

ST. CHARLES POLICE PENSION FUND

1515 West Main Street
St. Charles, Illinois 60174

MEETING MINUTES Friday, June 3, 2022 11:30 a.m. – St. Charles Police Department

NOTE: These minutes are not a word-for-word transcription of the statements made at the meeting, nor intended to be a comprehensive review of all discussions. They are intended to make an official record of the actions taken by the Board and to include some description of discussion points as understood by the minute-taker. They may not reference some of the individual attendee's comments, nor the complete comments if referenced.

MEETING CALLED TO ORDER

President Boyce called to order the Regular Meeting of the St. Charles Police Pension Board at 11:34 a.m.

ROLL CALL

Members Present: Brooks Boyce, President; Steve Heike, Secretary; Bill Hannah, Trustee

Members Absent: Tim Beam, Vice President and James Keegan, Trustee

Others Present: Brian LaBardi, Reimer Dobrovolny & LaBardi PC; John Falduto, Sawyer Falduto; Ed Lavin, Sawyer Falduto (via conference call); Greg Kiesewetter, Euclid Specialty

APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the minutes of the March 2, 2022, regular meeting as presented.

Maker: Hannah

Second: Heike

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

Motion: To approve the minutes of the April 14, 2022, special meeting as presented.

Maker: Heike

Second: Hannah

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

INVESTMENT ACTIVITIES

Falduto distributed copies of the latest quarterly report and gave a brief overview of the report. The portfolio is currently investing 65% in Equities, 34% in Fixed Income with the remainder in Cash or Money Market. No changes to the Investment Policy Statement. Falduto noted that once the assets are consolidated, the fund will be in a more conservative posture. It will be 50% stock and 50% fixed income, as this is what the consolidated fund has chosen as its allocations.

Falduto reported that the first quarter has been rough. The portfolio began the year at \$51.6M and ended the quarter at \$47.6M, down \$3.4M or down -6.6%. The stock portion of the account was down -7.6% with the fixed income/bonds down -4.9%. What occurred during this quarter is interest rates went up. When interest rates are up, the value of bonds are down. Bond losses, however, are unrealized losses because the

bonds were not sold, and the market will recover. The portfolio is up 14.4% since inception. The fund itself is still up \$12.1M since inception.

Lavin reported on the volatility of the market over the last few months. Noted that the biggest reason for this volatility is the increase in interest rates and inflation. The Federal Reserve has raised interest rates once, so far, this year and another increase is expected. These increases do affect the existing bond portfolio. Lavin stated that 2/3 of the US economy is consumer driven so there is a lot of focus on how consumers feel. It appears that inflation may have topped out and will slowly start to go down. The key will be the Federal Reserve.

Motion: To approve Sawyer Falduto Quarterly Investment Manager's Report as presented.
Maker: Heike
Second: Hannah
Voice Vote: 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

No action taken on the Investment Policy Statement.

Consolidation Update – Boyce reported that the paperwork reference the consolidation has been completed. LaBardi reported that the Fund had received an email moving the final transfer date beyond the June 24th date and is tentatively scheduled for August 1, 2022. Falduto stated that they were notified from IPOPIF that they will begin transferring assets on August 1st. Transfer dates will begin on 08/01 and Falduto reported they have a fund that has a November 1 transfer date. A list should be out soon so everyone can plan accordingly. LaBardi reported that a ruling has been issued by Kane County reference the consolidation lawsuit and its unconstitutionality. The Judge found the law to be constitutional and granted summary judgment in favor of defendants and denied the motion of plaintiffs to have it thrown out. Since this time, an appeal has been filed. The case will now go to the Second District Court in Elgin. As this is a lengthy process, especially if something is filed in the Appellate Court, it may be as long as year before there is another ruling.

The Cash Management Policy and Resolutions were forwarded to the Board, which the Board will put on hold, for now. Once Exhibit B is signed and received by Sawyer Falduto, they'll be able to move forward with the process to get everything set up. The Board will be receiving a certified asset list from the consolidation board, which includes data from before the "freeze" date. Unfortunately, transactions may occur before the actual "freeze" takes place and so a second list will cover transactions that happened in the interim. Having 2 lists could be confusing, depending on which list is sent with the Exhibit B form. Falduto stated that their firm will help the Board through this process. Boyce reported that the Exhibit B and Resolution 22-001 were forwarded to IPOPIF. The Fund then received the August 1, 2022, transfer date.

