiment in the market overall. So it's definitely an overhang in the market.

With regards to the Fed, the last time we met, I think the Fed had clarified a little bit of their stance on what they were going to do in 2019, but this gives you an idea of what the market is anticipating the Fed will do on page 3 here. So this is by the last meeting of the Fed this year, so that's December 11th this year where the market anticipates the Fed funds rates to be.

You can see the majority is pointing it at the same rate that it is right now. But there's about a -- it's close to a 50/50 chance as of today of there being a rate cut, which again is a much different story than what we were looking at a couple of months ago where the Fed was still saying they were going to raise rates twice in 2019.

So, again, you know, you couple in the global growth concerns and tariff issues and you can see a much different picture from the Fed, at least the way the market is viewing things. The one thing I want to point out here is that a lot of the issues we had in the fourth quarter was because there's a disconnect from the what the market thought the Fed should be doing and the Fed just saying what they were going to do. So that's very important point here.

You are starting to see these numbers shift a little bit to the right because you're seeing the sentiment improve a little bit. The growth is starting to look a little bit better. The market obviously has done very well. There is a possibility at some point this year the Fed might raise rates, which is -- right now it's not in the picture what the market is anticipating.

So that's another thing just to remember is that if we get some solid economic date, if inflation remains soft, there is that possibility that the Fed may raise rates later in the year. Page 4, this is really a testament to the yield curve inverting, which we talked about at the last meeting. But the New York Feds recession model is basically entirely based off of the yield curve.

And when the yield curve inverts, the probability of recessions goes up. So you did see the ten-year and the three-month yields invert. And because of that, you're seeing the odds of a recession spike. So this was as of March. You've seen this come down a little bit since then. But I think the point here is that the odds of recession are not as high as they've been in past cycles, but as you see some of these indicators come through, it's certainly higher than it was a couple month ago.

The current expansion is one of the longer expansions we've had in modern history, at least post-World War 2 history. But the thing, again -- and it's been highlighted a number of times is if you look at the few of the growth during this expansion, it's one of lowest out of all these economic expansion periods. So while we've had a very long run, it hasn't been that strong of a run. And that's one reason why you hear optimists say that this might continue is because the growth hasn't been out of the realm of what history has seen.

Page 6 and 7 look at fixed income and it was actually a really good quarter for fixed income, particularly because yields dropped pretty dramatically in March. If you look at the broad market was up almost 3 percent for the quarter. It comes back a little bit up around 2 and a half percent or so as we sit here today.

But yields dropped during the quarter and risk assets rallied. And that yield you'll particularly see in Boyd Watterson's returns as they've had an overweight of the triple Bs, which are lower on the risk -- or lower on the quality spectrum and higher on the risk spectrum and that did particularly well during the quarter.

But you can see on page 7, the ten-year treasury just in the month of March went from almost 2.8 down to a little over 2.4. You can see the data points of, you know, China's economy slowing, the growth forecast being cut. You see the Fed coming out and saying that growth is going to be slower 2019.

There was that pause in trade talks with the

U.S. and China, the yield curve inverted, so a lot of that negative news. And this kind of softness from an economic standpoint dragged down yields. As we sit here today, it's back up to 257 or so, so the yields have swiped up a little bit.

On page 8, it just looks at spreads. Again, this is kind of a measure of risk assets in fixed income. The point here is that, while risk was sold off in the fourth quarter, it came right back in the first quarter. So you saw a nice bounce back in terms of risk assets that did very well for fixed income in the first quarter.

Page 9, equity returns. The best first quarter returns we've seen since 1988, double digits across the board. As we sit here today, the broad market is up 17 percent, so it's been a phenomenal first few months of the year. I think one of the most eye-popping numbers here is if you look at the ten-year number for the broad markets, annualized 16 percent return over the last ten years. It's just been a great stretch in the equity markets.

Highlighted on page 10, the bottom of the market, a financial crisis was March 9th. So we're up over 400 percent since the bottom of the market. Again, a very strong stretch from an equity standpoint. The other thing to point ou there on page 11 is as a reversal from last quarter, basically everything flip-flopped.

So everything that did poorly in the fourth quarter, if you look at value or growth or quality, size, yield, all of these factors from an equity standpoint all reversed in the first quarter where we saw, again, things that sold off do much better in the interim quarter.

The other thing to point to out in the equity markets is earnings, which is very key as you get late in the cycle. Earnings become more and more important to continue -- of the equity markets. Expect to see an earnings, year over year earnings decline in the first quarter. So you'll -- you've been used to seeing pretty strong earnings over the last two years.

We had phenomenal earnings in 2018. 2019 for the year are expected to be low single digits, but year over the year in the first quarter, there is supposed to be negative earnings growth. I've even hard some analysts say that there's a potential for negative earnings growth in the second quarter, which would put us in a mini earning recession at the least in the first half of the year.

Again, you saw over the last couple of quarters analysts revise down their expectations, which is very common. Typically, analysts always revise down expectations. If you look at page 13, you can see the clear trend from the first quarter of '18 where there are a lot of upward revisions in anticipation of the tax cut benefit and that all just started to come down. And then finally the first quarter has seen some pretty downward provisions.

So far in the first quarter, analyst expectations are generally beat by companies, so it's been a fairly good first quarter overall for companies. Page 14 is non-US Equity markets. Lagging the US Equity markets again, still up double digits for the year. Broad market is up around 13 and a half percent or so. The slow down that we saw at the end of the year, you can see on page 15. This was the concern in Europe and the merging markets. It's just a general trend of downward growth from a manufacturing standpoint.

We actually got into contraction territory a little bit and the merging markets are right on the border in the developed market. But you are seeing that bounce back in the merging markets that some trends are stabilizing. But the geopolitical issues with trade tariffs is certainly not helping manufacturing growth.

The byproduct of a slow down in growth overseas is that you can expect central banks basically across the globe to start to slow down in this tightening process, so you can see as a whole, developed markets, central banks have been tightening over the last two years or so. I would expect to see other central banks be a little bit more accommodative in 2019 and 2020 just to combat the slow down growth.

And lastly, real estate on page 17. Good quarter in the first quarter. Expectations or guidance that we're getting from managers is in the 6 to 7 percent range. Last year it was in the 6 to 8 percent range. Again, Principal ended up at the high end of that range last year, so they had another good quarter this quarter so it's expected to be another solid year out of real estate.

Any questions on anything in the market before we get to the report?

All right. So page 1 of the report behind the next tab, just one report item to note, we talked at the last meeting about taking the base quarterly distribution that you get from income for Principal. Instead of reinvesting it, distributing it to cash, that's been done. So going forward, all those quarterly distributions will go to cash. You don't have to pay for benefit payments and such. That was done.

Page 3 is the market value page. And, again, we're pretty much right in line with targets, you know, we do have a little excess cash, you know, that basically is needed because you're not getting any inflow until June from a property tax standpoint, so you're going to need to have that little extra cash to cover things.

But overall, you're pretty close to targets from an allocation standpoint. Some of these tilts that we have relative to being a little overweight to real estate, which we addressed by capping those reinvestment of dividends, you know, that helped a lot in the fourth quarter being overweight and having a little extra cosh, but that was a little bit of a drag as the equity markets did very well in the first quarter.

Page 5, just to note here, you know, how good the last ten years have been. If you look on the far right of the table on page 10, think back ten years ago. The portfolio was about $39 million. Over that time period, you had net outflow of about $5 million and then investment gains of about $30 million. So basically your funds essentially doubled during that time period off of those investment gains. It's been a very, very solid ten-year period.

Page 6 have returns. This is a very good quarter. I mentioned, you know, you're up 7.4 percent just for the quarter alone and that really was all because of the equity markets. If you look down that three-month column, you'll see fixed income. Really good quarter. Boyd Watterson outperformed by a pretty wide margin relative to their benchmark. US Equity Composite outperformed, having been mid and small capped really helped out during the quarter.

