

ST. CHARLES POLICE PENSION BOARD
AGENDA
Wednesday, August 28, 2013
11:00 a.m. – St. Charles Police Department

- 1. MEETING CALLED TO ORDER**
- 2. ROLL CALL**
- 3. APPROVE PREVIOUS MEETING MINUTES**
 - A. June 5, 2013 – Regular Meeting
 - B. April 2013 – Special Meeting
- 4. INVESTMENT ACTIVITIES**
 - A. Status Asset Allocation Survey
 - B. Reallocation of Funds
 - C. Approve Updated Investment Policy Statement
- 5. OLD BUSINESS**
 - A. Alternative December Meeting Date
 - B. Update – Pending Litigation
 - Executive Session (if needed)
- 6. ACCOUNTANT’S REPORT/PRESENTATION AND APPROVAL OF BILLS FOR DISBURSEMENT**
- 7. APPLICATIONS FOR MEMBERSHIP**
- 8. APPLICATIONS FOR BENEFITS**
- 9. NEW BUSINESS**
 - A. Policy & Procedure for Pensioner Verifications
 - B. Transferring of Pension Personnel Files to City
 - C. Electronic File System – Retention of Records
 - D. Overpayment of Deceased Beneficiary
 - E. DOI Compliance Audit
 - F. Upcoming Annual Training
- 11. MATTERS FROM THE PUBLIC**
- 12. ADJOURNMENT**

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES Wednesday, August 28, 2013 11:00 a.m. – St. Charles Police Department

1. President Beam called to order the Regular Meeting of the St. Charles Police Pension Board at 11:04 a.m.

2. ROLL CALL

Members Present: Timothy Beam, President; Michael Griesbaum, Secretary; Chris Minick, Finance Director (arrived 11:23 a.m.); Dave Jannusch, Trustee; and Warren Drewes, City Treasurer

Members Absent: None

Guests: Attorney Brian LaBardi , Reimer & Karlson; Jon Willhite and Robert Vaughn, UBS

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the minutes of the June 5, 2013 regular meeting with the following change: change the attorney attending the meeting to Brian LaBardi.

Maker: Drewes

Second: Griesbaum

Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The approval of the minutes from the special meeting in April will be tabled to the next meeting.

Beam reported that the Board will be going out of order on the agenda in order to accommodate everyone's schedules.

5. OLD BUSINESS

A. Alternative December Meeting Date – The Board discussed alternative dates due to conflicting schedules. It was determined that the December 4 meeting would be changed to Monday, December 16. This meeting will be held at the St. Charles Police Department beginning at 11:00 a.m. A meeting change notice will be forthcoming.

B. Update Pending Litigation – Attorney LaBardi stated that the Board did win the current case in the lower court. Mr. Kern now has 35 days to appeal to the Supreme Court. Will continue to monitor the situation. Copies of the ruling were made available to all members.

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

Beam noted that the disbursements were higher this quarter due to COBRA Benefits and federal tax payments. He further stated that the Board should be done with Lauterbach and Amen with the exception of the Annual DOI Report and possibly the Municipal Compliance Report (MCR). Beam will check with Lauterbach and Amen reference the MCR.

Motion: To approve bills for disbursement as presented in Addendum A in the amount of \$53,855.11.
Maker: Griesbaum
Second: Drewes
Roll Call: Drewes – Aye, Griesbaum – Aye, Jannusch – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

7. APPLICATIONS FOR MEMBERSHIP

None.

8. APPLICATIONS FOR BENEFITS

Beam stated that there he was aware of a pending disability, however, no application or request has been received to date. Will follow up and report back to the Board if the disability goes forward.

Beam stated that Kern is due for his annual physical. Attorney will coordinate with Kern to get the physical set up.

Minick joined the meeting at 11:23 a.m.