Boyce reported that the Cash Management Policy is drafted to withhold \$1.020M, as previously discussed. Hannah reported that Finance has reviewed the policy and approved it. Tax levy monies should be received soon, which will cover the amount being withheld. LaBardi noted that this issue may be revisited at any time and recommends that Cash Management Policy be included on every agenda to be discussed and reviewed regularly. This will allow the Board to change the policy, if needed. Discussion was held on the Cash Management Policy and monies needing to be withheld.

Motion: To accept/approve the St. Charles Police Pension Cash Management Policy as presented.
Maker: Hannah
Second: Heike
Roll Call: Heike – Aye, Hannah – Aye, Boyce – Aye. 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

Resolution 22-002 – Appointing Authorized Account Representatives – This resolution is to appoint representatives who have access and authority reference the Fund’s monies. These representatives should also be signers on the accounts. Recommended representatives from the Finance Department are Jill Ghiotto and Colleen Lavery. Resolution 22-002 and the eCFM form to be forwarded to IPOPIF.

Motion: To approve Resolution 22-002 Appointing Authorized Account Representatives Jill Ghiotto and Colleen Lavery
Maker: Heike
Second: Hannah
Roll Call: Heike – Aye, Hannah – Aye, Boyce – Aye. 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

OLD BUSINESS

Trustee Elections/Election of Officers – Boyce stated that this will be his last term on the Pension Board (expires April 2023) as he will be retiring the beginning of 2024. Heike reported that this will be his last term (expires April 2024) as well as he will be hitting 30 years in a few years. Both are actively speaking with some of the younger officers to get them interested in these positions. Recommendation that officers remain as: Boyce – President, Heike – Secretary, Beam – Vice President, Hannah – Asst. Secretary.

The election for the position of Retired/Disabled Member was held and Tim Beam was the only nominee for this position and received 22 votes.

Motion: To certify the election of Tim Beam as the Retired Member of the St. Charles Police Pension Fund for a term of two (2) years, expiring May 2024.
Maker: Heike
Second: Hannah
Voice Vote: 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

The election for the position for an Active Member of the Board was also held and Steve Heike was the only nominee for the Active Member position and received 7 votes.

Motion: To certify the election of Steve Heike as the Active Member of the St. Charles Police Pension Fund for a term of two (2) years, expiring May 2024.
Maker: Hannah
Second: Boyce
Voice Vote: 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

Motion: To designate Boyce as President, Heike as Secretary, Beam as Vice-President, and Hannah as Assistant Secretary.
Maker: Boyce
Second: Heike
Roll Call: Heike – Aye, Hannah – Aye, Boyce – Aye. 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

Statements of Economic Interest – These statements were due May 1, 2022. Everyone reported they have completed their Statement of Economic Interest with Kane County.

Cyber Security - Greg Kiesewetter presented a “ballpark” quote for the Cyber Security for the Fund. Until an application for coverage is completed, the insurance company is not able to provide a binding quote. Kiesewetter reviewed the coverage with the members. Two(2) options were presented for \$1M and \$2M of coverage. Some items provided in this coverage include data recovery, extortion and ransomware coverage, bricking (property loss i.e., computer damages), network security and privacy liability, media (social media), etc. Boyce inquired about risk as the Pension Board does not have its own network, website, social media page, computers are the property of the City of St. Charles, transactions happen between Sawyer Falduto and the Finance Department, where is the risk to the Pension Board? Kiesewetter stated that the Board still has the ownership and personal identifiable data. There maybe the accusation that the breach came from the Board during the process that the data is turned over to the Finance Department, Sawyer Falduto, HR, etc. Anytime a personal email is used to transmit any data, this may be the conduit of a breach. Hannah reported that the City has been researching this type of Cyber Security Coverage, however, it was found to be extremely expensive with very little coverage. It did not make any sense to obtain coverage at this cost. The City is evaluating this issue and may go out for quotes again. It was noted that as a separate entity from the City, even if the City has a policy, it is under no obligation to protect the St. Charles Police Pension Fund. Discussion was held on the pros and cons for this coverage. Table to the December meeting.