Mid caps were one of the best performing areas of the equity markets. Non-US Equity's index real estate Principal outperformed and PIMCO outperformed on a commodity standpoint, so overall really positive news across the board. The only negatives were just the cash dragged. Having cash in a portfolio overall was a drag and then being overweight to real estate was a drag because the equity markets performed so well during the quarter.

So overall, again, very solid quarter. All your managers did well. Really the only drag was just having cash in the portfolio and the equity markets were up almost 15 percent. But, again, a very good start to the fiscal year. In terms of manager performance on page 8, if you look down the three-month column again, you'll see Boyd Watterson a pretty strong return for the quarter really due to that overweight to triple Bs.

That was one of the reasons why they underperformed least the year and outperformed for the quarter. Again, just a healthy overweight for the triple Bs. You can see on the US Equity side, it's close to 17 percent return for mid cap. That was one of the better performing years of the market and that was one we just added to the portfolio.

Ziegler basically was in line with the benchmark. Interestingly enough, the first ten days in the quarter, they actually lagged the benchmark by about 200 based points. Earnings started to come in and they started to outperform by about 300 bases points, so they had a really good end of the quarter up until March.

And then in March, having cash in the portfolio hurt. And then health care, they didn't have any biotech and that was a pretty big drag for them so they were actually up fairly large on the benchmark and gave back a little bit in March. But overall, again, a pretty good job at keeping up in a pretty tough environment. Usually, when the market is up 15 percent it's hard for active managers to hold steady.

As I mentioned, Principal had another good quarter outperforming up 1.6 and then you actually saw commodities bounce back a little back. So it's good to see them and PIMCO outperform again for the quarter.

So overall, I would say a phenomenal quarter.

We typically don't have quarters where you hit your actuarial rates in just that one quarter. But this was all just a bounce back for the fourth quarter of 2018 where you saw basically everything that did poorly did well in this quarter.

In terms of expectations, you know, years where you have a really phenomenal first quarter you typically do end up seeing a positive year. But it goes one of two ways; either it continues on and the market is up 20 to 30 percent that year, or you tend to see it just level off. So we have no idea what's going to happen over the next couple of months. A lot of that was basically due to all of these huge geopolitical issues.

You can create a scenario where there's a trade deal with China, that the tariffs and the EU never materialize and that comes to a good resolution and you can see the equity markets continue to rally. Conversely, you can see come some negative news coming out and you can see the pull back. So, you know, overall, I think the good news is that if you look at the economic fundamentals, things are in a little better shape than what a lot of people were thinking they were in a couple of months ago.

Any questions on any of the managers or performance?

MR. SIDLER: Doug, as I look at the numbers on page 3, we're roughly 1 percent underweight, equity's 2 percent on US, 2 percent non-US.

So my first question obviously with such a strong quarter: Do we cut back in equities, but slightly underweight our policy, if we continue to see a run like this, I would say let's take some of this equity gone off the table. What's your feelings of sort of where we sit with such a strong first quarter given that we're underweight --

MR. OEST: Yeah. You're a little underweight. I mean, as we sit here today, March -- April is up another 3 percent or so in the equity markets, you know, you're in a pretty good spot. I mean, the overweight to cash is certainly -- you need that. And that's certainly keeping some of those other areas of the asset allocation below targets.

I would say that relative to your asset

allocation, compared to peers, you're still relatively conservative. I think that's more a matter of -- I would agree if we were getting towards the upper end of those targets. I would definitely want to trim back. I mean, we're still slightly underweight.

At that point I would say if we're thinking about where we're at in the cycle and those terms, then I would say let's take a look at the asset allocation as a whole rather than thinking of every balancing because I think then you're talking about, you know, changing the main profile of the portfolio.

MR. NIEMBURG: I agree with Norm long-term. I don't think it's going to be -- I don't think our asset allocation for the first quarter is in a bad place. Are there other things, though, that we can do similar to what we've done with the Principal funds, start scraping cash, maybe not reinvesting some of the cash coming out of the other investment funds? That way we can -- without rebalancing, we start to air towards more of a cash position --

MR. OEST: The short answer is not really. I mean, you could on the equity side, you could start to pull dividends off of your portfolio there as well, but you're already underweight. What I would say is in terms of looking forward, and we're doing this with other clients too, is just look at the asset allocation.

There are some buttons that have hit a five-year track record with 20, 50 million in assets and the equity space that are more defensive in nature such as low volatility, which is something that could be what we're looking at if you want to get a little bit more defensive without giving up too much on the upside, you know, I think relative to what you could be in, you're still relatively in a conservative position.

MR. SIDLER: So the move is probably more instead of since we just did an asset allocation or equity change is maybe if we see this run, then talk about moving some back out of it. So if we clip, I'm looking at just a rough number -- if Boyd's got a yield of 2.8 percent, and we're in the bond business, that's starting to look at where you're clipping with -- I mean, that's 2 more percent in yield from here and the rest of the year. So bonds are going to have a 4 percent-type of year.

Not that I want to move that into it, but I guess the point let's make is, if we come back in the middle of the year and this thing continues to scream maybe we go, okay, maybe we take some of this off the table at that point versus a low-ball strategy and changing up our equity image --

MR. OEST: Yeah. That -- Absolutely. I mean, if you're -- my only thing is that at this point in time you're already underweight too. So you're already are going into this relatively defensive, you know, and you do have that cash which is going to provide some protection on the downside. It's dragging on the upside, but it's going to give you that protection of the downside.

Any more from that, you're going to deviate even further from your allocation, at which point your risk return is going to be different than what you're otherwise expecting. So I look at your quarterly performance. You did really well. All your managers outperformed, everything looked good. But you still lag in the benchmark a little bit and that's just because you have that cash drag and a little bit more defensive ambition.

So if you move even further defensively, it might even -- if things continue to go well, it might even go further. So I wouldn't stray too far from that asset allocation because, again, you know, long-term we don't want to stay too far away from it given what you're trying to get from and actuarial standpoint.

MR. SIDLER: Thanks for your input.

MR. FAIN: I think we've talked about it before at the meeting kind of what the goal is long-term, how much of our assets we'll end up contributing and how much we will earn, it's been a 50/50 mix. Long-term, you want the access of your assets to come up for investment earnings.

So it's really nice seeing this ten-year history because about 30 million is from investment earnings out of your 55 million, so more than half has come from investment earnings, which is the most seldom situation because that means it didn't come out of anyone's pocket. You just have dig over here. It's really nice to see that history.

MR. NIEMBURG: You control world marketing. Nice job.

MR. OEST: The equity markets are up 60 percent -- I mean one of the reasons why we box is why we're talking about those ten-year number is because it's highly unlikely the next ten years are going to look like that. And that's one of the reasons why we're highlighting it. It's certainly going be more difficult to hit those type of returns.

I mean, look, over the last ten years you hit your actuarial rate. I mean, on an annualized basis you've exceeded your actuarial rate over the last ten years. Exactly what you want to do. The goal is to try to do that over the next ten years.

MR. SIDLER: We've said this time and time again. The biggest benefit that we can provide as a board is our asset allocation decision and so, therefore, when we start moving things we take a risk of moving it because we're different than what our policy is. But if the market really, really runs, I think it's going to be a prudent step to say, let's pull some of that off.

As, Doug, as you had pointed out, that's what I figured you'd say. I agree. We're underweighted where we are relative to our policy and it's just been an unbelievable start of the year, a historical start of the year. So we'll sit in the middle of the year and if it continues to be historic, it might be some time to pull some profits off the table.

MR. BURKE: Assuming we don't have to do anything now, we'll wait till the next meeting to see what's going on.

MR. SIDLER: Yes.

