

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES

Wednesday, June 4, 2014

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 11:01 a.m.

2. ROLL CALL

Members Present: Timothy Beam, President; Michael Griesbaum, Secretary; Chris Minick, Finance Director (arrived 11:06 a.m.); and Warren Drewes, City Treasurer

Members Absent: Dave Jannusch, Trustee

Guests: Attorney Rick Reimer, Reimer & Karlson; Jon Willhite, UBS

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the minutes of the March 5, 2014 regular meeting as presented

Maker: Drewes

Second: Griesbaum

Voice Vote: 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

Motion: To approve the minutes of the March 13, 2014 special meeting as presented

Maker: Drewes

Second: Griesbaum

Voice Vote: 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

4. INVESTMENT ACTIVITIES

Total portfolio is currently \$29,434,801; which is up 3% for the quarter and 8.86% since inception with the benchmark at 1.47% for the quarter and 9.10% since inception. Total Large Cap is up 1.79% for the quarter but up 15.27% since inception. Total US SMID is up 2.04% for the quarter and 18.67% since inception. International is down -0.16% for the quarter and up 10.54% since inception. Global Equity is up 0.85% for the quarter and 0.85% YTD. Fixed Income is up 2.21% with the benchmark up 0.64%. Total Alternative Investments is up 2.42% and Total Hybrid Securities is up 6.56% for the quarter. Total Equity Diversifiers is up 7.27% for the quarter with Total Core Equity up 6.55% and Total Real Asset/Infra up 8.74%. Willhite gave a brief overview of the individual money managers and their results. It was noted that the MLP managers as well as the real estate managers are doing very well.

Willhite stated that the net dollar weighted returns are going to be a required reporting for GASB 67 & 68. Discussions are being held with the City of St. Charles to make sure that policies are in place and reporting is accurate. Discussions continued on how dollar weighted returns are reported. Willhite reviewed the portfolio's up and down capture ratio. The portfolio, since inception, has captured 91.67% of the up market and 84.72% of the down, which is a good ratio. The portfolio is getting 1.49% for every 1% of risk being taken with the benchmark getting 1.35%. Willhite stated that this is a very efficient portfolio.

As the Fund should be receiving a tax levy very soon. It was recommended that the Board does not rebalance at this time but give UBS the authority to rebalance, within the IPS guidelines, once the monies are received. Willhite will work with Minick on the numbers. The changes and adjustments would then be ratified at the next meeting.

Motion: To authorize Chris Minick to invest the property tax levies received and to authorize him discretion to work with John Willhite to rebalance with the IPS guidelines.
Maker: Drewes
Second: Griesbaum
Roll Call: Griesbaum – Aye, Minick – Aye, Drewes – Aye, Beam – Aye. 4 Ayes. 0 Nays. 1 Absent. All in favor. Motion carried.

Several articles were included in the handout. These articles talk about manager skill and manager luck. There are also articles on issues happening focusing on fixed income. This can give the members some insight on how to manage their fixed income investments in a rising interest rate market.

Motion: To accept the quarterly consultant report as presented.
Maker: Minick
Second: Drewes
Voice Vote: 4 Ayes. 0 Nays. 1 Absent. All in favor. Motion carried.

Willhite stated that they would like to review the IPS as needed but no later than March 2015. The December meeting might be a good time for this. A review of the asset allocations should be done in 2016 and the cash flow and rebalancing policies should be looked at before the 2015 COLA increases. Willhite further stated that all newly approved contracts have been signed and filed with the IDOI.

5. OLD BUSINESS

- A. Approve Election Results – Beam reported that there were no additional nominations for the active trustee member (Beam). For the retiree trustee member: Dave Jannusch and Darrell Rogers were both nominated. An email from Darrell Rogers was received indicating that he is not interested in the position. This email will be kept on file.

Motion: To certify the election of Tim Beam and Dave Jannusch for a 2-year term by acclamation.
Maker: Drewes
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

- B. Election of Board Officers

Motion: To maintain the existing slate of officers.
Maker: Drewes
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Existing slate of officers is as follows: President, Tim Beam; Vice President, Dave Jannusch; Secretary, Mike Griesbaum; and Assistant Secretary, Chris Minick.

