

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES

Wednesday, June 1, 2016

11:30 p.m. – St. Charles Police Department

1. President Beam called to order the Regular Meeting of the St. Charles Police Pension Board at 11:35 p.m.

2. ROLL CALL

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

Members Absent: Michael Griesbaum, Secretary

Others Present: Attorney Rick Reimer, Reimer Dobrovolsky & Karlson LLC; Jon Willhite, UBS; and Joseph Christianson, UBS (via phone)

Due to conflicting schedules, the Board will be going out of order on the agenda.

5. OLD BUSINESS

Election of Active/Retired/Disabled Trustee – Elections were held for the position of active member and retired/disabled member. The results were as follows:

Retired/Disabled Member:	Jannusch – 28 votes	Rogers – 7 votes
Active Member:	Beam – 23 votes	

Motion: To certify the nominations to a 2-year term for Tim Beam and David Jannusch.

Maker: Minick

Second: Keegan

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

Election of Officers

Motion: To keep the existing board officers.

Maker: Jannusch

Second: Minick

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

3. APPROVE PREVIOUS MEETING MINUTES

The Board paused to review the minutes of March 2, 2016.

Motion: To approve the minutes of the March 2, 2016 Regular Meeting as amended.
Maker: Minick
Second: Keegan
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion Carried.

5. OLD BUSINESS

Status of RFP for Actuarial Services – Minick reported that the City sent out a Request for Proposal (RFP) for actuarial study. Twelve firms were sent the RFP and received 6 responses. Three firms were interviewed and the City opted to contract with Foster and Foster. The City is in the process of finalizing a 3-year contract. Minick further reported that this RFP was not as a result of the current issues facing Tim Sharpe, the City had not conducted an RFP for over 8 years and this is more of a due diligence issue. Beam noted that the Pension Board does not conduct a separate actuarial study and relies on the City's study for the tax levy recommendation.

6. PRESENTATION AND APPROVAL OF BILLS FOR DISBURSEMENT

Motion: To approve bills for disbursement as presented in Addendum A in the amount of \$77,142.85 as presented.
Maker: Minick
Second: Jannusch
Roll Call: Minick – Aye, Keegan – Aye, Beam – Aye, Jannusch – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

7. APPLICATIONS FOR MEMBERSHIP

Beam reported there are 2 applications for membership; Meghan Kelly and Michael Redmann.

Motion: To admit Meghan Kelly and Michael Redmann into the St. Charles Police Pension Fund effective 02/29/2016 as Tier 2 members.
Maker: Minick
Second: Jannusch
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

8. APPLICATIONS FOR MEMBERSHIP

Beam reported that Lisa Ferguson submitted application for retirement benefits effective 05/14/2016. Ms. Ferguson has 20 years 1 month and 19 days of creditable service and has a monthly benefit of \$4071.23.

Motion: To approve retirement benefits of Lisa Ferguson.
Maker: Keegan
Second: Jannusch
Roll Call: Jannusch – Aye, Keegan – Aye, Minick – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Beam reported that John Mijal has requested a refund of benefits in the amount of \$4607.04. Last day worked was 12/13/2015. Mijal has requested a transfer to Thorndyke Wealth Manage Group at Merrell Lynch.

Motion: To approve the refund of contributions to John Mijal in the amount of \$4607.04.

Maker: Minick

Second: Jannusch

Roll Call: Jannusch – Aye, Keegan – Aye, Minick – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Beam reported on a request of refund of contributions in the amount of \$37,419.69 for Scott Kerr. To date the required paperwork for this request has not been received.

Motion: To issue a refund of contributions in the amount of \$37,419.69 to Scott Kerr subject to the submission of the appropriate paperwork.

Maker: Jannusch

Second: Minick

Roll Call: Jannusch – Aye, Keegan – Aye, Minick – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Reimer reported that Kern is due for his annual examination on June 20, 2016. All required documents for the Dargis QILDRO have been received. Letters will be sent to the retiree and alternate payee that all requirements have been met and will take effect with the June payouts.

9. ATTORNEY'S REPORT

Reimer distributed copies of the latest legislative update. It noted the Illinois Supreme Court decision on the third attempt at pension reform. There have been 2 cases within the last year that attempted to modify Tier 1 benefits, which did not succeed. It was believed that legislatures would attack Article 3 & Article 4, along with Chicago Police & Chicago Fire, pensions only if successful. This didn't happen. Jones versus the Benefit Fund of Chicago was the third attempt and failed. Unknown if the legislation is done with pension reform. The concern is all of these cases involved the pension protection clause, Article 13 Section 5 of the Illinois Constitution. Illinois is one of the few states that have a pension protection clause. In order to repeal this clause, the legislatures would have to bring it forth in a Constitutional Referendum, which was recently defeated, but not overwhelmingly. Another way to repeal the clause would be for the House and Senate created a joint House and Senate resolution seeking to repeal Article 13 Section 5. This would have to pass the House and Senate by a super majority and if successful, would be placed on the November ballot. Voters would then have to pass it by a super majority. History shows that back in 2012, there was joint resolution to modify Article 13, not repeal it. This resolution proposed raising the hurdle, prohibiting any state or local government from passing any type of a benefit enhancement. The resolution passed by a majority, just not a super majority. In the current climate, it may have a better shot. The good news is that there is a time limit. There may not be enough time to get it on the ballot. The ballot must be a presidential ballot. Discussion continued on possible scenarios. Reimer reported that pension consolidation, right now, is a dead issue.

