

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES Wednesday, March 7, 2018 11:30 a.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 11:32 a.m.

2. ROLL CALL

Members Present: Timothy Beam, President; Brooks Boyce, Secretary; Dave Jannusch, Trustee; Chris Minick, Finance Director (arrived 11:34); and James Keegan, Trustee (arrived 11:34)

Members Absent: None

Others Present: Brian LaBardi, Reimer Dobrovolny & Karlson LLC; Robert Vaughn, UBS; Warren Drewes, Treasurer (Retired)

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the Regular Meeting Minutes of December 7, 2017 as presented.

Maker: Jannusch

Second: Boyce

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

Motion: To approve the Special Meeting Minutes of February 6, 2018 as presented.

Maker: Boyce

Second: Jannusch

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

Minick & Keegan arrived at 11:34 a.m.

President Beam reported that elections were held for the Retired/Disabled Trustee for the St. Charles Police Pension Board. The Board paused to count ballots. Results are as follows:

Jannusch – 13

Rogers – 5

Paulette – 6

Brandenburgh – 1

Beam – 2

DeWolff - 2

Smith – 9

Lee – 2

Motion: To certify the results of the Retired/Disabled Trustee elections. Dave Jannusch elected to the Board for a 2-year term commencing 05/01/2018.
Maker: Boyce
Second: Minick
Voice Vote: 5 – Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

4. INVESTMENT ACTIVITIES

Vaughn stated that the Daily Herald did a news report on the St. Charles Police Fund, which grabbed a point in time that didn't positively reflect the portfolio. The Fund has actually, since inception, compounded an annual return of 7.23% and beat the hurdle rate by 50 basis points. The portfolio started out around \$19M and is currently at \$35.1M. In nine (9) years, the portfolio acquired approximately \$14M with over \$2M in savings. Vaughn stated that the article was poorly written and really doesn't show what the Fund has actually accomplished.

The portfolio began the quarter at \$34,210,473 and ended at \$35,135,181. Discussion was held on the Dynamic Index, time weighted rates of return, standard deviation (portfolio is very low), sharpe ratio, alpha, beta, etc. Of compared portfolios, the Fund is ranked in the top 15 percentile for returns. What this all means is the portfolio is managing risk efficiently and realizing higher returns. The portfolio has been able to control risk better with the addition of several asset classes. Vaughn reviewed the returns of the money managers for the last quarter. It was noted that the Board has reduced the percentage invested in Chilton REIT.

Vaughn reported that based upon the special meeting, the Board has increased Large Cap from 15% to 20% of the portfolio. UBS recommended taking \$25,000 from Transamerica, \$60,000 from Blackrock, \$35,000 from Riverfront, put \$150,000 into Cash, and the remainder into C.S. McKee and Pacific Income.

Motion: To amend the amend the IPS to take Large Cap from 15% to 20% in the portfolio.
Maker: Minick
Second: Boyce
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Boyce – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

UBS will make the changes to the IPS and file updated ISP with DOI.

Motion: To approve the rebalancing and allocation as submitted.
Maker: Minick
Second: Jannusch
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Boyce – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

5. OLD BUSINESS

Active Member Election – Requests for nominations will be sent out. Election to be held on April 16, 2018.

6. PRESENTATION AND APPROVAL OF BILLS FOR PAYMENT

Motion: To approve Addendum A in the amount of \$79,717.21 as presented.

Maker: Minick

Second: Jannusch

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

Motion: To approve invoice for Cheryl Shimp for transcription of meeting minutes in the amount of \$100.00.

Maker: Keegan

Second: Minick

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

7. APPLICATIONS FOR MEMBERSHIP

None. Three (3) new lateral transfer officers will start March 19, 2018. Two of the officers are Tier 2 officers and the third is possibly a Tier 1.

8. APPLICATIONS FOR BENEFITS

Tim Beam and Dave Kintz have applied for retirement pensions. Both are deferred retirement pensions. Final numbers for Beam are not available at this time. A special meeting will be held when final numbers become available.

Kintz has 27 years 3 months 3 days of creditable service with an annual salary of \$147,563.58. Retirement pension of 67.5% or \$8300.45 per month to commence on 07/29/2018.

Motion: To approve retirement pension for Dave Kintz as presented commencing on 07/29/2018.

Maker: Boyce

Second: Minick

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

Decisions and orders will be drafted by Board.

Brian Oko has requested a refund of contributions. Total contributions of \$10,864.73 and Oko is requesting a lump sum, which requires a 20% tax deduction. Last day worked was 02/12/2018.

Motion: To refund Brian Oko pension contributions in the amount of \$10,864.73.
Maker: Minick
Second: Keegan
Roll Call: Keegan – Aye, Minick – Aye, Boyce – Aye, Jannusch – Aye, Beam – Aye. 5 Ayes 0 Nays 0 Absent. All in favor. Motion carried.

Eric Jannusch has requested a refund of contributions in the amount of \$25,359.05. Last day worked was 06/02/2016. This refund will roll-over into another pension plan.