9. NEW BUSINESS

- A. Policy & Procedure for Pensioner Verifications – Beam stated that the Fund sends out letters to pensioners requesting verification on their current status. This request should be completed by the pensioner, notarized and returned to the Fund. These letters have been sent out and a good majority have been received. The question arose as to what recourse the Fund has if a verification is not received. Attorney LaBardi stated that a second letter should be forwarded informing the pensioner that failure to respond may result in the suspension of benefits. In the event that verification still is not received, it may be necessary to investigate the pensioner via whatever means. It was recommended that the second letter be sent certified as well as via U.S. Mail. Discussion continued. It was noted that if the Board does suspend benefits for someone and they, in turn, respond with the verification, benefits may be reinstated including any back pay.
- B. Transfer of Pension Personnel Files to City – Beam reported that he met with the Finance Department inquiring about scanning all the pension personnel files and having them placed into a shared file that both the Board members and the Finance Department may utilize when needed. This sharing of data is necessary due to the fact that the Finance Department is now overseeing all payments for the Fund. Discussion continued on how this could be accomplished, who would be available to scan the documents, would hiring an outside contractor be viable, etc. Beam will consult with the IS

Department to see about getting a shared file set up and what scanning options are available. The original personnel files would remain with the Fund. All updates (address changes, benefit changes, QILDRO's, etc.) would be scanned and forwarded to the Finance Department and/or placed in the shared file for their use. At this time, it is not possible for Board members to access this information from home and that may not be a possibility in the future, however, access is available from within the Department.

- C. Electronic File System/Retention of Records – Griesbaum stated that the Board really needs to review its records and determine what records are available for destruction. Beam stated that he would like to get all the records scanned and placed in a shared file before any destruction occurs. The Fund will have to contact the City to determine the schedule of destruction that the City has set forth. Once this schedule is determined, the Board will be in a position to submit a request to destroy records. Discussion continued on what records the Board has, what records they wish to scan, which records they would like to destroy, liability of using an outside vendor for scanning, etc. Will continue discussion to the next meeting.
- D. Overpayment of Deceased Beneficiary – Beam reported that the Finance Department had recently sent out a pay stub to a retiree and had that stub returned. In checking further, it was determined that the retiree had passed away on 09/28/2012. Unfortunately, the Fund had still been direct depositing that retiree's benefits for the past nine (9) months. This resulted in an overpayment of \$21,932.70. As such, a police report was filed (13-16767) reference this incident and notification was made to the Fund's insurance carrier, Ullico. Contact was made with the executor of the retiree's estate who admitted that they received the money, they knew the money was received in error and they've been using the money to pay bills from the estate. The executor claimed, that at the direction of their attorney, as administrator of the estate, they were obligated to make payments for the debts incurred. She further received signed affidavits from her siblings authorizing her to dispense funds. The executor did state that they would repay the monies within 30 days from 08/27/2013. If the monies are not repaid within this time frame, the Fund may have to seek felony charges. Will continue to monitor the situation.
- E. DOI Compliance Audit – Beam stated that this audit has not been scheduled to date. All requested data has been submitted. Beam further stated that he will make himself available when the auditor arrives. Once a date has been determined, Finance & Willhite will be notified. Will follow up at the next meeting.
- F. Upcoming Annual Training – Beam reported that Trustee Training will be available on Tuesday, 09/03/2013 and Wednesday, 09/04/2013. Beam and Griesbaum will be attending Ethics Training on Tuesday, 09/03. This training will be held at Century Station and starts at 9 a.m. Costs for training is being split between the Police Pension Fund and the Fire Pension Fund. Jannusch reported that he would not be able to attend this training and will seek other training to complete his 32 hours requirement.

4. INVESTMENT ACTIVITIES

Willhite reported that the Board has completed its Asset Allocation Study, approved the termination of some managers and the hiring of others to comply with the determined direction and gave a brief overview of the process.

Willhite reported that the current market value of the portfolio is \$27,644,241. The total portfolio was down -0.91% for the quarter with the Policy Index down -0.12% and Dynamic down -0.03%. SMID Caps

was up 1.95%, with the benchmark up 2.27%. Total Large Caps was up 3.82% with its benchmark up 2.91%; Total International was down -3.51% for the quarter with the benchmark down -0.73%. Fixed Income was down -1.98% for the quarter but up 4.42% since inception. Preferred Securities was down -3.22% for the quarter compared to the benchmark at -2.38%. Tactical All Asset was down -5.86% for the quarter but up 3.06% for the year. MLP's (Master Limited Partnership) was up 4.73% with the benchmark up 1.94%.