In 2010, pension funds were given the authority to invest in corporate bonds. The requirements were that they had to be investment grade and rated investment grade by one of the two agencies. The second requirement was that they must be bought through a manager, not a consultant. The third requirement was if they are downgraded, the fund must divest the bonds within 90 days. It was noted that it only takes 1 of the rating agencies to trigger the downgrade and funds were then required to immediately sell the bonds. Discussion was held on the DOI email advisory opinion on corporate bond downgrade.

Rules and Regulations to be tabled to the next meeting. Updated version will be forwarded to all Board members.

The Letter of Authorization is currently topped out at \$225,000. After a brief discussion, it was determined that this LOA would remain.

Reimer reported that the annual training requirements for trustees remains the same. A minimum of 16 hours is required per year and ethics training must be part of these 16 hours. The IPPFA Conference is scheduled for the beginning of October. Annual training requirements may be obtained by attending this conference. Reservations have been made for all members attending.

Reimer left meeting at 12:30 p.m.

4. INVESTMENT ACTIVITIES

Joe Christianson attended the meeting via conference call. The portfolio began the quarter at \$29,299,503 and ended at \$29,282,384. Willhite reported that since inception the portfolio is up 6.61% with the benchmark up 6.81%. The one year numbers show that the portfolio is approximately 15 basis points ahead of its benchmark. The latest quarter shows the fund up 1.7% with the Index up 1.95%. Discussion was held on up and down capture ratios, individual manager performance, risk vs. returns, sharpe ratio, etc. Willhite recommended removing First Eagle Overseas Fund from the portfolio and moving those monies to Trans America. Not sure if the Tortoise and the FAMCO (MLP) are the right asset classes for the portfolio. Will continue to monitor their performances. Discussion continued on MLP's in the portfolio.

Discussion was held on the results of the asset allocation questionnaire completed by the Board. Willhite reported that the Fund has been experiencing a positive cash flow from contributions and the tax levy, which gives the Fund more of an opportunity to take a more aggressive approach on the growth side. Christianson gave a brief overview of the results of the questionnaire. This overview included recommendations on manager changes, discussion on small cap and mid cap managers, increased risk, adding value without adding risk, etc.

Motion: To accept the moderately aggressive asset allocation portfolio.

Maker: Minick

Second: Keegan

Roll Call: Jannusch – Aye, Keegan – Aye, Minick – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

- Motion:** To execute the strategic asset allocation portfolio as presented.
Maker: Keegan
Second: Minick
Roll Call: Jannusch – Aye, Keegan – Aye, Minick – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.
- Motion:** To authorize Chris Minick to work with UBS to allocate tax levy monies as presented in the strategic asset allocation plan.
Maker: Jannusch
Second: Keegan
Roll Call: Jannusch – Aye, Keegan – Aye, Minick – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.
- Motion:** To rebalance the portfolio as presented in the rebalancing worksheet.
Maker: Keegan
Second: Jannusch
Roll Call: Jannusch – Aye, Keegan – Aye, Minick – 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, a motion was made by Trustee Minick to adjourn the meeting at 12:51 p.m. Seconded by Trustee Keegan. Voice Vote. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The meeting was adjourned at 12:51 p.m. The next regular meeting is scheduled for September 7, 2016 at 11:30 p.m.

Respectfully submitted,



President



Secretary

**CITY OF ST CHARLES
EXPENDITURE APPROVAL LIST - DISTRIBUTION**

3/1/2016 - 5/31/2016

5/27/2016

<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	6,115.07	05/17/2016	F92266	FY 2017 COMPLIANCE FEE
					<u>6,115.07</u>	1162		ILLINOIS STATE TREASURER
2132	TWS ACTUARY	1	400300	54131	500.00	03/24/2016	20160208	PENSION PAYMENT PROJEC
					<u>500.00</u>	2132		TWS ACTUARY
2638	INTERNAL REVENUE SERVICE							
		1	400900	20107	17,348.88	03/25/2016	FIT 160325104914300	Federal Withholding Tax
		1	400900	20107	17,959.04	04/25/2016	FIT 160425140105300	Federal Withholding Tax
		1	400900	20107	19,132.63	05/25/2016	FIT 160525123656300	Federal Withholding Tax
					<u>54,440.55</u>	2638		INTERNAL REVENUE SERVICE
2927	CHERYL A SHIMP	1	400300	54399	75.00	03/01/2016	31048	TRANSCRIPTION MINUTES 121
					<u>75.00</u>	2927		CHERYL A SHIMP
2928	REIMER DOBROVOLNY & KARLSON							
		1	400300	54110	75.00	03/01/2016	2281-20694	LEGAL SERVICES JAN 2016
		1	400300	54110	750.00	03/23/2016	2281-20852	SVCS - RETAINER
		1	400300	54110	244.93	04/30/2016	2281-20936	LEGAL SVCS MARCH 2016
					<u>1,069.93</u>	2928		REIMER DOBROVOLNY & KARLSON
2940	COOK CASTLE ASSOCIATES LLC							
			400300	54360	3,880.00	03/18/2016	716	FIDUCIARY LIABILITY PREMIL
					<u>3,880.00</u>	2940		COOK CASTLE ASSOCIATES LLC
3172	CITY OF ST CHARLES PP							
		1	400900	20120	3,707.17	03/25/2016	MEBN160325104914300	Retiree Benefits
		1	400900	20120	3,707.17	04/25/2016	MEBN160425140105300	Retiree Benefits
		1	400900	20120	3,647.96	05/25/2016	MEBN160525123656300	Retiree Benefits
					<u>11,062.30</u>	3172		CITY OF ST CHARLES PP
				<u>Grand Total:</u>	<u>77,142.85</u>			