Attorney Reimer inquired if the Board would like to update their current rules and regulations. These rules and regulations were updated approximately three (3) years ago. A copy of these rules and regulations will be sent to the Board members.

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

Motion: To approve bills for disbursement as presented in Addendum A dated 06/04/2014 in the amount of \$117,715.69.
Maker: Drewes
Second: Griesbaum
Roll Call: Minick – Aye, Drewes – Aye, Beam – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

7. APPLICATIONS FOR MEMBERSHIP

None.

8. APPLICATIONS FOR BENEFITS

A. Disability Application/Hearing - Beam reported that a disability hearing was originally scheduled for May 22, 2014 for Joe Cicci. This hearing has been continued with a date to be determined. He also indicated that he would be withdrawing his application, however, to date, no documentation has been received reference the withdraw. Beam will contact Cicci for the current status.

Motion: To table the application for benefits and disability hearing of Joe Cicci until such time as he notifies the Board as to what he wants to do.
Maker: Griesbaum
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

B. See Item A.

C. Discuss/Approve Electronic Transfer for Retiree Health Insurance – Beam reported that every month, they have to sign a check from the City for the retiree health insurance. To simply matters, he would like to set up an ACH at the Harris Bank to cover this.

Motion: To authorize an ACH for payment from Harris Bank to the City of St. Charles for retiree health insurance.
Maker: Drewes
Second: Griesbaum
Roll Call: Griesbaum – Aye, Drewes – Aye, Minick – Aye, Beam – Aye. 4 Aye, 0 Nays, 1 Absent. All in favor. Motion carried.

D. Discuss/Approve Transfer of Credited Service/Benefits for Lucas Sopcak to Palatine Police Department – Beam reported that they were presented with a request for transfer of creditable service for Lucas Sopcak from the St. Charles Fund to the Palatine Police Pension Fund. Looking to transfer 2 years and 2 months. This calculated to \$38,228.10. A certified check was forwarded to the Palatine Police Department on May 14, 2014.

- E. Required Annual Physicals – Kern is due in October and Gilbert will be turning 50 in July so he will not require an annual physical. Recommended that the annual medical exam for Kern be on the September agenda. Griesbaum inquired if an individual with a psychological disability is able to hold a FOID card. Reimer stated that individuals who have been hospitalized for psychological treatment are not eligible to hold a FOID. As far as the Training and Standards Board and the ISP are concerned for the FOID, the individual must have been hospitalized. For the IROCC, Illinois Retired Officer Concealed Carry, an individual cannot qualify if they are out on a psych disability. If the Board desires, they may send a decision order with a cover letter in all disability cases to the ISP and let them decide. Discussion continued on the requirements for IROCC.

9. ATTORNEY'S REPORT

Reimer distributed their latest newsletter for the Board's review. The Illinois Senate was the only governing body that addressed anything related to pension reform. The only result that came out was an expanded investment authority and adding a 6th member to a Board, both police and fire. The next thing that will happen is the veto session and movement is not expected on these issues. Reamer further noted that no action has been taken to freeze COLA's.

Griesbaum inquired as to the status of furlough time being counted as good time. Reimer stated that furlough time over 30 days is not considered good time but is under 30 days. Furlough time is defined as "lay-off" time required by the municipality during an economic crisis. Non-paid discipline time is not considered a furlough and therefore not good time. For example, in order for an officer that was disciplined for 44 days to receive the full years of service and max out at 30 years of credible service, they would have to work an additional 44 days to obtain the full 30 years. Again, discipline time is not furlough time.

