

**RESOLUTION NO. 19-66**

**RESOLUTION AUTHORIZING THE ACCEPTANCE OF THE MUNICIPAL COMPLIANCE REPORT FOR FISCAL YEAR ENDED APRIL 30, 2019**

**WHEREAS**, the Village of Antioch, Lake County, Illinois (the "Village") is a duly organized and existing municipality created under the provisions of the laws of the State of Illinois; and

**WHEREAS**, the Municipal Compliance Report were prepared by Lauterbach and Amen, LLP; and

**WHEREAS**, the corporate authorities have considered the presentation and recommendation of acceptance of the Municipal Compliance Report

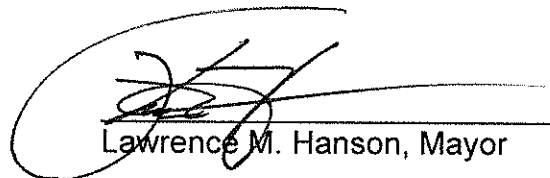
**NOW, THEREFORE, BE IT RESOLVED**, by the Mayor and Board of Trustees of the Village of Antioch to accept as presented the Municipal Compliance Report for fiscal year ended April 30, 2019 as prepared by Lauterbach and Amen, LLP.

**ADOPTED** by the Mayor and Village Board of Trustees of the Village of Antioch, Lake County, Illinois, this 18<sup>th</sup> day of November, 2019.

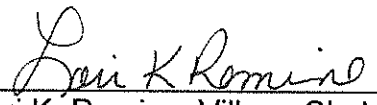
**AYES: 6:** Pierce, Macek, Yost, Dominiak, Poulos and Johnson.

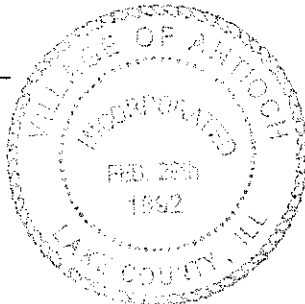
**NAYS: 0.**

**ABSENT: 0.**

  
Lawrence M. Hanson, Mayor

ATTEST:

  
Lori K. Romine, Village Clerk



VILLAGE OF ANTIOCH, ILLINOIS  
POLICE PENSION FUND

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PUBLIC ACT 95-0950  
MUNICIPAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED  
APRIL 30, 2019



October 28, 2019

Members of the Pension Board of Trustees  
Antioch Police Pension Fund  
Antioch, Illinois

Enclosed please find a copy of your Municipal Compliance Report for the Antioch Police Pension Fund for the fiscal year ended April 30, 2019. We have prepared the report with the most recent information available at our office. Should you have more current information, or notice any inaccuracies, we are prepared to make any necessary revisions and return them to you.

The President and Secretary of the Pension Fund are required to sign the report of page 3. If not already included with the enclosed report, please also include a copy of the Pension Fund's most recent investment policy.

The signed Public Act 95-0950 – Municipal Compliance Report must be provided to the municipality before the tax levy is filed on the last Tuesday in December. We are sending the report via email to promote an environmentally-friendly work atmosphere.

If you have any questions regarding this report, please contact us at [auditreport@lauterbachamen.com](mailto:auditreport@lauterbachamen.com).

Respectfully submitted,

*Lauterbach & Amen, LLP*

Lauterbach & Amen, LLP

**VILLAGE OF ANTIOCH, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2019**

The Pension Board certifies to the Board of Trustees of the Village of Antioch, Illinois on the condition of the Pension Fund at the end of its most recently completed fiscal year the following information:

- 1) The total cash and investments, including accrued interest, of the fund at market value and the total net position of the Pension Fund:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Total Cash and Investments (including accrued interest)	<u>\$10,180,015</u>	<u>\$9,220,244</u>
Total Net Position	<u>\$10,180,218</u>	<u>\$9,220,244</u>

- 2) The estimated receipts during the next succeeding fiscal year from deductions from the salaries of police officers and from other sources:

Estimated Receipts - Employee Contributions	<u>\$237,200</u>
Estimated Receipts - All Other Sources	
Investment Earnings	<u>\$687,200</u>
Municipal Contributions	<u>\$1,829,190</u>

- 3) The estimated amount required during the next succeeding fiscal year to (a) pay all pensions and other obligations provided in Article 3 of the Illinois Pension Code, and (b) to meet the annual requirements of the fund as provided in Sections 3-125 and 3-127:

(a) Pay all Pensions and Other Obligations	<u>\$1,788,200</u>
(b) Annual Requirement of the Fund as Determined by:	
Illinois Department of Insurance	<u>\$1,883,452</u>
Private Actuary - Lauterbach & Amen, LLP	
Recommended Municipal Contribution	<u>\$1,829,190</u>
Statutory Municipal Contribution	<u>\$1,566,702</u>

**VILLAGE OF ANTIOCH, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2019**

- 4) The total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year compared to the total net income, assumed investment return, and actual investment return received during the preceding fiscal year:

	Current Fiscal Year	Preceding Fiscal Year
Net Income Received from Investment of Assets	\$552,452	\$347,035
Assumed Investment Return		
Illinois Department of Insurance	5.75%	6.00%
Private Actuary - Lauterbach & Amen, LLP	6.75%	6.75%
Actual Investment Return	6.15%	4.50%

- 5) The total number of active employees who are financially contributing to the fund:

Number of Active Members	27
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- 6) The total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits:

	Number of	Total Amount Disbursed
(i) Regular Retirement Pension	14	\$1,047,086
(ii) Disability Pension	5	\$223,390
(iii) Survivors and Child Benefits	2	\$110,492
Totals	21	\$1,380,968

**VILLAGE OF ANTIOCH, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2019**

7) The funded ratio of the fund:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Illinois Department of Insurance	<u>28.40%</u>	<u>29.83%</u>
Private Actuary - Lauterbach & Amen, LLP	<u>31.78%</u>	<u>31.83%</u>

8) The unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability:

Unfunded Liability:

Illinois Department of Insurance	<u>\$24,280,539</u>
Private Actuary - Lauterbach & Amen, LLP	<u>\$20,843,036</u>

The accrued liability is the actuarial present value of the portion of the projected benefits that has been accrued as of the valuation date based upon the actuarial valuation method and the actuarial assumptions employed in the valuation. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets.

9) The investment policy of the Pension Board under the statutory investment restrictions imposed on the fund.

Investment Policy - See Attached.

Please see Notes Page attached.

CERTIFICATION OF MUNICIPAL POLICE  
PENSION FUND COMPLIANCE REPORT

The Board of Trustees of the Pension Fund, based upon information and belief, and to the best of our knowledge, hereby certify pursuant to §3-143 of the Illinois Pension Code 40 ILCS 5/3-143, that the preceding report is true and accurate.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2019

President \_\_\_\_\_ Date \_\_\_\_\_

Secretary \_\_\_\_\_ Date \_\_\_\_\_

**VILLAGE OF ANTIOCH, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2019**

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INDEX OF ASSUMPTIONS

- 1) Total Cash and Investments - as Reported at Market Value in the Audited Financial Statements for the Years Ended April 30, 2019 and 2018.

Total Net Position - as Reported in the Audited Financial Statements for the Years Ended April 30, 2019 and 2018.

- 2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended April 30, 2019 plus 3.25% Increase (Actuarial Salary Increase Assumption) Rounded to the Nearest \$100.

Estimated Receipts - All Other Sources:

Investment Earnings - Cash and Investments as Reported in the Audited Financial Statements for the Year Ended April 30, 2019, times 6.75% (Actuarial Investment Return Assumption) Rounded to the Nearest \$100.

Municipal Contributions - Recommended Tax Levy Requirement as Reported by Lauterbach & Amen, LLP, Actuarial Valuation for the Year Ended April 30, 2018.

- 3) (a) Pay all Pensions and Other Obligations - Total Non-Investment Deductions as Reported in the Audited Financial Statements for the Year Ended April 30, 2019, plus a 25% Increase, Rounded to the Nearest \$100.

(b) Annual Requirement of the Fund as Determined by:

Illinois Department of Insurance - Suggested Amount of Tax Levy as Reported in the April 30, 2018 Actuarial Valuation.

Private Actuary - Lauterbach & Amen, LLP

Recommended Amount of Tax Levy as Reported by Lauterbach & Amen, LLP in the April 30, 2018 Actuarial Valuation.

Statutorily Required Amount of Tax Levy as Reported by Lauterbach & Amen, LLP in the April 30, 2018 Actuarial Valuation.

**VILLAGE OF ANTIOCH, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2019**

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INDEX OF ASSUMPTIONS - Continued

- 4) Net Income Received from Investment of Assets - Investment Income (Loss) net of Investment Expense, as Reported in the Audited Financial Statements for the Years Ended April 30, 2019 and 2018.

Assumed Investment Return:

Illinois Department of Insurance - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the April 30, 2018 and 2017 Actuarial Valuations.

Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Lauterbach & Amen, LLP, April 30, 2018 and 2017 Actuarial Valuations.

Actual Investment Return - Money Weighted Rate of Return under GASB Pronouncements 67 and 68, as Reported in the Audited Financial Statements for the Fiscal Years Ended April 30, 2019 and 2018.

- 5) Number of Active Members - Illinois Department of Insurance Annual Statement for April 30, 2019 - Schedule P.
- 6) (i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for April 30, 2019 - Schedule P for Number of Participants and Expense page 1 for Total Amount Disbursed.
- (ii) Disability Pension - Same as above.
- (iii) Survivors and Child Benefits - Same as above.



**VILLAGE OF ANTIOCH, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2019**

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INDEX OF ASSUMPTIONS - Continued

7) The funded ratio of the fund:

Illinois Department of Insurance - Current and Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the April 30, 2018 and 2017 Actuarial Valuations.

Private Actuary - Current and Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the Lauterbach & Amen, LLP, April 30, 2018 and 2017 Actuarial Valuations.

8) Unfunded Liability:

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) as Reported in the April 30, 2018 Actuarial Valuation.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Lauterbach & Amen, LLP in the April 30, 2018 Actuarial Valuation.

**VILLAGE OF ANTIOCH, ILLINOIS**  
**POLICE PENSION FUND**

**INVESTMENT POLICY STATEMENT**  
**EFFECTIVE (July 24, 2019)**

**I. PURPOSE**

The investment of pension funds is the responsibility of the Board of Trustees of the Antioch Police Pension Fund (“the Pension Board”). The purpose of this investment policy is to indicate a conscious, formal effort by the Pension Board to develop, implement and monitor the investment of pension funds. It shall be considered an important means to communicate the Pension Board’s policy views on management of pension funds to the public and to the participants and beneficiaries of the Antioch Police Pension Fund (“the Pension Fund”).

**II. SCOPE**

This policy governs the investment practices and applies to all financial transactions of the Pension Fund.

**III. INVESTMENT OBJECTIVES**

The Pension Board has the fiduciary responsibility to discharge its duties with respect to the Pension Fund solely in the interest of the participants and beneficiaries as set forth in the Illinois Pension Code.

**Preservation of Principal** – Preservation of principal is the Pension Board’s foremost objective. Investment transactions shall first seek to ensure that large capital losses are avoided. Additionally, the Pension Board’s objective is to avoid erosion of principal resulting from securities default or declines in market value.

**Return on Investments** – The Pension Board seeks to attain or exceed market rates of return on investments consistent with constraints imposed by safety objectives, cash flow considerations, and Illinois laws that restrict the placement of public pension funds.

**Maintenance of Public Trust** – All participants in the investment process shall seek to act responsibly as custodians of the Pension Fund. Investment officials, advisers, or consultants shall avoid any transaction that might reasonably impair Pension Fund participant’s confidence in the Pension Board’s ability to manage the Pension Fund.

**Liquidity** – The assets shall be sufficiently liquid to meet the Pension Fund’s disbursement requirements for the payment of operating expenses and benefits.

#### **IV. RESPONSIBILITY**

The Pension Board is responsible for the management of the Pension Fund's investment program. No person may engage in an investment transaction except as provided under the terms of this policy.

The Pension Board, in consultation with the Pension Fund's treasurer, shall be responsible for establishing internal controls and written procedures for the investment program's operation.

The Pension Board may appoint an investment adviser or consultant to assist in the investment program's management. The investment adviser or consultant shall acknowledge, in writing, that he or she is a fiduciary with respect to the Pension Fund. Any such written acknowledgement shall be included in the agreement between the Pension Board and the investment adviser or consultant.

The Pension Board will meet with the investment adviser or consultant at least quarterly to review market conditions and to determine investment strategy. This review will include analysis of the investment portfolio, its effectiveness in meeting the Pension Fund's needs for safety, liquidity, rate of return, diversification, and general performance.

#### **V. PRUDENCE**

The standard of prudence to be used by investment officials shall be the "prudent investor" and shall be applied in the context of managing the portfolio. Investments shall be made with the care, skill, prudence and diligence that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims.