Willhite gave a brief overview of the growth of a dollar analysis, time weighted rates of return, asset allocation status vs. target, opportunity gains and losses, market timing, capture ratio trends, performance profile, etc. Willhite noted that with the proposed changes in the asset allocations, the management fee will increase from 54% to 59% but the overall returns should be higher with the portfolio taking on some additional risk. Discussion continued on the returns, investment styles, risk and history of possible money managers to bring the portfolio in line with the asset allocation study results. These managers included PowerShares EM Technical ETF, Wellseely Convertible Securities Fund, Chilton REIT SMA, TCW Emerging Market Income Fund and First Trust Senior Loan ETF (FTSL). The recommended changes are indicated on the rebalancing worksheet.

Motion: To rebalance the portfolio as presented in the rebalancing worksheet dated 08/27/13 subject to approval of contracts by attorney.

Maker: Drewes

Second: Minick

Roll Call: Drewes – Aye, Minick – Aye, Jannusch – Aye, Griesbaum – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Motion: To authorize the President of the Fund to initial the strategic allocations as presented

Maker: Minick

Second: Griesbaum

Roll Call: Drewes – Aye, Minick – Aye, Jannusch – Aye, Griesbaum – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Willhite will update the Investment Policy Statement (IPS) to reflect the changes. An updated IPS should be available at the December meeting.

9. NEW BUSINESS

Attorney LaBardi distributed and reviewed the latest Legal and Legislative Update. Copies of this update were distributed to all members. Of interest is a case involving a police officer denied a line-of-duty disability because when the disability occurred, there was no “duty inherently involving special risk”. This officer was denied a line-of-duty pension by the board and this ruling was upheld by the Appellate Court. Also of interest is a case wherein the First District Appellate Court ruled that electronic records under FOIA may not be locked. For example, an Excel spreadsheet obtained through FOIA must be in an “unlocked” format. While the Court acknowledged the concern that producing electronic data in a format that can be manipulated by the requestor creates the potential for misuse, the legislature would need to act to amend the FOIA to address this concern. Standard is produce it in the format asked for, or in whatever format it is being held in.

10. MATTERS FROM THE PUBLIC

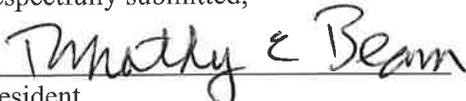
None

ADJOURNMENT

There being no further business, a motion was made by Drewes to adjourn the meeting at 12:55 p.m. Seconded by Griesbaum. Voice Vote. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

The meeting was adjourned at 12:55 p.m. The next regular meeting is scheduled for December 16, 2013 at 11:00 a.m.