MR. OEST: We monitor this daily. You're -- You do not want to be going into this late in a cycle being this strong of a year, you don't want to be sitting in overweight equities. You want to be at a mini um at target or a maximum at target.

MR. SIDLER: And we're under 3.

MR. OEST: And you're a little under, so...

MR. BLAYLOCH: Anything else for Doug?

MR. SIDLER: Just a quick opinion on the legislation, the governor has put a group of people together which have, in my opinion, a lot more fire power than we previously looked at about combining funds. And if I were speculate, I would say there's a high likelihood that the funds in the lower part of our state are probably going to be at least advised to aggregate into one main fund, but leave alone, you know, anything as you go north of the Champaign type of area.

That's just my opinion. What do you have to say about -- this committee is a stronger, more respected group than I've seen put together?

MR. OEST: I mean, we're hearing the same thing. I would say, you know, several years ago, might have been a decade ago, we did a study on it and the smaller funds are at a major disadvantage from an asset allocation standpoint because of the State statute. And you also see a lot of those strong funds in investment strategies that they probably shouldn't be in.

And those are the funds where I can see lot of benefit. And the studies that we've seen, that other groups have done and that we did, those are the ones that basically had the biggest benefit to consolidating because if you have $1 million and you're investing 90 percent of that in fixed income, you're never going to hit your actuarial rate and you're also paying much higher fees in strategies that you probably would be better off being in something like what you're in, where you're paying very low fees and are broadly diversified.

And basically you're able to do the exact same things as other major pension funds. The only thing that's hampering you is that the State statute doesn't allow you to do certain things. So, absolutely, I think for the smaller funds either opting into something like that or if they come into a decision that you have to, I do think ultimately for some of those funds that would be a benefit and I think a lot of them would opt in.

The ones I've talk to in the past, they understand it's going to be highly unlikely that they're going to hit that actuarial rate.

MR. SIDLER: What would you suggest if you were coming out of this.

MR. OEST: Yeah. I think those smaller funds, if you are required to have 90 percent in fixed income, the only thing that you can do is aggregate together and get those funds into some better asset allocation.

MR. SIDLER: Smaller being?

MR. MILLER: Yeah. Define small.

MR. OEST: I think it's maybe 10 million and under.

I think that's the cut off in the State statute. But I would say that should be coupled with along with the larger funds to have a little bit more flexibility, you know, the only difference between -- we've looked at median performance of police and fire funds.

I mean, really over the last ten years the only difference between your -- and someone like IMRF is just the fixed income exposure. They have 10 percent less fixed income than you do and they invested below the investment grade. So if you made those two changes your performance would match, if not, exceed their performance. So it's just a matter of what, I mean, as you know, asset allocation determines variability of performance. And if you're limiting your asset allocation, that's going to limit what that perform is going to be.

So I would say the smaller funds like that, I do see some benefit to it, but there's going to be a cost upfront, though, and I hope that you're very aware of that. This is noto an immediate switch or an immediate solution. And to do a transmission like that, especially with the assets that somebody's funds hold, it's going to be costly upfront. It will take years for them to recoup any savings. But I think ultimately it would make sense for those kind of funds.

MR. SIDLER: Do you think that's the most likely outcome?

MR. OEST: Yeah. I mean, from the people that we're talking to, that's -- they're trying to focus on an opt-in to allow for this to happen, something like that. I don't know.

MR. BLAYLOCH: What has IMRF made over the ten years of funds --

MR. OEST: Yeah --

MR. BLAYLOCH: Just a ballpark. I wouldn't know.

MR. OEST: I want to say they're maybe about a percent higher.

MR. BLAYLOCH: That's it. Okay.

MR. OEST: It's not a dramatic -- Yes. I don't know off the top of my head.

MR. BLAYLOCH: I wouldn't hold you to it.

MR. OEST: I do know that we looked at it and basically if you put a portfolio together where you were 25 percent in fixed income instead of 35 and you allowed

5 percent in the low investment grade, the performance of that index would meet or exceed IMRF over those time periods.

So it's an asset-allocation thing, the State statute not allowing you to go into some areas that other is funds can. And there's nothing about the size of your fund that would preclude you from doing that. Your fees are just as low as theirs. I mean, it's just a matter of what you're allowed to do.

MR. SIDLER: I mean, if the discussion ever comes about, I would love -- and, obviously, it would be dependent on what this state does. But with the new governor, that could be some changes that come about. To me, the ideal reality is these obligation of the pension funds for police and fire belong in Downers Grove.

The Department of Insurance oversees restrictions for that. At some point if you really want to address this in a dialogue to come about, we collectively should be championing, give us the liabilities and then allow us to manage accordingly because we have to be pay for them at the end of the day and we're beholding to the Department of Insurance, which is what the whole state -- but if you really want to address this, we all collectively could sit in a room and say, okay, what are things we can do, these are our obligations.

You have a village that has a triple A credit rate, which as Downers Grove does, I would love, you know, any of those discussions with the new commissioners to say, look, this is the end game, the end game is not to have somebody controlling us. It's to say, these are our liabilities, how do we pull those on a balance sheet, and then you can really start making a differenced to address -- you know -- Would Lauterbach & Amen agree with what Doug said as to what you speculate this commission could do or do you have an opinion or -- you guys obviously have business all over the State of Illinois.

MR. FAIN: I feel like I have more -- I hear a lot of attorneys get back and they're basically saying the same thing. So any of my comments would really just be reiterating what they're saying and just trusting their professional opinion that they feel like while the discussion of consolidation has been occurring for multiple years, this one has a bit more likes to it based on the way that they're approaching it, specifically, allowing opt-in options for smaller funds.

And really that's just me -- versus what you've heard some attorney says versus my own personal research, so I do want to make sure I give that disclaimer. But it does mirror that exactly.

MR. SIDLER: Thank you.

MR. BLAYLOCH: All right. We want -- Lauterbach -- You've got something?

MR. BURKE: What we have normally done is we look at the next meeting date kind of starting with June. We need to do a July meeting for the --

MS. BUTTNY: Finalizing the levy?

MR. BURKE: To finalize the levy in July if we can. Well, I don't know.

MR. SIDLER: I have a conflict on the 15th and the 1st. But 22, 23, 16...

MR. OEST: 22 or 23 work for me.

MR. BURKE: 22, 23 work for you?

MR. NIEMBURG: Yes.

MR. BLAYLOCH: 22nd works for me. I'm off the night before.

MR. SIDLER: So the 22nd?

MR. BURKE: 22nd. We are going to have a meeting on July 22nd, 9:00 a.m., and would you let your office know we'll need somebody and we'll need somebody here?

THE COURT REPORTER: Yes.

MR. OEST: Thank you everybody.

MR. BURKE: Thank you.

(Exit Mr. Oest.)

MR. BLAYLOCH: Moving on to Lauterbach & Amen.

MR. ENDRIUKAITIS: You want to start with Jessica Fain?

MS. FAIN: Perfect. So everyone should have a copy of the tax levy reports. You'll notice that it went from about 40 pages to 45 pages. There was a new actuarial standard packet which they saw page 51 which basically says we to provide more comments in this report about the different risks of tax levy -- and what you'll find is it's nothing that would surprise you -- You might find that people live longer. You might not get the rate of return you're assuming.

You might have cash flow issues long-term if people are living longer. You're struggling to get dollars in. It's nothing new to you and discussions that you have each year, concerns you're aware. They just basically want us to provide a paragraph about it, so no new information there.

And we'll proceed with the report per usual. The first page we're looking at as always is page 4. It has now been bumped to the back side of the page because of the new comments that are included in the report. Starting at the very top, you'll see that last year's full recommendation if we had not been doing our transition plan would have been right at 3.5 million and this year's is coming in right under the $4 million mark and we'll take a look at why it increased.