10. NEW BUSINESS

- A. Annual Filing of Statement of Economic Interest – All trustees must file this statement with the Kane County Clerk. This filing may be accomplished on line. Deadline for filing was 05/01/2014. For those trustees who have not filed to date, they may go to the website of the Kane County Clerk to do so. This should be done as soon as possible.
- B. Authorize Preparation of Annual DOI Report (Selection of Security Advisor) – Beam stated that the DOI Report for 2013 has already been filed. The current report is not due until the end of October. Reimer stated that the IDOI is requesting that someone be designated as the Security Advisor, someone who has access to the records and can do filings. Beam reported that the Finance Department has requested that someone in their department be that designee in order to complete the DOI report in a timely manner.

Motion: To appoint Jill Ghiotto as the Security Advisor for police pension purposes with the Illinois Department of Insurance.

Maker: Drewes

Second: Griesbaum

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

Beam will file the necessary paperwork.

- C. Selection of Independent Actuarial – Minick reported that, the City of St. Charles hires an actuarial, typically Tim Sharpe, as part of the City's audit each year. The actuarial report should be available for

the September meeting. This report gives a recommendation on the amount of the tax levy the Board should request of the City. Minick inquired if the Board wished to obtain their own actuarial. Currently, the City pays for Sharpe's fees. After a brief discussion, the Board decided not to hire an independent actuarial.

- D. RFP Presentations – The Board is required by State Statute to obtain Requests For Proposals for Fund Consultant every five (5) years. RFP's were sent out and four (4) proposals were received. As only one firm was represented, the Board took a break to contact the other bidders.

Break 11:58 a.m.
Return 12:07 p.m.

Proposals were received from Jon Willhite, UBS; Sawyer Falduto & John Falduto; Craig Larsen, AHC Advisors; and Mitchell, Vaught & Taylor. As Jon Willhite, UBS was the only firm represented, he gave a short presentation on the services UBS offers. It should be noted that Willhite is the current Fund Consultant. After this presentation, the Board held a brief discussion. Due to the fact that no other firm was represented and one proposal actually referred to a different department, the members decided that they would stay with UBS. Minick voiced that he would like to meet with the other bidders as there appeared to be some confusion with their absence. Discussion continued.

Motion: To accept the proposal of Jon Willhite & UBS and enter into a 5-year agreement pending review of the contract from the Board's attorney.
Maker: Drewes
Second: Griesbaum
Roll Call: Griesbaum – Aye, Minick – Nay, Drewes – Aye, Beam – Aye. 3 Ayes, 1 Nay, 1 Absent. Motion carried.

Minick stated that he voted no only because no other firm was represented.

11. MATTERS FROM THE PUBLIC

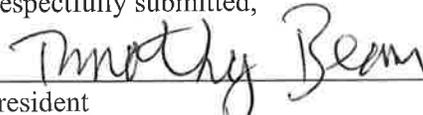
None

12. ADJOURNMENT

There being no further business, a motion was made by Drewes to adjourn the meeting at 1:00 p.m. Seconded by Griesbaum. Voice Vote. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The meeting was adjourned at 1:00 p.m. Due to trustee fiduciary training being held on Wednesday, September 3, 2014, the next regular meeting will be held on Thursday, September 4, 2014 at 11:00 a.m.

Respectfully submitted,



President



Secretary

Shimp, Cheryl

From: cminick@stcharlesil.gov
Sent: Tuesday, July 01, 2014 11:30 AM
To: tbeam@stcharlesil.gov; djannusch@sbcglobal.net; mgriesbaum@stcharlesil.gov; wjdrewes@gmail.com
Cc: Shimp, Cheryl
Subject: Fw: UBS Transfers
Attachments: St Charles Police Rebalancing Policy June 2014.pdf

Good morning.

Pursuant to the motion and direction from the last Police Pension Board Meeting, Jon has suggested various re-allocations of investments as reflected on the attached rebalancing worksheet. I have directed Jon to make the necessary changes to achieve the rebalancing as reflected. Please advise if you have any questions.

Christopher Minick | Director of Finance
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phone: 630.377.4478 | fax: 630.377.4487 | www.stcharlesil.gov
cminick@stcharlesil.gov

CITY OF ST CHARLES, ILLINOIS

----- Forwarded by Christopher Minick/FN/COSC on 07/01/2014 11:24 AM -----

From: Christopher Minick/FN/COSC
To: <joseph.christianson@ubs.com>
Cc: jon.willhite@ubs.com
Date: 07/01/2014 10:31 AM
Subject: RE: UBS Transfers

Jon and Joe:

As we discussed on our call this morning, the rebalancing worksheets for the Police and Fire Pension Funds of the City of St Charles look good, and I approve the reallocation of funds as proposed on the sheets as well as the re-investment of the dividends from the ETF's as we discussed.

If you need further information or have any questions, please let me know. Thanks

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CITY OF ST CHARLES, ILLINOIS

From: <joseph.christianson@ubs.com>
To: <jon.willhite@ubs.com>, <cminick@stcharlesil.gov>

Rebalancing Worksheet
6/30/2014

St Charles Police Pension Fund

Manager/Fund	6/29/2014 Balance	IPS Target %	IPS Range + or -	Current % of Managed	IPS Violation?	Rebalance Needed	Proposed Correction	Cash Balance	New Balance	New %
SPDR S&P 500 ETF (SPY)	\$1,769,163	5.0%	3.5%	5.8%	NO	(\$255,000)	(\$100,000)	\$17,553	\$1,669,163	5.5%
Total US Large Cap	\$1,769,163	5.0%	3.5%	5.8%	NO	(\$255,000)	(\$100,000)	\$17,553	\$1,669,163	5.5%
Vanguard Extended Mkt ETF (VXF)	\$2,225,597	7.5%	2.5%	7.3%	NO	\$46,000	\$0	\$495	\$2,225,597	7.3%
Total US Small/Mid Cap	\$2,225,597	7.5%	2.5%	7.3%	NO	\$46,000	\$0	\$495	\$2,225,597	7.3%
Columbia Int'l Acorn	\$1,373,082	6.0%		4.5%				\$44		4.5%
First Eagle Overseas Fund	\$707,035			2.3%				\$289		2.3%
Glovista Emerging Markets	\$1,571,348	9.0%		5.2%				\$26,819		5.2%
iShares MSCI Emrg Mkt ETF (EEM)	\$900,340			3.0%				\$958		3.0%
Total International Mkts	\$4,551,805	15.0%	4.5%	15.0%	NO	(\$9,000)	\$0	\$27,152	\$4,551,805	15.0%
Stonebridge Advisors Preferred Sec	\$1,266,590	4.0%		4.2%				\$50,465		4.2%
Miller Convertible Securities Fund	\$1,734,256	6.0%		5.7%				\$13,827		5.7%
Tortoise Cap Adv MLP	\$789,338	4.0%		2.6%				\$16,235		2.3%
FAMCO MLPs	\$725,072			2.4%				\$3,960		2.1%
Chillon REIT SMA	\$2,414,395	7.5%		8.0%				\$16,242		8.0%
Total Equity Diversifiers	\$6,929,652	21.5%	7.0%	22.9%	NO	(\$418,000)	(\$200,000)	\$100,729	\$6,729,652	22.2%
TCW Emerging Market Income Fund	\$882,130	3.0%		2.9%				\$1,059		2.9%
First Trust Senior Loan ETF (FTSL)	\$841,018	3.0%		2.8%				\$6,138		2.8%
Total Fixed Income Diversifiers	\$1,723,147	6.0%	2.5%	5.7%	NO	\$94,000	\$0	\$7,197	\$1,723,147	5.7%
PIMCO All Asset All Authority Fund	\$1,522,410			5.0%				\$623		5.0%
Guggenheim Multi-Asset ETF (GVY)	\$1,430,188			4.7%				\$18,468		4.7%
Total Opportunistic TAA	\$2,952,598	10.0%	2.5%	9.7%	NO	\$76,000	\$0	\$18,468	\$2,952,598	9.7%
C.S. McKee Core Bond	\$5,217,676			17.2%						17.2%
Pacific Income Advisors	\$4,548,762			15.0%				\$660,000		17.2%
UBS Cash Account	\$367,423			1.2%				(\$360,000)		0.0%
Total G/C Fixed Income	\$10,133,862	35.0%	55.0%	33.5%	NO	\$466,000	\$300,000	\$0	\$10,433,862	34.5%
Total Managed Portfolio Value:	\$30,285,823	100.0%		100.0%				\$0	\$30,285,823	100.0%
Cash Surplus/(Deficit):	N/A							0.57%	New FI/Cash:	35.0%
Statutory Fixed Income/Cash:	34.0%									

