

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES

Thursday, September 6, 2012

1:00 p.m. – St. Charles Police Department

1. President Laughlin called to order the Regular Meeting of the St. Charles Police Pension Board at 1:10 p.m.

2. ROLL CALL

Members Present: Larry Laughlin, President; Timothy Beam, Vice President; Michael Griesbaum, Secretary; Chris Minick, Finance Director; and Warren Drewes, City Treasurer

Members Absent: None

Guests: Attorney Rick Reimer, Reimer & Associates; and Jon Willhite (via conference call)

Due to Willhite joining the meeting via conference call, the Board will be going out of order on the agenda.

4. INVESTMENT ACTIVITIES

Willhite stated that the laws in Illinois have changed, which now allows Funds to invest up to 65% in equities. As a result of this change, UBS will be conducting a strategic asset allocation review of the Fund, which is a forward looking review of asset classes. UBS has a special group of individuals that research all of the data, on a global basis, and provide projections on returns from various asset classes. This includes what the risk factors will be and how these assets will correlate with each other. UBS will look at the Fund's risk profile, the actuarial information to include current asset balances, cash flows in and out, liabilities, etc. and then construct an optimized portfolio. This portfolio will show what is the best chance of getting a 7% return at a given risk level and what assets should be mixed in to accomplish this. UBS will be conducting a one-day seminar, 8 hours, in the middle of January 2013, which will cover a lot of this process. This seminar will also count towards annual trustee training. Discussion continued on passive and enhanced indexes, this model being run every three (3) years, workshop training, etc.

Willhite stated that UBS will start to implement a manager replacement score card. This score card will track the managers the Fund has hired and fired. This should help the trustees to make better decisions and develop better techniques in how the Fund replaces managers. UBS will also include in the quarterly reports a manager's quick sheet. This quick sheet will provide stats on the managers that will help the trustees in determining how best to invest in or replace a manager. Discussion continued on the economy, where things are going, where the economy is at, where it's been over the last few years, etc.

The total portfolio was down -1.3% for the quarter with the Policy Index down -0.90% and Dynamic down -1.11%. One year was up .29% and since inception the portfolio is up 8.55%. SMID Caps was down -8.48%, with the benchmark down -4.14%. Total Large Caps was down -5.73% with its benchmark down -2.75%; Total International was down -6.02% for the quarter and down -12.11% for the year; Fixed

Income was up 2.4% for the quarter and up 6.24% since inception. Preferred Securities was up 4.01% for the quarter compared to the benchmark at 2.33% and up 8.86% since inception. Willhite recommended that the Board not replace any managers until after the strategic asset allocation review is complete.

Willhite gave an brief overview of the growth of a dollar analysis, time weighted rates of return, actual vs. target allocation, opportunity gains and losses, market timing and security selection, capture ratio trends, risk vs. reward analysis, performance profile, etc.

Discussion was held on the rebalancing worksheet and monies available for reallocation.

Motion: To invest \$500,000 with \$150,000 allocated to Stonebridge Advisers. \$100,000 to Tortoise Advisors, \$100,000 to FAMCO and \$150,000 to PIMCO.
Maker: Drewes
Second: Beam
Roll Call: Drewes – Aye, Minick – Aye, Beam – Aye, Griesbaum – Aye, Laughlin – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

T entative date for the asset allocation seminar is 01/17/2013. Additional information will be forthcoming.

Laughlin reported on a trade execution agreement with Tortoise. The reason for this agreement is Tortoise buys securities outside of the UBS system. Discussion continued.

Motion: To authorize President Laughlin to sign the Tortoise Trade Execution Agreement based upon the approval of the Board’s attorney and per the recommendation of the consultant.
Maker: Beam
Second: Minick
Roll Call: Beam – Aye, Minick – Aye, Drewes – Aye, Griesbaum – Aye, Laughlin – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Motion: To authorize President Laughlin to sign the Investment Advisor Assignment for Capital and Moody based upon the approval of the Board’s attorney and per the recommendation of the consultant.
Maker: Beam
Second: Minick
Roll Call: Beam – Aye, Minick – Aye, Drewes – Aye, Griesbaum – Aye, Laughlin – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the minutes of the 06/06/2012 meeting as presented.
Maker: Drewes
Second: Beam
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

5. OLD BUSINESS

Fiduciary Insurance – Beam stated that they will have quotes and a representative will be at the December meeting. An estimation for the Fund is between \$3,000 and \$4,000. This item will be tabled to the December meeting.

Administrative Rules & Regulations – A draft was presented to the members. This item is tabled to the December meeting to allow members a chance to review the document. Reimer recommended that if the Board has additional policies or procedures they would like included or revised, to submit those changes to him before the December meeting. These rules do include a Military Buy-Back Policy. Discussion was held on the various way to buy-back military time. This includes installments (up to 5 years), lump sum payment, interest, etc. It was noted that officers may buy up to two (2) years of service. Discussion continued.

Tax Levy – Finance Director Minick presented the proposed tax levy from Timothy W. Sharpe, Actuary. Discussion was held on these results. Minick stated that he would recommend \$1,323,455 to the City.

Motion: To adopt the tax levy of \$1,323,455.
Maker: Laughlin
Second: Griesbaum
Roll Call: Beam – Aye, Minick – Aye, Drewes – Aye, Griesbaum – Aye, Laughlin – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Reimer will draft a letter to be submitted to the City requesting this recommended tax levy.