But keep in mind, you'll see the sentence right beneath here. That amount is right at 3.9 million is not the amount needed to anticipate with your budget. We're almost done with our transition plan. And this year's recommended transition contribution would be that normal 3.6 million reference there.

Before we take a look at why we got an

increase in our tax levy this year, I do want to point out our funded percentage on this page. Funded percentage is just what you had in the bank as far as assets on 12/31 versus what you're actuarial thinks you should have. And there could not have been a worse day to have to report what you had in the bank.

December 31st was one of the poorest days when it came to market performance in 2018. And it's really unfortunate that this is the asset amount and the funded percentage that you get memorialized and made public what will be in your report. You'll see that your market value funded percentage went from right at the 56.6 mark all the way down to beneath 50 percent at 49.5.

If you could instead, you know, report your assets as of the end of the March when you had that nice rebound, your funded percentage would be back in the 50s, in the low to mid-50s. So, again, it really stinks that this is the date we have to do our funded percentage as of.

And, you know, typically, once these reports come out and after the April year you might see some people gather the data and try to compare them. Just be sure that if you're hearing your neighbor had a great return where as Downers Grove, you know, didn't have a great return more, than likely they're in the April yearend. I have yet to see any even positive return for December yearend. So far every single fund has had a negative return. Not even a break even. So definitely keep that in mind.

But let's flip ahead a couple of pages. We're going to go to page 11. This is really the only page we're going to focus on and it's going talk about why we had an increase in the tax levis and, again, keeping in mind that the recommendation this year is still that transition amount of 3.62 million. On page 11, start at the very top, you'll see last years full amount under the 3.5 million and you'll see that the expected or budgeted increase was 122,000 or 3 and a half percent.

The tax levy is designed where it should increase 3.5 percent every year. The reason for this is think about when you hire someone new to your funds. When you hire someone day one, you're not going to immediately contribute the full amount for their pension. You don't even know if they're going to work all the way to their pension and stick with your funds, so you're definitely not going to put aside all that money for them.

Instead, what you're going to do is every year they'll put aside money, paying a percent of their salary into the contingent fund and you'll make a payment so that throughout their active career each of you contribute and when they hit retirement they now have a retirement benefit to collect. That 3.5 percent increase is the fact that every year you're putting in another payment for your active members.

And then, of course, if you have any unfunded liability, you're going to make a payment to extend that as well. So it's important to understand that for budgeting discussion as the tax levy is designed to increase 3.5 percent because, again, every year we're putting in more for active members.

The second exhibit is going to detail anything that shifts in your funds and the impact that it had on your tax levy recommendation. You can see it's really four items and really it's two culprits out of those four items that had the most impact.

We'll take a look at each one really quickly, first being salary increases. Overall salary increases this year came in almost right where we had estimated them. Part of our estimation isn't just those normal step in total increases that are in the collective bargaining agreement. We also include a chance that someone might get a promotion.

If it's a year where you don't see quite as many promotions come through, it might reflect the salary came in less than expected when in reality everyone got the increase they should have just like in years where a couple more promotions hit, it might look like salaries hit a bit higher. This was a year where we were basically right on the money when it came to promotions hitting. You'll see that overall the impact was a slight decrease of $7,200.

The next item is demographic changes or population shift. And you'll notice this is one of the key items causing an additional increase in your tax levy, a little over 200,000. Usually your population shifts in ways that offset each other; for example, you may hire some people, but have to terminate. You might have someone become disabled, but you might also have a pensioner pass away so long as collecting benefits. So usually they wash each other out.

Your population shifts don't really have to be an impact on your tax levy. This was a year, though, where you had a lot of shifts all in one direction which was the increasing direction. We hired three new members of our funds. Whenever we hire someone, it will cause an increase because we need to start putting money in on their behalf. We have 5 individuals who retired and are collecting benefits. And we had one individual who became disabled who is also collecting a benefit.

And on top of that, you had no individual who's reflecting pension passed away. And you do have quite a few individuals collecting. You have about 66 active individuals who are receiving benefits from the fund. Some of them are quite a bit older. Of course, we had estimated somebody would pass away. In fact, about 100,000 is simply due to the fact that none of those pensioners passed away. And, of course, the remaining 100,000 is due to our retirement and disability.

I know it's super morbid to talk about and we're very thankful for the record that all of our pensioners are here. But this is why be focus on mortality tables because if people are going to live longer, we want to make sure we're addressing it and budgeting and planning for it so that we make sure that we can pay those pension benefits.

MR. BURKE: Off the record, of course.

(Off the record.)

MR. FAIN: Really that would be the key reasons for the increase this year. The next item, I don't think anyone is shocked by, which is asset returns. Now, when we look at our asset returns, we aren't just looking at one year. We do take a look at a four-year period when it comes to our market return. If you flip ahead a couple of page you can see just how volatile they've been over the past four years.

If you look at page 16, the backset page, what you'll see is two columns. Column one will have just a straight market value return and then the column next to it will have a smooth return. So four years ago the markets were basically flat. The next year we didn't quite hit our rate of return, but it was still positive returns.

The following year really knocked it out of the park. And then, of course, 2018 being a terrible time to have to report your asset return. Off to the side, you'll see the smooth return over four years. What you'll see is we were pretty close to our assumption until, of course, 2018 drug down our average so much. It's really hurting our average.

The nice thing to see is when Dough showed us those longer term market -- you know -- ten years where it's actually ahead of the rate of return assumption. But the fact over a four-year window that we are lagging our rate of return does mean you'll to see an increase in your tax levy. So we're back on page 11. That's the key reason why there was an additional increase of 139,218 in our tax levy amount.

Now, the last one is contributions into the fund which is comparing the amount you received in versus the full tax levy recommendation. If you received less than the full amount, you'll see a small increase, which we expected and was actually part of our projections when we did the transition plan because we knew that you would be transitioning in over a five-year period.

But it's still be nice to know, you know, what should have we expected to receive in. The transition contribution we would have been looking to receive would have been about 3.13 million and then they can take a look at the amount you received in. It was almost 3.16 million. You received about 30,000 more than that transition amount into our fund. So we did receive the transition contribution.

And, again, we have two more years until finally we will be done transitioning and contributing the full amount. And as a reminder for anyone, what happened was two years ago we lowered the rate of return assumption, which, of course, creates pretty big bump in the tax levy recommendation. So we smoothed that in over five years to work with our budget.

So, again, you'll see that the full recommendation this year would be that $3.986 million number; however, we're still transitioning up to that, which is why the transition amount which is referenced in the sentence right below it would be that 3.62 million amount.

Any question on the reports? Once the auditors have a chance to look at the assets and find the changes in the audit, I will finalize this report, and by that July meeting that you'll be formally voting on it. Typically, the audit doesn't really change a lot, so you can expect your full amounts to be pretty close to that $3.9 million number and, of course, the transition amount remaining, that 3.62 million.

MR. BLAYLOCH: I don't know if you can answer this. We're starting to get a lot more tier 2. Are we noticing from the actuarials and noticing -- making any difference yet? I mean, I know they're not going to be getting a pension. But once we start --

MS. FAIN: So this is like what Judy had reached out on as well. Here's the frustrating part for tier 2 is that the savings are there every year. You're just never going to see them in your report unless you kind of get a special analysis.

So, for example, you hired quite a few new members to your fund. We had three new members join our fund. The increase it caused because there being tier 2 was about a $10,000 increase. If you had hired three new tier 1s, the increase probably would have been closer to 30,000. So you had a $20,000 increase, but you no idea. All you knew is you hired three people and you had an increase of 10,000.

One of the sensitivity exhibits -- we're going to put together for the funds is basically right now if your funds -- everyone has their current salary, current year of service, the difference being they were all tier 1, what would your contribution look like, what would your liability look like as compared to what it does look like. That's one way you can see the savings.

