

# ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue  
St. Charles, Illinois 60174

## MEETING MINUTES Wednesday, March 1, 2017 11:30 p.m. – St. Charles Police Department

### 1. MEETING CALLED TO ORDER

President Beam called to order the Regular Meeting of the St. Charles Police Pension Board at 11:30 a.m.

### 2. ROLL CALL

Members Present: Timothy Beam, President; Michael Griesbaum, Secretary Chris Minick, Finance Director; James Keegan, Trustee; and Dave Jannusch, Trustee

Members Absent: None

Others Present: Brian LaBardi, Reimer Dobrovolny & Karlson LLC; and Jon Willhite, UBS; Greg Kiesewetter, Cook Castle Associates

### 3. APPROVE PREVIOUS MEETING MINUTES

**Motion:** To approve the Regular Meeting Minutes of December 7, 2016 as presented.

**Maker:** Minick

**Second:** Jannusch

**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

### 4. INVESTMENT ACTIVITIES

Willhite gave an overview of the portfolio. The portfolio was down -1.0% with the benchmark down -.93%. YTD was at 5.88% with the benchmark at 6.60%. The portfolio began the quarter at \$31,478,253 and ended the quarter at \$31,034,303. The Emerging Markets were a contributing factor to this loss.

Discussion was held on the risk return, alpha, beta, portfolio taking on more risk, volatility on a standard deviation, Sharpe ratio, new managers being able to manage the risk and produce greater returns and add value, reduction of the downside cash ratio, portfolio capturing less of the down market but needs to capture more of the up market, etc. Managers working for the portfolio include PIA Fixed Income and Blackrock. UBS is taking their overweight off Emerging Markets. Believe that the new presidency could hurt the Emerging Market countries. Financials should do well with the new regulations. The portfolio is still overweight in the Domestic Market and should be topping out. This could be volatile.

Willhite briefed everyone on the new managers, Janus and Trans America. Since inception Janus is up 1.65% with the benchmark up 6% and Trans America is up 3.4% with the benchmark up

5%. They are rated in the 78% percentile against their peers and the 72% percentile in the last 12 months. In the last 3 years, Janus was 4.5% ahead of their benchmark with Trans America 28 basis points ahead. Unfortunately, the portfolio caught these managers during a down trend, which has impacted. Willhite stated that the portfolio is still a great diversifier with the only manager in question – Glovista. Glovista was down -5.80% for the quarter with their benchmark down -4.0%. Up 5.4% for the year with the benchmark up 11.6%. Glovista's latest, unaudited numbers, show them up 10% through the first 2 weeks of February with the benchmark up 9%. Discussion continued on Glovista. The Board decided to monitor Glovista for another quarter and UBS will do comparisons with other managers. This information will be brought to the June meeting. Discussion was held on Blackrock.

Discussion was held on the rebalancing worksheet.

**Motion:** To approve the rebalancing worksheet dated 02/24/2017 as presented.  
**Maker:** Minick  
**Second:** Griesbaum  
**Roll Call:** Minick – Aye, Griesbaum – Aye, Jannusch – Aye, Keegan – Aye, Beam – Aye.  
All in favor. Motion carried.

The updated Investment Policy Statement (IPS) was distributed for review. A lot of the changes were simply replacing authorized investments with the language of the statute. Discussion was held on the changes, what should be kept in the policy and what should be taken out, rules for the trustees and/or investment committee, keeping the managers informed of changing statutes, etc. The Board will review these changes for the next meeting. Appendix C (The Strategic Asset Allocation) is the only language that needs to be adopted now.

**Motion:** To adopt Appendix C of the Investment Policy Statement with the proviso that the members look through the remainder of the document for review at the June meeting.  
**Maker:** Minick  
**Second:** Griesbaum  
**Roll Call:** Keegan – Aye, Jannusch – Aye, Minick – Aye, Griesbaum – Aye, Beam – Aye.  
All in favor. Motion carried.

The updated IPS will then need to be filed with the DOI within 30 days. Discussion was held on adopting the IPS.

**Motion:** To amend the Investment Policy Statement to remove Page 10 and replace with Appendix C.  
**Maker:** Minick  
**Second:** Griesbaum  
**Roll Call:** Keegan – Aye, Jannusch – Aye, Minick – Aye, Griesbaum – Aye, Beam – Aye.  
All in favor. Motion carried.

The IPS will be reviewed in length at the June meeting. Willhite will file the updated IPS with the DOI.

## **5. OLD BUSINESS**

IPPFA Conference – Minick reported that the members do have rooms reserved for the IPPFA Conference. Minick noted that he will not be able to attend. Will finalize details as it gets closer to conference.

Portability Pension – Keegan – Calculations were presented, which were all very different, from Tim Sharpe, Lauterbach & Amen (L&A) and Foster & Foster. Discussion was held on which figure should be used. Minick noted that Sharpe's original quote was based on a date that can't be met and L&A was based on a date that has passed. Keegan noted that the numbers from Sharpe were done a while ago and Sharpe is no longer the actuarial for the City of St. Charles. Foster & Foster then revalidated these numbers. Because the numbers were so far apart, Keegan requested that L&A provide a quote. In short, Streamwood would owe the St. Charles Police Pension Fund over \$700,000.00. Minick stated that the discrepancy is where Sharpe has a true cost amount of approximately \$625,000.00 and Foster & Foster have a true cost amount of almost \$1.4M. Keegan does have another option and that would be to transfer over 85% of his time and lose approximately 3 years. The difference that Keegan would be required to make up equates to several hundred thousand dollars.

