

VILLAGE OF GLENCOE
POLICE PENSION FUND BOARD

Regular Meeting
Village Hall Conference Room
675 Village Court

Wednesday, October 26, 2016
7:00 a.m.

A G E N D A

The Village of Glencoe is subject to the requirements of the Americans With Disabilities Act of 1990. Individuals with disabilities who plan to attend this meeting and who require certain accommodations in order to allow them to observe and/or participate in this meeting, or who have questions regarding the accessibility of the meeting or the facilities, are requested to contact the Village of Glencoe at least 72 hours in advance of the meeting at (847) 835-4114, or please contact the Illinois Relay Center at (800) 526-0844, to allow the Village of Glencoe to make reasonable accommodations for those persons.

1. CALL TO ORDER AND ROLL CALL

*Michael Neimark, President
Bruce Becker, Trustee
Peter Neville, Trustee
Christopher Pfaff, Trustee
Joseph Walter, Trustee*

2. PUBLIC COMMENT TIME

Individuals interested in addressing the Board on non-agenda items may do so during this time.

3. APPROVAL OF JULY 27, 2016 MINUTES

4. REVIEW FINANCIAL ACTIVITY WITH GREAT LAKES ADVISORS

5. RECEIVE COPY OF VILLAGE COMPREHENSIVE FINANCIAL REPORT

6. APPROVE QUARTERLY PAYMENTS AND DISBURSEMENTS

7. CONSIDER NEW OFFICER JESSICA TETZLAFF FOR ELIGIBILITY

8. CONSIDER NEW OFFICER DAVID VEIT FOR ELIGIBILITY

9. CONSIDER NEW OFFICER WILLIAM WIDMER FOR ELIGIBILITY

10. ACKNOWLEDGE TERMINATION OF WILLIAM WIDMER

11. TRAINING: TRUSTEE ETHICS

12. OTHER BUSINESS

13. ADJOURNMENT

VILLAGE OF GLENCOE
POLICE PENSION FUND MEETING

REGULAR MEETING MINUTES
Wednesday, July 27, 2016

1. Call to Order

Wednesday, July 27, 2016 at 7:05 a.m.

Roll Call

The following were present:

Michael Neimark, President
Bruce Becker, Trustee
Peter Neville, Trustee
Joe Walter, Trustee

The following were absent:

Christopher Pfaff, Trustee

The following were also present:

David A. Clark, Treasurer
Ken Paczosa, Public Safety Officer

Also present Representing Great Lakes Advisors, LLC (GLA):

Kelly Weller, Managing Director, Client Service
Christy Coon, Senior Portfolio Manager
Bruce Ebel, Senior Portfolio Manager

2. Public Comment Time

There was no one in attendance from the public.

3. Approval of April 27, 2016 Minutes

Upon motion made, seconded and unanimously adopted by those present, the minutes of the April 27, 2016 meeting were approved as submitted.

4. Review Financial Activity with Great Lakes Advisors

Mr. Weller presented the portfolio summary for the period ending May 31, 2016. During the quarter the portfolio increased from \$29.8 Million to \$31.4 Million, with 1.9% in cash and cash equivalents, 53.0% in equity and 45.0% in fixed income. The Board discussed the portfolio with the representatives from Great Lakes Advisors.

5. Approve Quarterly Payments and Disbursements

President Neimark presented the quarterly pension fund annuity payments in the amount of 526,360.02 and quarterly accounts payable payments in the amount of \$98,628.14. Upon motion made, seconded and unanimously adopted by those present, the quarterly payments and disbursements were approved as submitted.

6. Approve Actuarial Assumptions for 2016 Tax Levy

The Board discussed the assumptions proposed for the Fiscal Year 2016 Tax Levy. The actual contribution proposed for Fiscal Year 2018 will be \$1,569,862 per State of Illinois assumptions. The tax levy for 2016 will increase per Property Tax Extension Limitation Law. After further discussion, upon motion made, seconded and unanimously adopted, the assumptions for the 2016 Tax Levy were approved as submitted.

7. Approve Eligibility of New Officer Allison Chite

Upon motion made, seconded and unanimously adopted, the Board approved the eligibility of new Tier 2 Public Safety Officer Allison Chite effective with hire on July 6, 2016.

8. Approve Eligibility of New Officer Ryan McEnerney

Upon motion made, seconded and unanimously adopted, the Board approved the eligibility of new Tier 2 Public Safety Officer Ryan McEnerney effective with hire on July 6, 2016.

9. Training: Basic Accounting and Actuarial Training

The training topic was addressed in accordance with the Police Pension Fund Board's Training Policy.

10. Adjournment

There being no further business to come before the Police Pension Fund Board, upon motion made, seconded and unanimously adopted by those present, the meeting was adjourned at 8:40 a.m.

VILLAGE OF GLENCOE
GLENCOE POLICE PENSION FUND

ROLLING CALENDAR

October Meeting October 26, 2016

1. Review financial activity with Great Lakes Advisors.
2. Receive copy of Village Comprehensive Financial Report
3. Approve quarterly payments and disbursements.
4. Training: Trustee ethics.

January Meeting January 25, 2017

1. Review financial activity with Great Lakes Advisors.
2. Receive municipal compliance report.
3. Review quarterly payments and disbursements.
4. Approve annual budget.
5. Review Annual Calendar.
6. Training: Duties and liabilities of pension fund fiduciaries.

April Meeting April 26, 2017

1. Select President, Vice President, Secretary and Assistant Secretary (as separate items on agenda)
2. Review financial activity with Great Lakes Advisors.
3. Consideration of New Officers Hired
4. Review quarterly payments and disbursements
5. Training: Illinois Open Meetings Act and Freedom of Information Act

July Meeting July 26, 2017

5. Certify Election of Retired Pension Fund Member (Biennial)
6. Review financial activity with Great Lakes Advisors
7. Review quarterly payments and disbursements
8. Rebalance equity portfolio to State of Illinois limits.
9. Begin Review Actuarial Assumptions for 2015 Tax Levy
10. Training: Basic accounting and actuarial training.

VILLAGE OF GLENCOE, ILLINOIS

Notes to the Financial Statements

February 29, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan

Plan Descriptions

Plan Administration. The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the Fund as a pension trust fund. The Fund is governed by a five-member pension board. Two members of the Board are appointed by the Village President, one member is elected by pension beneficiaries and two members are elected by active police employees.

Plan Membership. At February 29, 2016, the measurement date, membership consisted of the following:

| | |
|------------------------------------------------------------------|------------------|
| Inactive Plan Members Currently Receiving Benefits | 33 |
| Inactive Plan Members Entitled to but not yet Receiving Benefits | 1 |
| Active Plan Members | <u>33</u> |
| Total | <u><u>67</u></u> |

Benefits Provided. The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3 percent compounded annually thereafter.

VILLAGE OF GLENCOE, ILLINOIS

Notes to the Financial Statements

February 29, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Plan Descriptions – Continued

Benefits Provided – Continued. Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officer salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent of ½ of the change in the Consumer Price Index for the preceding calendar year.

Contributions. Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year-ended February 29, 2016, the Village's contribution was 46.02% of covered payroll.

Concentrations. At year end, the Pension Plan has investments (other than U.S. Government and U.S. Government-guaranteed obligations) in any one organization that represent 5 percent or more of net position available for benefits as follows:

| Investment | Amount |
|-----------------------------------|--------------|
| Vanguard 500 Index FD Admiral Shs | \$ 2,022,621 |
| IShares Russell 1000 Growth | 1,981,783 |
| Templeton Global Bond | 1,664,351 |

VILLAGE OF GLENCOE, ILLINOIS

Notes to the Financial Statements
February 29, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed, as of February 29, 2016, using the following actuarial methods and assumptions:

| | |
|----------------------------|---------------------|
| Actuarial Valuation Date | 2/29/2016 |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | Market |
| Actuarial Assumptions | |
| Interest Rate | 6.75% |
| Salary Increases | 5.50% |
| Cost of Living Adjustments | 2.50% |
| Inflation | 2.50% |

Mortality rates were based on the RP-2014 Mortality Table(BCHA) projected to 2016 using improvement scale MP-2015. The other non-economic actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

VILLAGE OF GLENCOE, ILLINOIS

Notes to the Financial Statements
February 29, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate as well as what the Village's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net Pension Liability | \$ 31,957,111 | 24,589,252 | 18,543,639 |

Changes in the Net Pension Liability

| | Total Pension Liability (A) | Plan Fiduciary Net Position (B) | Net Pension Liability (A) - (B) |
|-------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Balances at February 28, 2015 | \$ 49,991,818 | 32,114,857 | 17,876,961 |
| Changes for the Year: | | | |
| Service Cost | 824,280 | - | 824,280 |
| Interest on the Total Pension Liability | 3,304,601 | - | 3,304,601 |
| Difference Between Expected and Actual Experience of the Total Pension Liability | (1,331,838) | - | (1,331,838) |
| Changes of Assumptions | 4,037,694 | - | 4,037,694 |
| Contributions - Employer | - | 1,562,863 | (1,562,863) |
| Contributions - Employees | - | 340,092 | (340,092) |
| Net Investment Income | - | (1,758,880) | 1,758,880 |
| Benefit Payments, including Refunds of Employee Contributions | (2,069,518) | (2,069,518) | - |
| Other (Net Transfer) | - | (21,629) | 21,629 |
| Net Changes | 4,765,219 | (1,947,072) | 6,712,291 |
| Balances at February 29, 2016 | 54,757,037 | 30,167,785 | 24,589,252 |