But I think the misconception is people think that somehow this report is going too tell them that and they're looking every year to see a reduction or savings and it's just not clearly there. But the savings are there, so we'll get that exhibit to you guys.

MR. BLAYLOCH: That would be great because that would put it on paper --

MS. FAIN: You have no idea how to put a numerical value to it, what is it, those kind of things.

MR. SIDLER: So, again, that analysis will be you're just assuming all employees are tier 2 and what that would look like.

MR. FAIN: We'll do two. What if everyone is tier 1 --

MR. SIDLER: Tier 1 --

MS. FAIN: -- what if everyone is tier 2 and then of course -- where you get both side of it so you can see the savings that are existing there. It's just, you know, again, from your point of view, where does it say that in the report?

MR. MILLER: It's close to 50 now --

MR. BURKE: Absolutely, because we've got -- I made out 70, whatever, ballets. So we've got at least 35 in tier 2.

MR. SIDLER: What sworn-in officers do we have right now? 72.

MR. BURKE: 71.

MR. BLAYLOCH: Have or authorized?

MR. BURKE: Well, actual authorized 72, but one slot is kept open.

MR. BLAYLOCH: Just for fun.

MR. BURKE: Yeah.

MR. MILLER: Little buffer.

MR. SIDLER: Just in case.

MS. FAIN: Judy pointed out one thing that's important to know as well. It's on page 20. Basically, one piece of your tax levy is for your asset numbers and then one piece is that back payment, trying to pay down unfunded liability, or, in other words, assets we should have had in the bank that we're trying to make up for.

If you're on page 20, you go to the very bottom, it's going to take your tax levy and split it between two pieces; the normal cost, which is for your active members, and then the second piece is your payment towards unfunded liability or dollars that we should have had that we don't have in the bank that we're making up for.

So what you'll see is that what you put in for your active numbers each year is really a very small piece of your tax levy. So, you know, having a population of all tier 2 does have savings; however, the savings are only going to impact that small piece of your total tax levy recommendation. So it's really until we get that unfunded liability paid down. That's going to be the biggest burden on, you know, the tax levy each year until that --

MR. BLAYLOCH: 2040?

MR. BURKE: I wonder if I'll be around.

MR. SIDLER: We'll send you the sky diving ticket.

MR. BLAYLOCH: All right. Any more questions on that? We're going to discuss this obviously in our July meeting further.

MR. BURKE: Can I ask for a quick moment recess because I have to let somebody know that was going to use this room they're going to have to wait a bit.

(A short break was had.)

MR. BURKE: Back on the record.

MR. BLAYLOCH: So are we good with that, move on to.

MR. ENDRIUKAITIS: I'll be quick and brief because I know there's still a lot more to discuss. We'll go to page 2-1 of the March compilation report. 2-1.

This is your balance sheet. Snapshot of the fund as of March 21st, 2019. So the fund's total cash investment is just about 55 million, 140,699 for accrued interest. So total in the trust $55,134,304. Any questions regarding that page?

Next page, 2-2, this is your income statement. So showing the first quarter of 2019, the contributions from the Village in back numbers at 178,143. Plus the investment growth of 3,807,679. Total additions, 39. Deductions paid to date, 1.253. So we show a positive change of position of 2.7 million.

MR. BURKE: That's good.

MR. ENDRIUKAITIS: All the rest is supplementary. I don't think I need to go into details. If you have any questions -- I know we sent this out a couple of weeks ago.

MR. BLAYLOCH: Yes. Personally, I don't need any more than that. Are we good then and move on to --

MR. NIEMBURG: For the record, we still don't have a total column.

MR. ENDRIUKAITIS: For the record, yes. Our software is still trying to spit that out.

MR. NIEMBURG: For the record, we've been asking for that for about a year.

MR. BURKE: If we're on Eric right now, can we go to number 7 on the reconciliation for overpayment of benefits and excess contributions so we can get that addressed?

Eric, can you address that for us?

MR. ENDRIUKAITIS: Sure. So there's a couple emails going back to November 2018 when Brian Johnson was on PITA. We had a couple of various incidents between the PITA benefits and his actual benefits received and we saw that there was an overpayment of PITA payments. So we reached out to Judy and Dennis requesting them to correct it in their system or how he wants to correct it. I think we've got a solution.

MS. BUTTNY: Well, you had asked us to invoice him for the difference. That's normally what he has to do and he hasn't paid.

MR. BLAYLOCH: How much is it?

MS. BUTTNY: $2,313. We're asking the Board to allow us to reduce his pension checks to take the money that he owes.

MR. BLAYLOCH: So --

MR. SIDLER: What was the period just so that we've got a period of overpayment --

MS. BUTTNY: Pay period -- There was two pay periods; one pay period ending in 10/6 working at 70 hours that were paid, and another one ending 10/20, 80 hours.

MR. SIDLER: Both in '18?

MS. BUTTNY: 80. Yes. 2018. We offset it against some vacation and holiday pay, et cetera. But the net was $2,313.

MR. BLAYLOCH: So just -- So basically he was overpaid by the Village and you've invoiced him. Does this have anything to do with the pension or is this just the Village trying to get --

MS. BUTTNY: What happened is the pension payments started -- the pension payments were done retroactively and we still were under obligation to pay him, so we continued to pay him.

MR. NIEMBURG: Because of the overlap.

MS. BUTTNY: There was an overlap. When we talked to Eric, he said what we usually like to see you do is invoice the member. We invoiced him. He hasn't paid. So now the only, you know, avenue we have is to ask the pension board to allow us to deduct it from his payments.

MR. BLAYLOCH: Have you spoken to him or just sending mail? I mean, have we tried reaching out to him?

MR. BURKE: I have not spoken to him.

MR. BLAYLOCH: I just don't know that -- I totally agree that you're supposed to get it. I don't know how the pension board should be taking away that money if -- It's two different things, isn't it? The Village is the Village. I understand you guys are out $2,000. But for us to vote and say we're going to take money from him -- I mean, is that a normal thing that we would -- that you've seen before?

MR. SIDLER: There's a cross over or --

MR. ENDRIUKAITIS: Yes. Typically --

MR. MILLER: There's a way to reconcile it --

MR. BLAYLOCH: But what I'm saying is the pension board is completely separate from the Village of Downers Grove. How does the pension board have the right to take money from Brian and give it to the Village? Not that you don't -- You guys should have it. I just need to be -- Somebody needs to explain that to me how that is something that we should be doing since it's completely two different things.

MR. NIEMBURG: Does the Village have other recourse, like collection agencies and things like that they can --

MS. BUTTNY: I guess we could look at that.

MR. BLAYLOCH: I don't see how that -- If it's a Village employee who was overpaid and now he's retiring, prior to him retiring, I mean, you say, hey, your last paycheck is supposed to be $6,000, but you were overpaid for something here, we're going to take 2,000 of that --

MR. BURKE: I think the difference is is that the Village has an obligation by statute to continue to pay the PITA and when we issued the pension it was retroactive that caused --

MR. SIDLER: The overpayment.

MS. BUTTNY: Right.

MR. BLAYLOCH: But if the overpayment was made by the pension board, I think there's absolutely no problem with us saying we're going to take whatever four payments, not to take it all, but we're going to take that over whatever. But the pension board didn't make the over payment. The Village made the overpayment.

MR. BURKE: But the payment was already made when the pension board made the payment.

MR. NIEMBURG: It's still different entities. I'm on Andy with this one.

MR. BURKE: Well, I agree. It's just that -- I'm just saying that there is a problem happens when we do these -- we're going to have this come up --

MS. BUTTNY: Have it again. Retroactive --

MR. BURKE: -- more aware.

MR. BLAYLOCH: One at a time.