Beam left the meeting at 2:25 p.m. and returned at 2:30 p.m.

IRS Issue – Laughlin reported that the IRS issue is still pending. A request for transcripts was submitted. The IRS responded that they could not make a determination with the information submitted due to a missing form number. The request was resubmitted with the form number and a response was received in July 2012, which stated that they were studying the issue and would respond within 60 days.

6. ACCOUNTANT'S REPORT/PRESENTATION OF BILLS FOR DISBURSEMENT

Laughlin presented bills and disbursements in the amount of \$12,623.71 as listed in Addendum A. Addendum B includes copies of the invoices listed.

Motion: To approve payment of bills and disbursements in the amount of \$12,623.71 as listed in Addendum A.
Maker: Beam
Second: Minick
Roll Call: Drewes – Aye, Aye, Beam – Aye, Minick – Aye, Griesbaum – Aye, Laughlin – Abstain. 4 Ayes, 1 Abstain, 0 Nays, 0 Absent. Motion carried.

7. APPLICATIONS FOR MEMBERSHIP

None. Beam stated that the department is looking to hire three (3) officers.

8. APPLICATIONS FOR BENEFITS

Laughlin reported that a retirement request for benefits should be forthcoming. Beam reported that Mike Schubert has submitted a request for a refund of contributions. He has requested that this money be rolled over into an account at the Charles Schwab Bank. Laughlin will forward the IRS paperwork to Schubert in order to comply with this request. It was noted that contributions may not be refunded before 30 days and the Board has up to 90 days to comply.

Motion: To issue a refund of contributions upon completion of IRS paperwork and per IRS rules.
Maker: Minick
Second: Beam
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

9. NEW BUSINESS

Laughlin stated that Hoffman and Gatlin have elected to buy-back some of their military service. Hoffman paid \$46,909.05, which was wire transferred into the Fund's account. Laughlin reported that Gatlin's monies have also been wire transferred but it is unknown the exact amount at this time. Laughlin will check with Lauterbach & Amen to make sure that the wire transfer and buy-back amounts are correct. Beam stated that Joe CiCi has requested to buy-back two (2) years of military service. Calculations will be completed and submitted to CiCi so he may decide if he wishes to provide a lump sum payment or make installments.

10. OTHER BUSINESS

Reimer stated that annual physicals for Gilbert and Kern are due at this time. Discussion was held.

Motion: To authorize Rick Reimer's Office to set up the annual physical examination for Gilbert.
Maker: Minick
Second: Griesbaum
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Motion: To authorize Rick Reimer's Office to set up the annual physical examination for Kern.
Maker: Beam
Second: Minick
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

It was noted that Kern is currently involved in an Administrative Review. It was further noted that he has relocated to Florida. Discussion was held on options available to the Board reference doctor reports, doctors in Illinois vs. doctors in Florida, requiring him to submit for an examination in Illinois, etc. A hearing is scheduled for October 30 but Kern's attorney will probably request another extension. Reimer will continue to monitor the situation.

Laughlin noted that a QILDRO was received on J. CiCi. This will be kept on file as CiCi is not currently drawing a pension.

Beam left the meeting at 2:50 p.m.

Reimer presented the latest Legal & Legislative Update from his office. This update includes recent court decisions, compliance reminders, etc. Reimer stated that they did receive an opinion from the DOI reference the timeframe for trustee training requirements. This timeframe runs from August 13 to August 12 every year. Reimer stated that the DOI has determined, reluctantly, that Funds may invest up to 65% in equities. He did indicate, however, that although it appears to be legal, it is not necessarily prudent. There is also the possibility of the DOI petitioning to have this changed as they feel this was not the intent of the law. This update will be kept on file. Reimer & Associates is now Reimer & Karlson.

ADJOURNMENT

There being no further business, a motion was made by Drewes to adjourn the meeting at 2:51 p.m. Seconded by Minick. Voice Vote. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The meeting was adjourned at 2:51 p.m.

Respectfully submitted,

President



Secretary

Voucher Report

Voucher Number	Trustee/Vendor	Trustee/Vendor Name	Expense Type	Status	Due Date	Check Number	Void & Cancel Voucher Amount	Voucher Amount
1226	19	LEVI, RAY & SHOUP, INC. ANNUAL MAINTENANCE PENSIONPLUS SOFTWARE	5015-300	Paid	08/31/2012	5149		\$4,000.00
Voucher Total Paid								\$4,000.00
1228	20	SANDRA LAUGHLIN CLERK FEE JUNE 25HRS@22.50=\$562.50, JULY 25HRS@22.50=\$562.50, AUGUST 25HRS@22.50=\$562.50. TOTAL \$1687.50	5013-200	Paid	08/31/2012	5150		\$1,687.50
Voucher Total Paid								\$1,687.50
1227	30	LARRY LAUGHLIN REIMBURSEMENT POSTAGE \$45.00 OFC SUPPLIES \$92.75=\$137.75	5017-500	Paid	08/31/2012	5151		\$137.75
Voucher Total Paid								\$137.75
1229	81	RICHARD J REIMER & ASSOCIATES L.L.C. INVOICES15674 APRIL 2012, 15799 MAY 2012, 15914 JUNE 2012.	5013-400	Paid	08/31/2012	5153		\$4,473.16
Voucher Total Paid								\$4,473.16
Total Voucher Amount Paid								\$10,298.41