VILLAGE OF GLENCOE, ILLINOIS

Notes to the Financial Statements

February 29, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended February 29, 2016, the Village recognized pension expense of \$3,025,533. At February 29, 2016, the Village reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Totals |
|-------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|------------------|
| Difference Between Expected and Actual Experience | \$ - | (1,040,226) | (1,040,226) |
| Change in Assumptions | 3,153,623 | - | 3,153,623 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 3,136,224 | - | 3,136,224 |
| Total Deferred Amounts Related to Police Pension | <u>6,289,847</u> | <u>(1,040,226)</u> | <u>5,249,621</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

| Fiscal Year | Net Deferred Outflows of Resources |
|----------------|------------------------------------------|
| 2017 | \$ 1,376,516 |
| 2018 | 1,376,516 |
| 2019 | 1,376,516 |
| 2020 | 1,120,073 |
| 2021 | - |
| Thereafter | - |
| Total | <u>5,249,621</u> |

VILLAGE OF GLENCOE, ILLINOIS

Police Pension Fund

**Required Supplementary Information
Schedule of Employer Contributions
February 29, 2016**

| Fiscal Year | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Excess/ (Deficiency) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|-------------|-------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------------|-----------------------------------------------------------|
| 2015 | \$ 1,114,467 | \$ 1,482,314 | \$ 367,847 | \$ 3,298,679 | 44.94% |
| 2016 | 1,167,493 | 1,562,863 | 395,370 | 3,395,836 | 46.02% |

Notes to the Required Supplementary Information:

| | |
|-------------------------------|-------------------------------------------|
| Actuarial Valuation Date | February 29, 2016 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level % Pay (Closed) |
| Remaining Amortization Period | 25 Years |
| Asset Valuation Method | Market value |
| Inflation | 2.50% |
| Salary Increases | 5.50% |
| Investment Rate of Return | 6.75% |
| Retirement Age | See the Notes to the Financial Statements |
| Mortality | RP 2014 projected to 2016 |

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF GLENCOE, ILLINOIS

Police Pension Fund

Required Supplementary Information
 Schedule of Changes in the Employer's Net Pension Liability
 February 29, 2016

| | 2015 | 2016 |
|------------------------------------------------------------------------------|---------------|-------------|
| Total Pension Liability | | |
| Service Cost | \$ 768,722 | 824,280 |
| Interest | 2,980,948 | 3,304,601 |
| Differences Between Expected and Actual Experience | (111,871) | (1,331,838) |
| Change of Assumptions | 3,168,019 | 4,037,694 |
| Benefit Payments, Including Refunds of Member Contributions | (1,952,395) | (2,069,518) |
| Net Change in Total Pension Liability | 4,853,423 | 4,765,219 |
| Total Pension Liability - Beginning | 45,138,395 | 49,991,818 |
| Total Pension Liability - Ending | 49,991,818 | 54,757,037 |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | \$ 1,482,314 | 1,562,863 |
| Contributions - Members | 317,645 | 340,092 |
| Net Investment Income | 2,209,655 | (1,758,880) |
| Benefit Payments, Including Refunds of Member Contributions | (1,952,395) | (2,069,518) |
| Administrative Expense | (17,521) | (21,629) |
| Net Change in Plan Fiduciary Net Position | 2,039,698 | (1,947,072) |
| Plan Net Position - Beginning | 30,075,159 | 32,114,857 |
| Plan Net Position - Ending | 32,114,857 | 30,167,785 |
| Employer's Net Pension Liability | \$ 17,876,961 | 24,589,252 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 64.24% | 55.09% |
| Covered-Employee Payroll | \$ 3,298,679 | 3,395,836 |
| Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll | 541.94% | 724.10% |

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF GLENCOE, ILLINOIS

Police Pension Fund

Required Supplementary Information
Schedule of Investment Returns
February 29, 2016

| Fiscal Year | Annual Money- Weighted Rate of Return, Net of Investment Expense |
|----------------|------------------------------------------------------------------------------|
| 2015 | 7.60% |
| 2016 | (5.24%) |