MR. BURKE: We have to be aware that when we -- Rick will have our attorney talking about retro and the thing is I think at the time we are talking after we've voted, after we can talk, we would ask Judy to come in or whoever she would want to come in and tell us we have done this to this date and the date of the pension should start after we've made that payment, right?

MR. BLAYLOCH: I have a suggestion. I don't know if we can do this, but coming up, if this is going to be a problem, we've had people sign things in the past to say, if there's an overpayment on the pension, we'll do this, make -- can make that something they sign on their way out saying, hey, if we actually overpay you on PITA payments and you owe us extra, that we're okay to take it from your pension going forward in a certain amount.

We're not going to take -- If you were overpaid 5,000, we're not going to take your whole check, something to that effect. I just don't see how we can take his pension money. And, I mean, you guys are obviously due the money and somehow you'll get it, but I certainly don't feel comfortable taking it from his pension when it's two separate things.

So maybe try and work out some form of paperwork if you feel this is going to be something coming up later on.

MR. NIEMBURG: I think we can take that same approach with the current situation, maybe reach out to him and say, we know you can't afford to pay this back in one lump sum, but it's owed by you to the Village, can we deduct it over a period of time and get him to agree with it.

MR. BLAYLOCH: One way or the other we're going to get it. Maybe there's something where we can say and we have to go out there and go after --

MR. SIDLER: Your credit.

MR. BLAYLOCH: Or collection agency and it's going to add money to it or use an attorney. We're going to ask for that. If you're willing to say, hey, we'll do this over whatever course it is, that's fine. It's voluntary. But with the rest of everybody else, I certainly wouldn't --

MR. SIDLER: My opinion is I agree with it, the two different concepts of what is coming from the pensions versus what he owes. But I also view it as he was overpaid and he owes the Village money. And so, therefore, we should make a letter to him if -- I think it makes great sense to do what we did with the other one, right?

So if someone's retiring, they sign off if there's an overpayment and now we're going to run through this again, there should be a statement and therefore they've given us authorization. But maybe the first step is write him a letter, you owe the Village $2,300. If we have to go after collections, we will increase the amount that you're going to pay because we're going to get 2,313, not that of a a collection agency. It will be on top of that.

So you owe the Village that money. You can either, A, give us the authorization to take it from your pension fund because we don't have that or, B, sign up for a payment plan and agree that you'll pay this in, whatever, four or five installments. We will get it one way or the other.

MR. NIEMBURG: What's been done so far; do you know?

MR. BLAYLOCH: There's a letter right here. It looks like --

MS. BUTTNY: Right.

MR. SIDLER: This was February 13th and there's been no response back?

MS. BUTTNY: No.

MR. NIEMBURG: So what are the other next steps is the Village considering --

MR. BURKE: Well --

MR. MILLER: This was it.

MR. BURKE: This is what the Village wanted -- and, again, it happens. And you've heard of this happening at other agencies also, correct?

MR. ENDRIUKAITIS: Yes. Typically, it happens once in a blue moon. But typically what happens in disability is that all the PITA payments have been paid and then that's when the disability then takes over, so we do see some overlap. We try not to get in that situation.

MR. NIEMBURG: How did we get in that situation with this one?

MS. BUTTNY: It was backdated --

MR. BURKE: Because the pension got backdated and it got backdated to when the Village made the payments to him for PITA.

MR. SIDLER: So, technically, he did receive a higher pension payment because of the backdating or no?

MR. BURKE: He didn't get a higher pension --

MR. ENDRIUKAITIS: Double paid.

MR. BURKE: He received more money than he should have.

MR. NIEMBURG: Backdated per the statute, right?

MR. BURKE: Well, we look to the attorney. That's all I can say.

MR. NIEMBURG: I think that's a question we need to make sure we answer. Did we backpay it inappropriately?

MR. BLAYLOCH: I don't know how they mad their payments, how they do their calculations. But whatever -- I'll vote -- I just cannot vote to take away money out of his pension, which is totally separate from the Village of Downers Grove. It's two different things. It just -- I mean, you guys do what you want. I'm not going to take that.

I mean, there's other ways to get this. I know it may be to easiest way for the Village. I'm sorry, you know, if that would be the easiest, but I don't know think it's the way you do it. There's got to be other ways to do it.

MR. MILLER: I don't feel comfortable going down that road without prior -- when you're saying having something in writing, saying he acknowledged that this would occur, this would have been a retroactive step to make it right.

MR. BLAYLOCH: When we had an overpayment on a pension, this is exactly what we decided later on. We put this letter in as a part of a retirement to say, hey, if you're overpaid and this happens this is how we will reconcile it and they have to sign that. If -- this is only would need to be signed by somebody who's pensioning out. It wouldn't be -- because we already have that letter taken care of on a regular pension, correct?

MR. BURKE: Mm-hmm.

MR. BLAYLOCH: You just have to add this one in for a duty disability or even a non-duty disability -- Well, I guess it would be just duty disability. Just add it for that saying, hey, if this happens -- I mean, it's -- you guys I'm sure will get your money. What we're talking about is a $2,300 payment here.

MR. NIEMBURG: I agree. This is not -- This is the precedent and I don't feel comfortable saying --

MR. SIDLER: So does it make sense for a solution, Dennis, as the secretary of the Board to call and say there's a fee due to the Village for 2,313, would you like to set up a payment plan for that?

The Village has the option to go to a credit collection group, which will hurt your credit and it will cost you more money in the end, or if you want to give us authorization we can reduce your pension payment with your signature to do it, so how do you want to -- if you call them and have the discussion you're probably, in my opinion, a much easier solution to say, how do you want pay it, do you want to do it just on a payment plan or do you want us to reduce it.

But you have to sign off on that to do that, if it goes collection agency, it hurts your potential credit, it's going to cost you more money, the Village is going to get its overpayment, which is what's right.

MR. NIEMBURG: Just to clarify, you'd be doing that as HR for the Village, not as board member --

MR. BURKE: No. I can't. I can't. I can't --

MR. NIEMBURG: I don't think you're the one --

MR. BURKE: I can't make arrangements with them to do pension payments as the HR director. I can only do as a secretary of this board with the backing of this board. I can't do it otherwise.

MR. NIEMBURG: I'm going to make a motion. I move that board make available to the Village the deduction of the amount due from pension payrolls if the Village secures agreement from the individual. We're basically making that option available to the Village to facilitate it if the Village separately secures an agreement from the individual.

MR. SIDLER: So you are -- let me understand. Are we saying we're going to send a letter to Brian that says how do you want to do your repayment --

MR. NIEMBURG: I'm saying we're not going to do anything. The Village will do that.

MR. SIDLER: The Village is going to send it saying you can either, A, check the box, we'll take it from your pension, or, B, set up a payment plan, or, C, we go to a collection agency. Is that --

MR. NIEMBURG: I want to stay out of that discussion. I'm just saying the Village should work this out with the individual. I think we can make it available if the Village were -- gets that agreement to facilitate the briefing --

MR. MILLER: His motion is giving authorization to do that if Brian agrees to that --

MR. SIDLER: Okay. That's what you're saying?

MR. NIEMBURG: Yes.

MR. BLAYLOCH: So you can make a motion just to say that if Brian agrees it, and that's the only way. If Brian agrees to a repayment and part of that repayment is taking the money from the pension funds, whatever the agreed upon time frame that the Village and Brian agree to will -- we're saying we'll agree to their agreement.

The pension board saying, yes, the Village and Brian have agreed to repay this and the way they've agreed to repay it is through pension or deduction of his pension and we're saying we're okay with that --

MR. NIEMBURG: My motion is to make the mechanism available to the Village, period.

MR. BLAYLOCH: And Brian.

MR. MILLER: Correct.

MR. NIEMBURG: And Brian, yes.

MR. BLAYLOCH: I would say make it that way.