#### **VI. PROHIBITED TRANSACTIONS**

A fiduciary with respect to the Pension Fund shall not:

1. Deal with the assets of the Pension Fund in his or her own interests or for his or her own account.
2. In their individual or other capacity effect any transaction involving the Pension Fund on behalf of a party whose interests are adverse to the interests of the Pension Fund or the interests of its participants or beneficiaries.
3. Receive any consideration for his or her own personal account from any party dealing with the Pension Fund in connection with a transaction involving assets of the Pension Fund.
4. Knowingly cause or advise the Pension Fund to engage in an investment transaction when the fiduciary (i) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (ii) has a business relationship with that investment adviser that would result in a pecuniary benefit to the fiduciary as a result of the investment transaction.

## **VII. INVESTMENT INSTRUMENTS**

The Pension Fund may invest in any type of investment instrument permitted by Illinois law, as described in Chapter 40 of the Illinois Compiled Statutes, 40 ILCS 5/1-113.2 through 5/1-113.4a. Permitted investments include the following:

1. Interest bearing direct obligations of the United States of America.
2. Interest bearing obligations to the extent that they are fully guaranteed or insured as to payment of principal and interest by the United States of America.
3. Interest bearing bonds, notes, debentures, or other similar obligations of agencies of the United States of America. "Agencies" includes those agencies of the United States of America as defined in 40 ILCS 5/1-113.2(3).
4. Interest bearing savings accounts or certificates of deposit, issued by federally chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
5. Interest bearing savings accounts or certificates of deposits, issued by State of Illinois chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
6. Investments in credit unions, to the extent that the investments are insured by agencies or instrumentalities of the federal government.
7. Interest bearing bonds of the State of Illinois.
8. Pooled interest bearing accounts managed by the Illinois Public Treasurer's Investment Pool, Illinois Metropolitan Investment Funds, or by banks, subsidiaries of banks, or subsidiaries of bank holding companies in accordance with the laws of the State of Illinois.
9. Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.
10. Direct obligations of the State of Israel, subject to the conditions and limitations set forth in 40 ILCS 5/1-113.
11. Money market mutual funds managed by investment companies that are registered under the federal investment company act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies; provided that the portfolio of the money market mutual fund is limited to those items set forth in 40 ILCS 5/1-113.2(11)(i-iii).
12. General accounts of life insurance companies authorized to transact business in Illinois.

13. Any combination of the following, not to exceed 10% of the pension fund's net assets:
  - (i) Separate accounts that are managed by life insurance companies authorized to transact business in Illinois and are comprised of diversified portfolios consisting of common or preferred stocks, bonds, or money market instruments.
  - (ii) Separate accounts that are managed by insurance companies authorized to transact business in Illinois, and are comprised of real estate or loans upon real estate secured by first or second mortgages; and
  - (iii) Mutual Funds that meet the following requirements:
    - (A) The mutual fund is managed by an investment company as defined and registered under the federal investment company act of 1940 and registered under the Illinois Securities Law of 1953;
    - (B) The mutual fund has been in operation for at least 5 years;
    - (C) The mutual fund has total net assets of \$250 million or more; and
    - (D) The mutual fund is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments.
14. Corporate bonds managed through an investment adviser must meet all of the following requirements: (1) the bonds must be rated as investment grade by one of the 2 largest rating services at the time of purchase; and (2) if subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager. Total exposure to corporate bonds shall not exceed 60%, and exposure to any one corporate bond shall not exceed 3% of the fixed income allocation.
15. In addition to the items listed above, if the Pension Fund has net assets of \$2,500,000 or more it may invest a portion of its net assets in mutual funds that meet the requirements in section VII (13) (iii) of this policy.
16. In addition to the items listed above, if the Pension Fund has net assets of \$5,000,000 or more it may invest a portion of its net assets in common and preferred stocks that meet the following requirements:
  - (i) Investments made through an investment adviser with a written contract.
  - (ii) Stocks of U.S. corporations that have been in existence for 5 years.
  - (iii) Corporations not in arrears in payment of dividends in the last 5 years.

- (iv) Market value of stock in any one corporation does not exceed 5% of cash and invested assets of the Pension Fund.
  - (v) Stock in any one corporation does not exceed 5% of the total outstanding stock in the corporation.
  - (vi) Stocks listed on national securities exchange or quoted in NASDAQ
17. In addition to the items listed above, if the Pension Fund has net assets of \$10,000,000 or more it may invest an additional portion of its assets in common and preferred stocks and mutual funds that meet the requirements set forth in 40 ILCS 5/1-113.4a.

For a Pension Fund with \$10,000,000 or more in assets, its total investment in the above equity investments shall not exceed 65% of the market value of the Pension Fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance. At least 10% of the equity investment must be in a mutual fund.

Pension Fund investments will be registered in the name of the Pension Fund and placed with a custodian approved by the Pension Board so long as the custodian meets the requirements of state statutes.