Notes:

Total Managed Portfolio Value:	\$30,285,823
Cash Surplus/(Deficit):	N/A
Statutory Fixed Income/Cash:	34.0%

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.

<u>VENDOR</u>	<u>VENDOR NAME</u>	<u>PO NUMBER</u>	<u>ACCT UNIT</u>	<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>DATE</u>	<u>INVOICE</u>	<u>DESCRIPTION</u>
1162	ILLINOIS STATE TREASURER	1	400300	55245	5,595.68	05/16/2014	F67304	FY 2015 DOI COMPLIANCE FE
					<u>5,595.68</u>	1162		ILLINOIS STATE TREASURER
1233	INSPE ASSOCIATES LTD	1	400300	54399	1,872.00	03/06/2014	43852	CONSULTANT RECORDS
					<u>1,872.00</u>	1233		INSPE ASSOCIATES LTD
2212	CITY OF ST CHARLES		400900	20120	6,636.91	03/21/2014	MEBN140325101600300	Retiree Benefits
			400900	20120	6,636.91	04/23/2014	MEBN140425130402300	Retiree Benefits
			400900	20120	6,862.87	05/21/2014	MEBN140521115004300	Retiree Benefits
					<u>20,136.69</u>	2212		CITY OF ST CHARLES
2638	INTERNAL REVENUE SERVICE		400900	20107	14,459.20	03/24/2014	032414	FEDERAL TAX PAYMENT
			400900	20107	14,459.20	04/24/2014	042414	POLICE PEN FEDERAL TAXES
			400900	20107	14,459.20	05/22/2014	052214	FEDERAL TAX PAYMENT
					<u>43,377.60</u>	2638		INTERNAL REVENUE SERVICE
2927	CHERYL A SHIMP		400300	54399	100.00	03/06/2014	21041	TRANSCRIPTION MINUTES D
			400300	54399	100.00	05/30/2014	21042	TRANSCRIPTION MINUTES
					<u>200.00</u>	2927		CHERYL A SHIMP
2928	REIMER & KARLSON LLC		400300	54110	1,845.27	04/03/2014	2281-18103	LEGAL SERVICES FEB 2014
			400300	54110	737.50	04/30/2014	2281-18196	LEGAL SERVICES MAR 2014
			400300	54110	946.31	05/29/2014	2281-18283	LEGAL SERVICES APRIL 2014
					<u>3,529.08</u>	2928		REIMER & KARLSON LLC
2940	GREG G KIESEWETTER	1	400300	54360	3,773.00	04/03/2014	209	LIABILITY POLICE PENSION
					<u>3,773.00</u>	2940		GREG G KIESEWETTER

<u>VENDOR</u>	<u>VENDOR NAME</u>	<u>PO</u>	<u>NUMBER</u>	<u>ACCT UNIT</u>	<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>DATE</u>	<u>INVOICE</u>	<u>DESCRIPTION</u>
99900035: IRS			1	400900	20107	1,056.54	05/08/2014	043014	2012 945 CORRECTION
			2	400999	47199	-53.00	05/08/2014	043014	2012 945 CORRECTION
						<u>1,003.54</u>	<u>999000352</u>	<u>IRS</u>	
99900035: PALATINE POLICE PENSION BOARD			1	400300	51116	38,228.10	05/16/2014	051614	SOPCAK SERICE TRANSFER
						<u>38,228.10</u>	<u>999000358</u>	<u>PALATINE POLICE PENSION BOARD</u>	
					Grand Total:	<u>117,715.69</u>			