

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES

Wednesday, September 7, 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 11:38 p.m.

2. ROLL CALL

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

Members Absent: None

Others Present: Attorney Brian LaBardi, Reimer Dobrovoly & Karlson LLC; Jon Willhite, UBS; Warren Drewes, Treasurer City of St. Charles; and Jason Franken, Actuary, Foster & Foster

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the minutes of the June 1 Regular Meeting as presented

Maker: Jannusch

Second: Minick

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

4. INVESTMENT ACTIVITIES

The portfolio began the quarter at \$29,282,384 and ended at 30,509,984. Willhite gave an overview of the historical performances of the managers to include the various asset classes, fixed income, MLP's, international, etc. The portfolio is up 2.61% with the comparative benchmark up 1.53%. YTD the portfolio is up 4.4% and is 1.29% for the year. The portfolio is trailing the benchmark in the 3 and 5 year numbers. The sharpe ratio over the last 3 years is 3.74% with the 60/40 being at a .77%. There has been a drop in volatility, however, the portfolio isn't seeing the desired results. Discussion continued on the recent asset allocation study, fixed income diversifiers, portfolio seeing results of the changes, etc.

Discussion was held on alternative money managers. This discussion included style analysis, growth and value, allocations to bonds, up and down market statistics, sharpe ratio, annual returns in the up and down markets, volatility, etc. Money managers discussed were Janus Triton, Texas, and JP Morgan.

Minick noted that the Fund should realize a substantial tax levy very soon. Willhite recommended that UBS work with Minick once these monies are received, to rebalance according to the Investment Policy Statement (IPS).

Motion: To replace Vanguard Small Cap with Janus Triton.

Maker: Griesbaum

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

Motion: To post-pone rebalancing to the end of September and authorize Minick to work with UBS when the tax levy monies are received to rebalance the portfolio as per the IPS guidelines.

Maker: Griesbaum

Second: Keegan

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

Willhite gave an overview of the status of all the current managers. It was noted that 3 of the managers are slightly underperforming in the one year numbers. The remaining managers are performing nicely and all managers have been performing well long term in the 3, 5 & 7 year numbers. Willhite stated that the portfolio has a lot of good managers in place. The IPS will be updated to reflect the changes discussed

5. OLD BUSINESS

Actuarial Report & Tax Levy Recommendation – Foster & Foster completed an actuarial valuation on the City of St. Charles Police Pension Fund as of May 1, 2016 with contributions applicable to the plan/fiscal year ending April 30, 2018. Jason Franken gave a brief history of Foster & Foster as well as an overview of the report. Discussion was held on the results of the report, unfunded liability, hurdle rate, contributions, tactics to pay off debt earlier, pros and cons of lowering the hurdle rate, covered payroll, the mortality table, salary increases, GASBE, consolidating funds, etc. The report noted that the long term rate of assumption had been 7%, unfortunately, for the year, the market return was -3%. The investment gains and losses will be spread over the next 5 years. The report recommends lowering the investment rate from 7% to 6.75%, which is the hurdle rate that the State of Illinois is using. Tax levy recommendation is \$2,303,017; which is what Minick will be recommending to the City.

Motion: To recommend a tax levy request in the amount of \$2,303,017; based upon the actuarial valuation.

Maker: Minick

Second: Keegan

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

Pension Board Rules & Regulations – Updated copy will be forwarded to Board members.

IPPPFA Conference Expenses – Annual IPPFA Conference will be held in Lake Geneva the beginning of October. Expenses include registration, hotel & meals. Discussion was held on GSA rates.

Motion: To approve reasonable expenses at the IPPFA Conference with a per diem of \$35 day for 3 days or \$105 per attendee.

Maker: Griesbaum

Second: Minick

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

6. PRESENTATION AND APPROVAL OF BILLS FOR DISBURSEMENT

Motion: To approve expenditures as presented in Addendum A in the amount of \$77,042.58.
Maker: Minick
Second: Griesbaum
Roll Call: Minick – Aye, Griesbaum – Aye, Keegan – Aye, Jannusch – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Approval of the financial statements will be postponed to the December meeting.

7. APPLICATIONS FOR MEMBERSHIP

Beam reported that the Police Department recently hired two (2) police officers in July, Michael Karnath and Matthew Phillips.

Motion: To approve the application for membership of Michael Karnath as a Tier 2 employee effective July 11, 2016.
Maker: Griesbaum
Second: Minick
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Motion: To approve the application for membership of Matthew Phillips as a Tier 2 employee effective July 11, 2016.
Maker: Keegan
Second: Griesbaum
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Both Karnath and Phillips are working on transferring monies from their previous pension funds.

8. APPLICATIONS FOR BENEFITS

Officer Roger Anderson has submitted an application for retirement. Anderson is a Tier 1 employee with a service date of February 1, 1989; annual salary of \$120,797.04 and is eligible for a 67.5% pension at an annual rate of \$81,538 and \$6794.83 monthly. He has creditable service of 27 years, 4 months and 23 days. His last day worked was 06/23/2016 and turned 50 on 07/30/2016.

Motion: To accept and approve the application for retirement benefits of Roger Anderson as a Tier 1 employee effective 07/31/2016 as presented.
Maker: Griesbaum
Second: Jannusch
Roll Call: Griesbaum – Aye, Jannusch – Aye, Keegan – Aye, Minick – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Beam reported that Scott Kern presented himself for an annual examination on 06/20/2016. Results of this examination indicate that Scott Kern is still disabled and unable to perform the full duties of a police officer.

Motion: Motion to continue benefits for Scott Kern subject to annual evaluations.
Maker: Griesbaum
Second: Minick
Roll Call: Griesbaum – Aye, Jannusch – Aye, Keegan – Aye, Minick – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

9. ATTORNEY'S REPORT

LaBardi briefed the Board on the Sheehan and IMRF case in which Sheehan was able to get special legislation passed to roll time from 3 positions into an IMRF pension with the City of Oak Brook. He served as the Chief of Police in Oak Brook for a short time and then retired. Oak Brook then received a transfers of service because these transfers needed to be completed while Sheehan was still active and they were done after he had retired. The reason these transfers were done after his retirement is because this is what IMRF told him he had to do. Sheehan was informed that he had 30 days to complete these transfers after his retirement. Sheehan then sued IMRF stating that they couldn't void all of his service because IMRF instructed him to process these transfers this way. The court disagreed and stated that IMRF had no statutory authority for them to grant the service when it wasn't done in compliance with the statute. Sheehan also doesn't have a constitutional argument about protecting his pension because he wasn't entitled to the pension in the first place. Unknown if Sheehan will appeal to the Supreme Court.

A new bill has passed reference local government expenditures and travel reimbursements around the end of July. As the City of St. Charles is a homerule community, it is unknown if this legislation will affect the Police Pension Board.

In terms of funding, there is always discussion about pushing back the date for enforcement for seizing local government funds for those municipalities not funding their pensions. In conjunction, there will be a constitution referendum protecting road maintenance funds from being used for anything other purpose.

10. NEW BUSINESS

Municipal Compliance Report (MCR) – The MCR is required report by statute. The Pension Board needs to provide reporting mechanisms to the municipality. Minick stated that the assumed investment return was reduced from 7% down to 6.75%. Correction: Remove Tim Sharpe's name as actuarial and replace with Foster & Foster.

Motion: To accept the Municipal Compliance Report as amended and forward same to the City of St. Charles.
Maker: Griesbaum
Second: Minick
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

11. PUBLIC COMMENTS

None

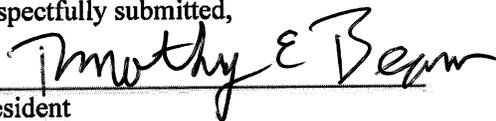
12. ADJOURNMENT

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

Motion: To adjourn the meeting at 1:25 p.m.
Maker: Griesbaum
Second: Minick
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

The meeting was adjourned at 1:25 p.m. The next regular meeting is scheduled for December 7, 2016 at 11:30 p.m.

Respectfully submitted,



President



Secretary

9/2/2016

CITY OF ST CHARLES
EXPENDITURE APPROVAL LIST - DISTRIBUTION

6/1/2016 - 8/31/2016

<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>
1181	IPPFA	1	400300	51300	1,340.00	07/25/2016	20150725	IPPFA PENSION CONFERE
					<u>1,340.00</u>	1181	IPPFA	
1233	INSPE ASSOCIATES LTD	1	400300	54399	2,700.00	07/25/2016	50471	REVIEW RECORDS
					<u>2,700.00</u>	1233	INSPE ASSOCIATES LTD	
2638	INTERNAL REVENUE SERVICE	1	400900	20107	20,396.58	07/25/2016	FIT 160725142610300	Federal Withholding Tax
		1	400900	20107	19,396.58	06/24/2016	FIT 160624135619300	Federal Withholding Tax
		1	400900	20107	21,181.01	08/25/2016	FIT 160825131054300	Federal Withholding Tax
					<u>60,974.17</u>	2638	INTERNAL REVENUE SERVICE	
2927	CHERYL A SHIMP	1	400300	54399	75.00	08/29/2016	31050	TRANSCRIPTION MINUTES
		1	400300	54399	75.00	06/09/2016	31049	TRANSCRIPTION MTG MIN
					<u>150.00</u>	2927	CHERYL A SHIMP	
2928	REIMER DOBROVOLNY & KARLSON	1	400300	54110	450.00	06/09/2016	2281-21067	LEGAL SVCS APR/MAY 201
		2	400300	54110	906.43	06/09/2016	2281-21067	LEGAL SVCS APR/MAY 201
		1	400300	54110	174.44	07/25/2016	2281-21222	LEGAL SERVICES JUNE 201
		1	400300	54110	112.50	08/26/2016	2281-21323	LEGAL SERVICES JULY 201
					<u>1,643.37</u>	2928	REIMER DOBROVOLNY & KARLSON	
3172	CITY OF ST CHARLES PP	1	400900	20120	3,711.68	08/25/2016	MEBN160825131054300	Retiree Benefits
		1	400900	20120	3,711.68	07/25/2016	MEBN160725142610300	Retiree Benefits
		1	400900	20120	3,711.68	06/24/2016	MEBN160624135619300	Retiree Benefits
					<u>11,135.04</u>	3172	CITY OF ST CHARLES PP	
					<u>77,942.58</u>			