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF GLENCOE, ILLINOIS

Pension Trust Funds

Combining Statement of Fiduciary Net Position
February 29, 2016

| | Police Pension | Firefighters' Pension | Totals |
|---------------------------------------------|-------------------|--------------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,749,544 | 2,228 | 1,751,772 |
| Investments | | | |
| U.S. government and agency obligations | 4,210,815 | - | 4,210,815 |
| Local government obligations | 479,911 | - | 479,911 |
| Corporate bonds | 4,899,848 | - | 4,899,848 |
| Mutual funds | 12,878,557 | - | 12,878,557 |
| Common Stock | 6,080,282 | - | 6,080,282 |
| Receivables | | | |
| Accrued interest | 74,553 | - | 74,553 |
| Other | 5,449 | - | 5,449 |
| Total assets | 30,378,959 | 2,228 | 30,381,187 |
| LIABILITIES | | | |
| Due to other funds | 211,174 | 1,461 | 212,635 |
| NET POSITION RESTRICTED FOR PENSIONS | 30,167,785 | 767 | 30,168,552 |

VILLAGE OF GLENCOE, ILLINOIS

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended February 29, 2016

| | Police Pension | Firefighters' Pension | Totals |
|---------------------------------------------|--------------------|--------------------------|--------------------|
| ADDITIONS | | | |
| Contributions - employer | \$ 1,562,863 | 60,207 | 1,623,070 |
| Contributions - plan members | 340,092 | - | 340,092 |
| Total contributions | <u>1,902,955</u> | <u>60,207</u> | <u>1,963,162</u> |
| Investment income | | | |
| Interest earned | 1,073,414 | 39 | 1,073,453 |
| Net change in fair value | (2,756,043) | - | (2,756,043) |
| | <u>(1,682,629)</u> | <u>39</u> | <u>(1,682,590)</u> |
| Less investment expenses | (76,251) | - | (76,251) |
| Net investment income | <u>(1,758,880)</u> | <u>39</u> | <u>(1,758,841)</u> |
| Total additions | <u>144,075</u> | <u>60,246</u> | <u>204,321</u> |
| DEDUCTIONS | | | |
| Pensions and refunds | 2,069,518 | 64,436 | 2,133,954 |
| Miscellaneous | | | |
| Contractual professional services | 21,629 | (282) | 21,347 |
| Total deductions | <u>2,091,147</u> | <u>64,154</u> | <u>2,155,301</u> |
| CHANGE IN FIDUCIARY NET POSITIN | (1,947,072) | (3,908) | (1,950,980) |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| BEGINNING | <u>32,114,857</u> | <u>4,675</u> | <u>32,119,532</u> |
| ENDING | <u>30,167,785</u> | <u>767</u> | <u>30,168,552</u> |

VILLAGE OF GLENCOE, ILLINOIS

Police Pension - Pension Trust Fund

Schedule of Changes in Fiduciary Net Position - Budget and Actual
For the Fiscal Year Ended February 29, 2016

| | Appropriations | | Original and Final Budget | Actual | Budget Variance Over (Under) |
|---------------------------------------------------|--------------------|--------------------|---------------------------------|--------------------------|---------------------------------------|
| | Original | Final | | | |
| ADDITIONS | | | | | |
| Contributions - employer | \$ - | - | 1,562,863 | 1,562,863 | - |
| Contributions - plan members | - | - | 343,000 | 340,092 | (2,908) |
| Contributions - other | - | - | 6,000 | - | (6,000) |
| Total contributions | - | - | 1,911,863 | 1,902,955 | (8,908) |
| Investment income | | | | | |
| Interest earned | - | - | 1,008,000 | 1,073,414 | 65,414 |
| Net change in fair value | - | - | - | (2,756,043) | (2,756,043) |
| | - | - | 1,008,000 | (1,682,629) | (2,690,629) |
| Less investment expenses | - | - | - | (76,251) | (76,251) |
| Net investment income | - | - | 1,008,000 | (1,758,880) | (2,766,880) |
| Total additions | - | - | 2,919,863 | 144,075 | (2,775,788) |
| DEDUCTIONS | | | | | |
| Pensions and refunds | 2,277,619 | 2,277,619 | 1,980,143 | 2,069,518 | 89,375 |
| Miscellaneous | | | | | |
| Contractual professional services | - | - | 90,420 | 21,629 | (68,791) |
| Total deductions | 2,277,619 | 2,277,619 | 2,070,563 | 2,091,147 | 20,584 |
| CHANGE IN FIDUCIARY NET POSITION | <u>(2,277,619)</u> | <u>(2,277,619)</u> | <u>849,300</u> | <u>(1,947,072)</u> | <u>(2,796,372)</u> |
| NET POSITION RESTRICTED FOR PENSIONS BEGINNING | | | | <u>32,114,857</u> | |
| ENDING | | | | <u><u>30,167,785</u></u> | |