Motion: To refund Eric Jannusch pension contributions in the amount of \$25,359.05.
Maker: Keegan
Second: Boyce
Roll Call: Keegan – Aye, Minick – Aye, Boyce – Aye, Jannusch – Abstain, Beam – Aye. 4 Ayes 0 Nays 0 Absent 1 Abstain. All in favor. Motion carried.

Disability Pension Application – LaBardi reported that an application for a disability pension has been received. The disability packets has been sent out requesting a release for medical records.

Motion: To authorize the office of Reimer Dobrovolny & Karlson LLC to retain INSPE for the purpose of the 3 requires IME's for the disability application for Shaw.
Maker: Minick
Second: Jannusch
Roll Call: Keegan – Aye, Minick – Aye, Boyce – Aye, Jannusch – Aye, Beam – Aye. 5 Ayes 0 Nays 0 Absent. All in favor. Motion carried.

Reference a worker's comp case, it is the opinion of the City's Workman's Comp attorney, that the City does not have the right to involuntarily withhold pension benefits. If the officer wishes to make pension benefit contributions, the officer would have to write a check directly to the pension fund. LaBardi reported that there was a case wherein the question was, does time spent on worker's comp constitute time on payroll for pension purposes. The issue of how pension contributions are paid, was not discussed. Although the City may not involuntarily withhold pension contributions, this doesn't mean that the individual on workman's comp doesn't have to make the contribution. In this particular incident, whether or not the officer will have to make contributions will be decided at the disability hearing. Discussion continued.

Keegan left meeting at 12:25 p.m.

9. ATTORNEY'S REPORT

LaBardi distributed the current newsletter. He noted that there is a new head of Public Pensions effective March 1, 2018; Scott Brandt. The question was brought up if this would reinstate the annual pension audits, unknown. Legislation is being drafted to require Public Pensions to conduct a pension audit every 3 years.

Included in the newsletter are recommendations for updating rules and regulations based on case law and statutory changes. Draft rules will be forwarded to Minick & Boyce. There is a bill pending, which would allow a police officer who becomes a firefighter, the ability to transfer their police time to fire. This would only be in instances where the police officer becomes a firefighter with the same municipality.

The DOI has a new actuary. The mortality tables have been updated. The investment return assumptions have been knocked down for every fund a quarter of a percentage point, except for the smallest. Also, looking at a fund's funding ratio in determining what the assumed investment return is. Funds below 40%, receive another quarter of a percentage point knocked off. These are the numbers that the DOI is going to use to calculate and report on a fund. Unfortunately, this accounting is going to make smaller funds look even worse. Unknown why DOI is tying the assumed investment return to the funded ratio. Fear is that this will be used to construct some sort of data table to generate numbers that will look much worse than they are and will, once again, attempt to work towards consolidation. Every legislative session has bills presented to consolidate funds. As a result of this, the statutory amount required by a municipality will increase significantly due to this reduction of a quarter point.

Comptroller Intercept allowed funds to intercept monies destined for municipalities and apply those monies to their pension, subject to rules to be adopted by the Comptroller. It has taken 6 years to create these rules. In the 6 years it has taken to create the rules, a number of bills have passed making it unconstitutional to intercept designated monies. For example, road funds. If a pension is underfunded, the fund cannot intercept road monies. Most of the monies forwarded to a municipality is related to road repairs in one form or another. Discussion continued on the workings of this legislation. It was noted that there isn't a problem in St. Charles so this Comptroller Intercept should never be necessary.

10. NEW BUSINESS

Closed/Executive Session Minutes – Statute requires that the Board review Closed/Executive Session minutes twice a year for release. There are no Closed/Executive Session minutes to discuss.

Statements of Economic Interest – The Statement of Economic Interest is required to be filed on an annual basis. This may be done online. Due date is May 1.

DOI Report – DOI Report is due 6 months after the close of the fiscal year. This report is due in October. The 2017 report has already been filed. City staff prepares this report.

Fiduciary Liability Insurance – Same underwriting company, same terms and conditions, same coverage form, same premium. The fund is currently approximately \$35M. Discussion was held on a \$2M option of coverage, trustee claims, benefit overpayment coverage, retention, etc. Will revisit issue next year and obtain quotes for the \$1M & \$2M coverage April 2019.

Motion: To maintain the \$1M coverage limit effective 04/01/2018 for an annual cost of \$3983.00 and to revisit the \$2M coverage limit next year.
Maker: Minick
Second: Jannusch
Roll Call: Minick – Aye, Boyce – Aye, Jannusch – Aye, Beam – Aye. 4 Ayes 0 Nays 1 Absent. All in favor. Motion carried.

11. PUBLIC COMMENTS

None.

12. ADJOURNMENT

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

Motion: To adjourn the meeting at 12:45 p.m.
Maker: Minick
Second: Boyce
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The meeting was adjourned at 12:45 p.m. The next regular meeting is scheduled for June 6, 2018 beginning at 11:30 a.m.

Respectfully submitted,

President

Secretary