MR. NIEMBURG: I'll withdraw my motion.

Go ahead. You go.

MR. BLAYLOCH: No. You guys haven to make it.

MR. NIEMBURG: All right. I move that the pension board make available to the Village the method of recollecting or collecting the overpayment on the PITA funds due to the retroactive application of the pension if the Village secures, independently of the pension board, agreement from the individual to a repayment plan.

MR. MILLER: Second.

MR. SIDLER: Second.

MR. BLAYLOCH: Role call.

MR. BURKE: Burke, aye.

MR. BLAYLOCH: Blayloch, aye.

MR. SIDLER: Sidler, aye.

MR. MILLER: Miller, aye.

MR. NIEMBURG: Niemburg, aye.

MR. BLAYLOCH: Then I guess --

MR. NIEMBURG: I think we also ought to ask Reamer (phonetic) if we did something -- if we made a mistake here.

MR. BURKE: We're going to see him when we meet for Beck. Beck is doing his doctor appointment. One was in April. Two were early May and so I'd imagine sometime in June we'll have a meeting.

MR. NIEMBURG: Can we follow up with him in the meantime and say this happened?

MR. BURKE: I have to ask him when he's here because -- I mean, I can call and ask him.

MR. BLAYLOCH: Or send an email. Just --

MR. NIEMBURG: Yes.

MR. BLAYLOCH: I guess I could send an email too.

MR. NIEMBURG: I think this has implications to your earlier point. If we did everything correct by the law and it resulted in an -- of this overpayment by the Village, in the future we should add a mechanism up front to correct that.

MR. BURKE: Yes, I agree. I agree. We'll do that. It's just this one is --

MR. NIEMBURG: To do that, somebody's got to call up Reamer and find out if we did something wrong or if we did it by the book --

MR. BURKE: It was probably based on calculation --

MR. NIEMBURG: I don't want your opinion.

MR. BURKE: No. I'm just saying it was a calculation done on their part backdating. So I don't know.

MR. MILLER: Because if I recall, didn't we make the effective date the date of the hearing? That's what --

MR. BLAYLOCH: That's what they said, but that's not what they did because he was not getting his -- he didn't get paid until end of December. He kept sending emails saying, when will I get it.

I don't think his payment came out until December, right? You don't have to look it up. I believe it was December.

MR. ENDRIUKAITIS: It was.

MR. BLAYLOCH: Eric and I were going back and forth. Whatever the case -- I mean, I think your motion that you just said is not -- we're not mandating anything --

MR. BURKE: We're making it available to him. If he wants to utilize --

MR. NIEMBURG: I'm just interested in did we -- do we need to account for this going forward, put a mechanism in place at the time of the --

MR. BURKE: Absolutely. I'll ask him, but absolutely because something happened that caused this --

MR. BLAYLOCH: I think the only way you would run into an issue -- and I'm not just guessing, but the only way you run into an issue is, I'm not signing that. We're not going to not give them their pension if they don't sign that. That would be the only problem.

I think it would be, you know, putting it out there, okay. They know they're retiring. They're going to sign it. If they say, I'm absolutely not signing it, we're going to run into an issue. But have we had any issue with anybody retiring saying they went us -- saying, hey, we accidentally overpaid you, this is how we're going to recover the money --

MR. BURKE: Only when we had the Illinois Department of insurance tell us about those people in the audit.

MR. BLAYLOCH: No --

MS. BUTTNY: No --

MR. BLAYLOCH: No. What I'm saying is when the officer retired --

MR. BURKE: No.

MR. SIDLER: Since we instituted this has anybody --

MR. BURKE: Right. No.

MR. BLAYLOCH: I don't think that would be the case there. But sure.

MR. BURKE: And Beck went off PITA. He's no longer on it.

MR. SIDLER: Judy, you said we're going to see this again?

MS. BUTTNY: TTD, right?

MR. BURKE: TTD. Yes. We're paying TTD. What we need to do --

MR. NIEMBURG: What's that?

MR. BURKE: Temporary and total disability workers' comp, he gets paid two-thirds -- PITA is he's maintained 100 percent from here -- for one year. Then he comes off PITA goes back to the salary he was earning at the time of the injury at two-thirds because -- at no tax. That's the work comp.

We're paying that -- the Village is. And so what we need to do is try to start one and end the other so they don't overlap, right?

MR. NIEMBURG: Yes. If we can do that over the -- whatever the statutes are --

MR. BURKE: We'll find out.

MR. NIEMBURG: The pension has to be active of X-date and the Village was still obligated to pay past that date and they were doing everything by the book and, therefore, we need to figure out to handle this going forward.

MR. BLAYLOCH: My thoughts are you're probably not going to have an issue with this one anyway.

MR. BURKE: No, we won't. I hope not.

MR. BLAYLOCH: We can have this letter or whatever the case is. I also think that Dennis is probably right. If we're going to have to pay for an opinion, which, we may. I don't -- It's 2,300. Why don't we wait until he gets here? You can go through and, you know, maybe just talk to him and see what he has to say about it --

MR. NIEMBURG: Send an email.

MR. BLAYLOCH: Shoot him an email or a voice call, you know, he's obviously not responding to stuff through the mail. Just say, hey, this is what we're going with, this is what the Board decided. If you're -- this is what you want to do, let us know. Maybe just by doing that he says he's okay with it.

But I think we can get an opinion from Reamer when he's here. When -- Do we know when we're meeting with him? That's just after --

MR. BURKE: Well, it will be before the next meeting -- regular meting because I'm assuming that we're going to meet him in June to have the hearing with Scott.

MR. BLAYLOCH: We'll see. I mean, whatever -- I don't think it's like we've overpaid him $150,000 like we have to have this. It's $2,300 and hopefully just your conversation will be enough with him to tell him we discussed this way and the it's going.

MR. NIEMBURG: I was -- The conversation I was suggesting with Rick is more big picture. Not specific --

MR. BLAYLOCH: We should wait until we --

MR. BURKE: The thing is we have to sort of bring it in the conversation as we do it with Scott so that we it get under one visit. Those things get expensive talking with that --

MR. BLAYLOCH: Any more discussion on that?

MR. MILLER: No.

MR. BLAYLOCH: Guess what, Judy. You're back.

MS. BUTTNY: Right back to the report that Eric has presented. Last three pages, 11-1 to 11-3, and I ask for this board to approve the vendor checklist as presented in the Lauterbach report in the amount of $220,612.92.

MR. SIDLER: What page --

MS. BUTTNY: 11-1 through 11-3.

MR. SIDLER: I will make a motion to approve payment for 220,612 as indicated by the quarterly vendor checklist given to us by Lauterbach & Amen.

MR. BURKE: I second it.

MR. BLAYLOCH: Role call.

MR. BURKE: Burke, aye.

MR. BLAYLOCH: Blayloch, aye.

MR. SIDLER: Sidler, aye.

MR. MILLER: Miller, aye.

MR. NIEMBURG: Niemburg, aye.

MR. BLAYLOCH: Is that all you have, Judy?

MS. BUTTNY: That's it.

MR. BLAYLOCH: Number 8. We're skipping 7 because we just had a long discussion on that and we'll go to number 8.

MR. BURKE: Number 8 -- Let me explain this. John Yorkum (phonetic) was a police officer with the Village. John Yorkum decided to resign from the Village. Prior to resigning, he made application for a non-duty disability pension. I'd received a notification from Reamer's office that it was officially sanctioned that he made -- the reason I say that is he had to do that before he resigned so that he was able to make application.

He called last week and he said to me, I'm talking to you as a secretary of the pension board, I want to withdraw my non-duty disability application because my intention is to take the refund of contributions. I said I'll accept it in writing. I have it in emails and if anybody wants to see he sent me this saying, after consideration, I'd like to withdraw my non-duty disability application.

Because it was officially filed and through our attorney, I think that we as a board need to -- I want to make a motion that we accept John Yorkum's request to withdraw his non-duty disability application.

MR. SIDLER: The next step then is a next discussion after this? His intent was...

MR. BURKE: His intent is to take a -- Yes. His intent is to take his contributions refund and we should --

MR. SIDLER: Withdraw --

MR. BURKE: We do have to vote on that do we.

MR. BLAYLOCH: He hasn't requested --

MR. BURKE: He has to do the paperwork.

MR. ENDRIUKAITIS: Correct.

MR. BLAYLOCH: I think we leave that portion out. If he's saying --

MR. SIDLER: He's withdrawing. All we're doing is --

MR. BURKE: All we are saying is we have recognized that he has withdrawn his non-duty disability application and we accept it.

MR. SIDLER: Motion.

MR. BURKE: I made the motion.

MR. SIDLER: Second.

MR. BLAYLOCH: Role call.

MR. BURKE: Burke, aye.

MR. BLAYLOCH: Blayloch, aye.

MR. SIDLER: Sidler, aye.

MR. MILLER: Miller, aye.

MR. NIEMBURG: Niemburg, aye.

MR. SIDLER: And the second follow-up, his intention that you believe is to withdraw --

MR. BURKE: He told me he's going to withdraw his contributions. I will make sure he --

MR. ENDRIUKAITIS: Contact me.

MR. BURKE: Have him contact Eric to start that and Eric will take it from there and he'll make distributions of his fund and we'll see it at the next meeting.

MR. ENDRIUKAITIS: Correct.

MR. BLAYLOCH: We don't need any motions or any of that?

MR. ENDRIUKAITIS: No. You would motion it at the next meeting.

MR. SIDLER: Once he's formerly --

MR. BURKE: He'll have his money, right?

MR. ENDRIUKAITIS: If you sign the form prior to the meeting, yes.

MR. BURKE: And that's what -- Who do you need? Two trustees --

MR. ENDRIUKAITIS: I just need one. Once he signs --

MR. BURKE: Let me ask this then. Let me make a motion that the Board approves that with one signatory, probably me, that if I sign his contributions, his money, we will release it to him prior to our next meeting.

MR. BLAYLOCH: How about when and if he makes application for his -- when and if he makes application for a refund that we approve it with --

MR. BURKE: Based on one signature.

MR. SIDLER: And to clarify, he is closing out of his obligation to the pension fund --

MR. BURKE: Right.

MR. SIDLER: -- to us.

MR. BLAYLOCH: Stopped.

MR. SIDLER: Forever at that. I second your motion.

MR. BURKE: Burke, aye.

MR. BLAYLOCH: Role call.

MR. BURKE: Burke, aye.

MR. BLAYLOCH: Blayloch, aye.

MR. SIDLER: Sidler, aye.

MR. MILLER: Miller, aye.

MR. NIEMBURG: Niemburg, aye.

MS. BUTTNY: One item under Lauterbach, we have to approve their agreement.

MR. ENDRIUKAITIS: Correct. So this is just a revised agreement. You already signed this agreement, but the American Institute of Certified Public Accounts wanted us to disclose more information in the engagement letter. So strictly just a language perspective, no financial monies have changed. It's still good for up to 2020, December 31st, 2020. So I'm just -- We need to revise the engagement letter signed. I have a couple of copies here.

MS. BUTTNY: I think you made it out to everybody.

MR. BURKE: I put it on an attachment that went out.

MR. NIEMBURG: Yes.

MR. SIDLER: Just approving the new format. And then you guys have -- it's the ten-year summary request and then the total column request for the cash flow.

MR. ENDRIUKAITIS: Yes. We're still at the -- That might cost a little more money in our system. I might have to do that through Excel.

MR. SIDLER: The other request we brought up is on the 23rd of July, the ten-year analysis of data. If you were here, you didn't get that information, so --

MS. FAIN: It will be at your next meeting for sure. And no charge.

MR. SIDLER: Thank you.

MR. BLAYLOCH: Eric, who has to sign this?

MR. SIDLER: You.

MR. ENDRIUKAITIS: President, secretary, assistant secretary, vice president.

MS. BUTTNY: Any of them?

MR. ENDRIUKAITIS: Just one of -- any of you guys.

MR. BURKE: Mr. President, as long as you're here.

MR. BLAYLOCH: So then new business we're on, looks like it's retirement approval of David O'Cecco (phonetic).

MR. BURKE: You know -- Yeah. You have the worksheet, right?

MR. SIDLER: Those are two old worksheets.
MR. ENDRIUKAITIS: I have copies for everybody.
MR. BLAYLOCH: Eric's got it. All right.
MR. ENDRIUKAITIS: You might have to share --
MR. BURKE: I saw it already.
MS. BUTTNY: You going to read it?
MR. BURKE: You want me to read it in the record?
MR. SIDLER: Yes. Rick wanted us to.
MR. BURKE: Okay. Reading into the record the retirement of Downers Grove police office David A. O'Cecco. His retirement date will be May 8, 2019. He is 58-years-old with 30 years of service. His salary at the time of separation is $103,689. With 30 years of service, he is entitled to 75 percent of that amount. And the original monthly pension issued to Officer O'Cecco will be $6,480.56.
The prorated amount is going to be $4,808.16 and the remainder of May 2019 and beginning May 1, 2019, the benefit goes to the $6,480.56 or 77,766.72 annual.
MR. BLAYLOCH: June 1st.
MR. BURKE: June 1st. Did I say May?
MR. SIDLER: Yes.

MR. BURKE: June 1st.

MR. BLAYLOCH: So I'm going to make a motion to accept this.

MR. SIDLER: Motion made to approve.

MR. BURKE: Second.

MR. BLAYLOCH: Role call.

MR. BURKE: Burke, aye.

MR. BLAYLOCH: Blayloch, aye.

MR. SIDLER: Sidler, aye.

MR. MILLER: Miller, aye.

MR. NIEMBURG: Niemburg, aye.

MR. BLAYLOCH: Motion passes. Okay. Other new business, we have a new officer that is going to be a tier 2. Emily Shoinfelt (phonetic), who has actually made an application already.

MR. BURKE: She filled out --

MR. BLAYLOCH: She's got everything.

MR. BURKE: I turned in her paperwork. She made all her application, filled it out. She's at the academy now. I make a motion to accept Emily Shoinfelt into the Downers Grove Police Pension Fund.

MR. NIEMBURG: Second.

MR. BLAYLOCH: Role call.

MR. BURKE: Burke, aye.

MR. BLAYLOCH: Blayloch, aye.

MR. SIDLER: Sidler, aye.

MR. MILLER: Miller, aye.

MR. NIEMBURG: Niemburg, aye.

MR. BLAYLOCH: Any old business? There's no public here to comment. So somebody want to make a motion to adjourn?

MR. SIDLER: Motion to adjourn.

MR. BURKE: Second.

MR. BLAYLOCH: Role call.

MR. BURKE: Burke, aye.

MR. BLAYLOCH: Blayloch, aye.

MR. SIDLER: Sidler, aye.

MR. MILLER: Miller, aye.

MR. NIEMBURG: Niemburg, aye.

STATE OF ILLINOIS)
) SS.
COUNTY OF DuPAGE)

Serena M. Raimonde, being first duly sworn, on oath says that she is a Certified Shorthand Reporter, and Notary Public, doing business in the City of Chicago, County of DuPage and the State of Illinois;

That she reported in shorthand the proceedings had at the foregoing Meeting;

And that the foregoing is a true and correct transcript of her shorthand notes so taken as aforesaid and contains all the proceedings had at the said Meeting.

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SERENA M. RAIMONDE, CSR

CSR No. 084-004849

SUBSCRIBED AND SWORN TO
before me this 25th day of April, 2019.

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