Discussion was held on the DOI having some sort of a standardize calculation, there should only be one correct answer, etc. Unknown if the DOI would provide some standardize assumption since funds are required to provide their own actuaries. The only determination set by statutes is the calculation of what Streamwood owes St. Charles. There is always the option of transferring time, however, time doesn't transfer in its entirety. Twenty (20) years may only be 17 years. Whichever actuary report the fund wishes to use may be the correct one. Unfortunately, there are 2 reports that are so disparately different. The Board may want to contract with L&A to provide a third calculation. Discussion continued.

LaBardi stated that the Administrative Code provides the directive on how the calculations are conducted to determine the true cost. It states: The current pension fund board of trustees shall determine the true cost for the period of creditable service with information provided to the current pension fund by either the DOI, upon request if the fund used their actuary report, (St. Charles didn't) or the qualified actuary who was retained by the municipality or pension fund to determine the most recent actuarial valuation used for determining the funding requirements of the fund (Foster & Foster).

This would mean that the fund would use the Foster & Foster numbers. The Board does have the option to wait for the next actuarial valuation, which will be conducted in the fall. Minick recommended that a representative from Foster & Foster attend the next meeting to possibly help explain the vast discrepancies. It was noted that the Article 3 & Article 4 funds are the only funds that must submit payments to transfer service. None of the other funds (i.e. IMRF, Teachers, Firefighters) are required to make payment. It was further noted that the report that the Board adopts to determine the tax levy is the report that shall be used. Discussion continued on determining true cost.

## **6. PRESENTATION AND APPROVAL OF BILLS FOR PAYMENT**

**Motion:** To approve Addendum A in the amount of \$76,345.91 as presented.  
**Maker:** Keegan  
**Second:** Minick  
**Roll Call:** Keegan – Aye, Jannusch – Aye, Minick – Aye, Griesbaum – Aye, Beam – Aye.  
All in favor. Motion carried.

**Motion:** To approve the Financial Statements for year end 04/30/2016 as presented.  
**Maker:** Minick  
**Second:** Jannusch  
**Voice Vote:** 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

## **7. APPLICATIONS FOR MEMBERSHIP**

None.

## **8. APPLICATIONS FOR BENEFITS**

None. Scott Kern is due for his annual examination.

**Motion:** To authorize Reimer's Office to contact INSPE for Kern's annual examination.  
**Maker:** Minick  
**Second:** Griesbaum  
**Roll Call:** Keegan – Aye, Jannusch – Aye, Minick – Aye, Griesbaum – Aye, Beam – Aye.  
All in favor. Motion carried.

## **9. ATTORNEY'S REPORT**

LaBardi distributed the newsletter. No current pension legislation. There were a couple of consolidation senate bills, however, they both failed.

## **10. NEW BUSINESS**

Fiduciary Insurance – Renewal for Fiduciary Liability Insurance. Kiesewetter gave an overview of the current policy. The policy increased by 2.7% for an annual premium of \$3983.00. There is a \$10,000 deductible to the benefit overpayment coverage. Discussion was held on active members, current retirees, deferred pensions, participant counts, left vested, coverage for miscalculations that are not recoverable, aggregate limits, etc.

**Motion:** To approve the renewal of fiduciary insurance with Hudson Insurance for the St. Charles Police Pension Fund in the amount of \$3983.00 for another year.  
**Maker:** Griesbaum  
**Second:** Minick  
**Roll Call:** Keegan – Aye, Jannusch – Aye, Minick – Aye, Griesbaum – Aye, Beam – Aye.  
All in favor. Motion carried.

Service Transfer – Mike Karnack – Still waiting for money from Woodstock for pension transfer. Calculations were completed. Woodstock will address this issue at their April meeting.

Semi-Annual Review of Closed Session Minutes – The Open Meetings Act requires that closed session minutes be reviewed for release twice a year. There are no closed session minutes to review.

Trustee Elections – Griesbaum is up for re-election. The election shall be held on/before April 30, 2017 and the results will be finalized at the next meeting.

Economic Statements – Reminder that all members need to file their Economic Statements with the County and this may be done on-line.

Annual DOI Report – The City will be preparing this report. The next report will be due 6 months after fiscal year close of April 30. The City normally files this report in October.

## **11. PUBLIC COMMENTS**

None.

## **12. ADJOURNMENT**

There being no further business to discuss, motion to adjourn by Trustee Keegan. Seconded by Trustee Minick.

**Motion:** To adjourn the meeting at 1:31 p.m.  
**Maker:** Minick  
**Second:** Keegan  
**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

The meeting was adjourned at 1:31 p.m. The next regular meeting is scheduled for June 7, 2017 beginning at 11:30 a.m.

Respectfully submitted,

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President

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Secretary