#### **VIII. PERFORMANCE**

Investment performance will be calculated using professional standards as established by the Chartered Financial Analysts Institute. The Pension Fund's performance shall be measured against benchmarks adopted by the Pension Board and its investment adviser or consultant.

#### **IX. CONTROLS**

The Pension Board maintains Pension Fund books and records in conformance with generally accepted accounting principles. The Pension Board, in conjunction with its independent auditor, shall establish and review internal controls. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, and imprudent actions by employees and officers of the Pension Board.

## **X. DIVERSIFICATION / STRATEGY**

**Fixed Income** – The average maturity/duration of the portfolio will be managed based upon the current existing interest rate environment. Under most circumstances the average maturity and duration of the portfolio will be maintained within a range from 2.0 years to 7.0 years. The investment manager may change the portfolio duration within a 20% range of the designated fixed income benchmark duration as market conditions permit.

	<u>Benchmark Allocation</u>	<u>Range of Allocation</u>
U.S. Fixed Income Allocation	45%	15%
Fixed Income Statutory Equity*	0%	10%

\*Includes any security classified as fixed income by general market classifications, but considered equity for the purposes of portfolio allocation limitations under the Illinois Pension Code. Examples would include foreign debt (developed and emerging), floating rate debt, high yield, and/or any other debt security not otherwise allowable under 40 ILCS, Section 1-113.2, Subsections 1 through 11. These investments may only be purchased pursuant to 40 ILCS, Section 1-113.4 of the Illinois Pension Code.

**Equities** – Once the Pension Fund reaches the equity allocation approved by the Pension Board and permitted by law, normal asset allocation range for equity portfolio allocations weightings should be:

	<u>Benchmark Allocation</u>	<u>Range of Allocation</u>
Global Equity Allocation	55%	10%

The Pension Fund's asset allocation shall be rebalanced at least annually when the equity allocation rises above the maximum allowable as a percentage of assets as defined by the Illinois Pension Code.

## **XI. COLLATERALIZATION**

Pension Fund assets may be invested in savings accounts or certificates of deposit of a national bank or state bank, even if fund assets on deposit in such institution will exceed federal deposit insurance or guarantee limits for invested principal and accrued interest, but only if the amount by which the fund's investment exceeds such insurance or guarantee limits is collateralized by the fund which shall be maintained and credited to the fund on the records of the custodial bank. The Pension Fund shall have a perfected security interest in such securities which shall be free of any claims to the rights to these securities other than any claims by the custodian which are subordinate to the Pension Fund's claims and right to these securities.

## **XII. CUSTODY AND SAFEKEEPING OF INVESTMENTS**

1. Third party safekeeping is required for all securities owned by the Pension Fund.

Custody arrangements shall be documented by an approved written agreement. The agreement may be in the form of a safekeeping agreement, trust agreement, escrow agreement, or custody agreement.

### **XIII. ETHICS AND CONFLICTS OF INTEREST**

Any fiduciary with respect to the Pension Fund shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair his or her ability to make impartial investment decisions.

### **XIV. REPORTING**

At least quarterly, the Pension Board shall receive investment reports from its treasurer and/or investment adviser or consultant that shall describe the portfolio in terms of investment securities, maturity, cost, transactions, and earning for the current period.

### **XV. MEETING SCHEDULE**

The Pension Board shall schedule periodic meetings for the purposes of portfolio and investment manager review. The Pension Board may call special meetings from time to time to discuss investment related activities.

### **XVI. AUDIT**

The Pension Board shall ensure that the Pension Fund undergoes an annual financial audit by an independent auditing firm. Additionally, the Pension Fund is subject to periodic examination by the Illinois Department of Insurance.

### **XVII. FILING**

The Pension Board shall file a copy of this policy with the Illinois Department of Insurance within 30 days of its adoption. The Pension Board shall make a copy of this policy available to the public in accordance with the Illinois Freedom of Information Act.

### **XVIII. AMENDMENT**

The Pension Board may amend this policy from time to time.

### **XIX. CONFLICT**

In the event of any conflict between this policy and the Illinois statutes or case decisions of the State of Illinois interpreting the Illinois statutes, the statutes and case law decisions shall govern.

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**ADOPTION**

The Board of Trustees of the Antioch Police Pension Fund hereby adopts this investment policy statement on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Secretary

  
\_\_\_\_\_  
Trustee

  
\_\_\_\_\_  
Trustee

\_\_\_\_\_  
Trustee