

City of Hickory Hills
Police Pension Board Minutes
Wednesday, July 20, 2016 5:30pm

Attendance: David Wetherald, President; Robert Troy, Vice-President; Mary McDonald, Secretary; Scott Sodaro, Trustee was absent; James Kadelis, Trustee; Dan Schramm, City Treasurer was absent; John Falduto, Sawyer Falduto; Dave Harrington, Sawyer Falduto

John Falduto did not have much in terms of formal comments for tonight's meeting. The board had mentioned that you would be discussing our services and what we proposed and talked about at our last meeting with your board and our objective was to be here in case you needed anything else or further questions. We do not have anything more formal that we need to discuss except the investment policy.

Mary had sent over the investment advisory agreement that is the contract between Sawyer Falduto and the pension board to Attorney Rick Reimer for review. Mary stated that she did receive an email from Rick Reimer stating that the agreement paperwork was fine. That is when he mentioned about the custodial agreement and that is when I came back to John Falduto and who reached out to Rick.

John stated that the investment advisory agreement which was part of our new business presentation. The custodian stuff is kind of the housekeeping paperwork so we usually do not include that in our new business presentation so that is what I sent over to Rick. The Schwab account application outlines the parameters of the Schwab custody account and an addendum. The reason that the addendum is in place is that the Schwab paperwork typically requires personal identifiers for the signers or trustees either one at this point is not required because we have a special arrangement with Schwab for our clients only knowing that they are fire fighters, police officers typically so personal identifiers are not included on the Schwab paperwork. That is why there are three pieces instead of just the Schwab and Sawyer Falduto there is the addendum that allows that to happen without those personal identifiers.

John stated that Schwab is the sole custodian. They are the only one that holds the assets. If any assets do come out of that account and go anywhere other than the receiving proceeds who are selling it, it needs to come from a signer on the account, we cannot do it nobody else can. The other piece was the investment policy. We had provided our prototype policy.

Mary stated that the board modified the prototype investment policy provided by Sawyer Falduto. John Faluduto stated that they would have no problems managing within the parameters of that updated policy.

Mary stated that a recommendation was made by Dan Davis of Morgan Stanley after their review of the proposed updated investment policy. The recommendation was to increase the range for investment grade Corporate Bonds from zero to 30% to zero to 50% allowing the fund to take advantage of low interest rate environments.

John stated that we can certainly put that in place. We typically would not go to 50% in Corporate Bonds just because of the credit risk you have with Corporate Bonds. They could go belly up tomorrow and we would have nothing, but zero to 50% is certainly acceptable. From our perspective, you look at the fixed income side as your safer and more secure portion of your portfolio. When the statute changed several years ago to incorporate or allow you to have Corporate Bonds in the mix it was certainly good for a diversification perspective but it also increased your risk on the bond side. You already have a fair amount in equities and stocks where you have more risk by nature based by to the volatility.

The board agreed to leave the Corporate Bond range at zero to 30%.

John stated that the other thing that was changed of real note was adding a specific allocation to mid-cap of 20% with a range around that. That is fine. Within our portfolio we have mid-cap built in as large, mid, and small. We just typically categorize it as large and small with smaller side of large and the larger side of small kind of gets you that mid-cap. So there is no question that we are right at that range of 20% already anyway, so that is no problem.

Mary stated that within the modified policy a Russell 1000 would be the benchmark for the mid-cap stock investments and John agreed that the benchmark was appropriate.

Bob made a motion to approve Sawyer Falduto as the investment managers for the pension fund.

David seconded the motion.

The board vote was unanimous to approve the motion to accept Sawyer Falduto as the investment managers for

Bob made a motion that the pension board establishes a Schwab custodial account.

Jim seconded the motion.

The board unanimously approved the establishment of a Schwab custodial account for the pension funds.

Jim made a motion to adopt the new investment policy.

David seconded the motion.

The board unanimously approved the adoption of the new investment policy for the pension fund.

Mary will download the adopted investment policy, investment advisory agreement and the custodial agreement with the Department of Insurance.

John stated that once the custodial account is established the assets held in the brokerage account will be electronically transferred in kind to the possession of Schwab. The insurance annuity contract is separate. The contract is between the pension board and the insurance company. I know they show it on the brokerage statement, but it is not really in their custody. It is a contract directly with board, so it is something I going to ask you for any information you have on it, the original Nationwide contract and the most recent statement.

The board members checked their schedules and set the next to be Wednesday, October 26th at 5:30pm.

Mary requested approval of the minutes for April 27th, June 7th, and June 8th.

Bob made a motion to approve the minutes for April 27th, June 7th and June 8th 2016.

Jim seconded the motion.

The board unanimously approved the motion to approve the three board meeting minutes.

Mary referred to the paper packet distributed to the board which included Sergeant Kollner's application for retirement effective September 1st 2016. His hire date was August 20th 1990; his retirement is August 31, 2016. With a current salary of \$91,314.00 plus holiday salary of \$3,336.34 the total salary he is pensioning out at is \$94,650.34. His annual benefit as of today for September 2016 will be \$61,522.72. Can I have board approval for this pension benefit for Sergeant Kollner?

Dave asked if Sergeant Kollner had any time he has to make up for.

Mary stated that he had two unpaid days and he 26 years and 10 days after that. He supposedly had two other unpaid suspension days, but we discovered he had worked some afternoon shift to cover some overtime hours needed to erase his suspension days.

Bob made a motion to accept the pension benefit calculated for Sergeant. Kollner.

Jim seconded the motion

The board unanimously voted to accept the pension benefit calculated for Sgt. Kollner.

Mary mentioned that registration has not opened yet, but asked if the board trustees are planning on attending the October conference in Lake Geneva. Jim, Bob, and David acknowledged they plan on attending and David said Scott is also attending.

Meeting adjourned at 6:20pm.