Respectfully submitted,



President



Secretary

8/28/2013

CITY OF ST CHARLES
COMPANY 4000
EXPENDITURE APPROVAL LIST

6/1/2013 - 8/31/2013

<u>VENDOR</u>	<u>VENDOR NAME</u>	<u>PO NUMBER</u>	<u>AMOUNT</u>	<u>DATE</u>	<u>INVOICE</u>	<u>DESCRIPTION</u>
2212	CITY OF ST CHARLES		7,168.25	06/25/2013	MEBN130625132220300	Retiree Benefits
			6,650.91	07/25/2013	MEBN130725102053300	Retiree Benefits
			6,650.91	08/23/2013	MEBN130823142450300	Retiree Benefits
	CITY OF ST CHARLES Total		20,470.07			
2638	INTERNAL REVENUE SERVICE		14,560.28	06/25/2013	062513	POLICE PENSION FED TAX PAYME
			14,560.28	07/25/2013	072513	POLICE PENSION FEDERAL TAX
	INTERNAL REVENUE SERVICE Total		29,120.56			
2927	CHERYL A SHIMP		75.00	06/25/2013	21039	MEETING MINUTE TRANSCRIPTIOI
	CHERYL A SHIMP Total		75.00			
2928	REIMER & KARLSON LLC		154.57	06/25/2013	2281-16903	LEGAL SERVICES APRIL 2013
			750.00	08/14/2013	2281-17140	QTRY RETAINER FEE JULY/SEPTE
			994.91	08/14/2013	2281-17243	POLICE PENSION LEGAL MATTER:
	REIMER & KARLSON LLC Total		1,899.48			
2962	LAUTERBACH & AMEN LLP		940.00	06/25/2013	1558	SERVICES THRU APRIL 2013
			400.00	06/25/2013	820	SERVICES 1099 PROCESSING
	LAUTERBACH & AMEN LLP Total		1,340.00			
3014	ILLINOIS PUBLIC PENSION		500.00	07/16/2013	071513	ETHICS TRAINING 9/3/13
			450.00	07/31/2013	0812	ETHIC TRAINING CMINICK WDREW
	ILLINOIS PUBLIC PENSION Total		950.00			

total is \$53,855.11

Appendium A

Rebalancing Worksheet
8/27/2013
St Charles Police Pension Fund

Manager/Fund	8/26/2013 Balance	IPS Target %	IPS Range + or -	Current % of Managed	IPS Violation?	Rebalance Needed	Proposed Correction	Cash Balance	New Balance	New %	Mgr Fee
SPDR S&P 500 ETF (SPY)	\$1,491,298	5.0%	3.5%	5.5%	NO	(\$132,000)	\$0	\$0	\$1,491,298	5.5%	0.09%
Total US Large Cap	\$1,491,298	5.0%	3.5%	5.5%	NO	(\$132,000)	\$0	\$0	\$1,491,298	5.5%	0.09%
Anchor Capital Focused Value	\$1,172,061			4.3%			(\$1,172,061)	\$57,557		0.0%	0.80%
Vanguard Extended Mkt ETF (VXF)	\$994,687			3.7%			\$1,050,000	\$464		7.5%	0.14%
Total US Small/Mid Cap	\$2,166,748	7.5%	2.5%	8.0%	NO	(\$127,000)	(\$122,061)	\$58,021	\$2,044,687	7.5%	0.93%
Columbia Int'l Acorn	\$1,177,311			4.3%						4.3%	1.17%
First Eagle Overseas Fund	\$630,043			2.3%						2.3%	0.75%
Glovista Emerging Markets	\$2,205,757	9.0%		8.1%			(\$750,000)	\$26,382		5.4%	0.90%
PowerShares EM Technical ETF (PIE)				0.0%			\$750,000			2.8%	
Total International Mkts	\$4,013,111	15.0%	4.5%	14.8%	NO	\$66,000	\$0	\$26,382	\$4,013,111	14.8%	0.40%
Stonebridge Advisors Preferred Sec	\$1,678,186	4.0%		6.2%			(\$600,000)	\$60,416		4.0%	0.40%
SPDR BC Convertible Sec ETF (CWB)	\$1,426,616	6.0%		5.2%			(\$1,426,616)	\$5,176		0.0%	0.98%
Wellscor Multi-Asset Convertible Securities Fund				0.0%			\$1,650,000			6.1%	0.85%
Tortoise Cap Adv MLP	\$830,087	4.0%		3.1%			(\$275,000)	\$26,836		2.0%	0.75%
FAMCO MLPs	\$878,716			3.2%			(\$325,000)	\$21,398		2.0%	0.25%
SPDR DJ REIT ETF (RWR)	\$916,464	7.5%		3.4%			(\$916,464)	\$1,136		0.0%	0.75%
Chilton REIT SMA				0.0%			\$2,050,000			7.5%	
Total Equity Diversifiers	\$5,730,069	21.5%	7.0%	21.1%	NO	\$117,000	\$156,920	\$114,962	\$5,886,989	21.6%	0.47%
MarketVectors EM LC Debt (EMLG)	\$836,193	3.0%		3.1%			(\$836,193)	\$4,177		0.0%	0.84%
TCW Emerging Market Income Fund				0.0%			\$820,000			3.0%	0.66%
PowerShares SFRN ETF (BKLN)	\$846,267	3.0%		3.1%			(\$846,267)	\$5,702		0.0%	0.85%
First Trust Senior Loan ETF (FTSL)				0.0%			\$820,000			3.0%	
Total Fixed Income Diversifiers	\$1,682,460	6.0%	2.5%	6.2%	NO	(\$51,000)	(\$42,460)	\$9,879	\$1,640,000	6.0%	1.63%
PIMCO All Asset All Authority Fund	\$1,414,567			5.2%						5.2%	0.60%
Guggenheim Multi-Asset ETF (CVY)	\$1,250,036			4.6%				\$2,251		4.6%	0.35%
Total Opportunistic TAA	\$2,664,603	10.0%	2.5%	9.8%	NO	\$55,000	\$0	\$2,251	\$2,664,603	9.8%	0.30%
C.S. McKee Core Bond	\$5,090,629			18.7%						18.7%	0.00%
Pacific Income Advisors	\$4,328,260			15.9%						15.9%	
UBS Cash Account	\$28,598			0.1%			\$7,601			0.1%	
Total G/C Fixed Income	\$9,447,487	25.0%	55.0%	34.7%	NO	(\$2,649,000)	\$7,601	\$0	\$9,455,088	34.8%	0.00%
New Stable Value Mgr (Hold)	\$0			0.0%						0.0%	
Total Stable Value	\$0	10.0%	25.0%	0.0%	NO	\$2,720,000	\$0	\$0	\$0	0.0%	
		100.0%		100.0%				\$0	\$27,195,776	100.0%	
									New FI/Cash:	35.1%	

Management Fee:	
Current:	0.54%
Proposed:	0.59%

Notes:
Focus this quarter is on active/passive manager screens

Total Managed Portfolio Value:	\$27,195,776
Cash Surplus/(Deficit):	N/A
Statutory Fixed Income/Cash:	35.1%

The information and statistical data contained herein have been obtained from sources we believe reliable but are in no way warranted by us as to accuracy or completeness. This report is intended to be an analysis and should not be relied upon for accuracy unless it conforms with the official records of the firm. Accordingly, you should rely on the monthly statement as the official record of your valued UBS Financial Services, Inc. account.

August 26, 2013

CITY OF ST. CHARLES
Actuarial Valuation Results

POLICE	<u>5/1/12</u>	<u>5/1/13</u>		
	Int: 7.00%	Int: 7.00%	Int: 7.00%	Int: 7.00%
	<u>Sal: 5.00%</u>	<u>Sal: 5.00%¹</u>	<u>Sal: 5.00%²</u>	<u>Sal: 5.00%³</u>
1. City Normal Cost	521,254	542,465	574,566	809,635
2. Accrued Liability	43,676,412	46,027,779	47,088,115	44,544,263
3. Assets	27,541,888	28,804,906	28,804,906	28,804,906
4. Unfunded Liability/(Surplus)	16,134,524	17,222,873	18,283,209	15,739,357
5. Amortization of UL	715,620	784,405	832,697	513,965
6. Interest for One Year	86,581	92,881	98,508	92,652
7. Tax Levy Requirement (1+5+6)	<u>1,323,455</u>	<u>1,419,751</u>	<u>1,505,771</u>	<u>1,416,252</u>
8. Payroll	4,287,075	4,611,030	4,611,030	4,611,030
9. Percent Funded (3/2)	63.1%	62.6%	61.2%	64.7%

¹ Reflects Entry Age, 28-year, 100% Amortization, Smoothed Market, 1971 GA Mortality

² Reflects Entry Age, 28-year, 100% Amortization, Smoothed Market, RP2000 Mortality

³ Reflects PA 096-1495, PUC, 28-year, 90% Amortization, Smoothed Market, RP2000 Mortality