ACCOUNTANT’S REPORT/PRESENTATION OF BILLS FOR DISBURSEMENT

Motion: To approve Addendum A in the amount of \$143,253.44 as presented.
Maker: Hannah
Second: Heike
Voice Vote: 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

APPLICATIONS FOR MEMBERSHIP

No new membership applications.

Transfer of Service – Carrigan – Pending. Transfer from Evanston PD. Carrigan is looking to transfer 10 years 2 months 12 days. True Cost is \$188,000 but looking to receive \$234,000 from Evanston Police Pension Fund, which will result in a surplus of approximately \$46,000. A third Evanston PD lateral transfer may also be looking for transfer their service from Evanston to St. Charles. Awaiting paperwork requesting this transfer of service. There may even be a fourth officer looking to transfer to St. Charles from Evanston. It was noted that all the Evanston lateral transfers have been working out nicely.

APPLICATIONS FOR BENEFITS

Churney Hearing (Cancelled) – LaBardi reported that Notice of Hearing is being sent out today rescheduling this hearing for June 23, 2022, at 1:30 p.m. in the City of St. Charles Council Chambers.

ATTORNEY’S REPORT

See Consolidation Update.

NEW BUSINESS

Closed Minutes – By State Statute, the Board must review its Closed Minutes for public release twice a year. No Closed Minutes to release.

Trustee Training – Discussion was held on the Oak Brook IPPFA Conference in October. Members wishing to attend should notify President Boyce as soon as possible to get an idea on how will be attending. This conference counts towards the required annual Trustee Training hours. Registration will open between now and before the next meeting. Early registration has a reduced fee.

Motion: To approve registration, lodging and conference expenses for those interested trustees attending the October IPPFA Fall Conference.

Maker: Boyce

Second: Heike

Roll Call: Heike – Aye, Hannah – Aye, Boyce – Aye. 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

Executive Session – None.

PUBLIC COMMENTS

None.

ADJOURNMENT

There being no further business to discuss, motion to adjourn by Trustee Hannah. Seconded by Secretary Heike.

Motion: To adjourn the meeting at 12:36 p.m.

Maker: Hannah

Second: Heike

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

The meeting was adjourned at 12:36 p.m. The next regular meeting is scheduled for September 7, 2022.

Respectfully submitted,


President

Secretary

5/27/2022

CITY OF ST CHARLES
EXPENDITURE APPROVAL LIST - DISTRIBUTION

3/1/2022 - 5/31/2022

<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>
2638	INTERNAL REVENUE SERVICE							
		1	400900	20107	37,990.26	03/25/2022	FIT 220325122947300	Federal Withholding Tax
		1	400900	20107	38,423.49	04/25/2022	FIT 220425112126300	Federal Withholding Tax
		1	400900	20107	38,423.49	05/25/2022	FIT 220525153804300	Federal Withholding Tax
					114,837.24	2638		INTERNAL REVENUE SERVICE
2927	CHERYL A SHIMP							
		1	400300	54399	180.00	04/26/2022	22-1109	MEETING MINUTES 3/2 AN
		1	400300	54399	160.00	03/02/2022	21-1108	MEETING MINUTES 12/1/2'
					340.00	2927		CHERYL A SHIMP
2940	COOK CASTLE ASSOCIATES LLC							
		1	400300	54360	7,388.00	03/04/2022	2343	FIDUCIARY LIABILITY PREI
					7,388.00	2940		COOK CASTLE ASSOCIATES LLC
3172	CITY OF ST CHARLES PP							
		1	400900	20120	5,100.56	03/25/2022	MEBN220325122947300	Retiree Benefits
		1	400900	20120	5,100.56	04/25/2022	MEBN220425112126300	Retiree Benefits
		1	400900	20120	5,331.13	05/25/2022	MEBN220525153804300	Retiree Benefits
					15,532.25	3172		CITY OF ST CHARLES PP
4062	REIMER DOBROVOLNY & LABARDI P							
		1	400300	54110	3,378.60	04/26/2022	2281-28151	LEGAL SERVICES
		1	400300	54110	1,777.35	03/08/2022	2281-27935	LEGAL SERVICES RETAINI
					5,155.95	4062		REIMER DOBROVOLNY & LABARDI P
					143,253.44			Grand Total: