

ST. CHARLES POLICE PENSION FUND

1515 West Main Street
St. Charles, Illinois 60174

MEETING MINUTES Wednesday, March 4, 2020 8:00 a.m. – St. Charles Police Department

MEETING CALLED TO ORDER

President Boyce called to order the Regular Meeting of the St. Charles Police Pension Board at 11:32 a.m.

ROLL CALL

Members Present: Brooks Boyce, President; Steve Heike, Secretary; Chris Minick, Finance Director; Dave Jannusch, Trustee; and James Keegan, Trustee

Members Absent: None

Others Present: Brian LaBardi, Reimer & Dobrovolny, PC; Edward Lavin, Sawyer Falduto; John Falduto, Sawyer Falduto (arrived at 12:20 p.m.); Greg Kieswetter, Cook Castle Associates, LLC; Cheryl Shimp, Recording Secretary

APPROVE PREVIOUS MEETING MINUTES

Page 2 of the December 4, 2019 – change Keaton to Keegan.

Motion: To approve the minutes of the December 4, 2019 regular meeting as amended.

Maker: Minick

Second: Heike

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

Motion: To approve the minutes of the January 17, 2020 special meeting as presented.

Maker: Heike

Second: Minick

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

Minick noted that the February 7, 2020 special meeting minutes should reflect that he abstained from vote.

Motion: To approve the minutes of the February 7, 2020 special meeting as amended:

Maker: Heike

Second: Keegan

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

Boyce noted that the Board will be going out of order allowing for others to be present. Minick stated that the transfer of funds process has been going smoothly.

OLD BUSINESS

2020 Elections – Boyce reported that there is one (1) Active Member position open. Heicke stated that he will run for another term. By statute, elections are to be held on the third Monday in April, which would be April 20. Ballots will be sent out to include Heicke’s name and a space for a write-in candidate.

The Retiree/Disabled Trustee position is also open this year. Dave Jannusch has indicated that he will not run for another term. The following were nominated for the Retiree/Disabled Trustee position: Dave Kintz, Lisa Ferguson, Brian DeWolff and Tim Beam. Boyce reported that the following nominees have indicated they have no desire to hold the position: Kintz, Ferguson and DeWolff. It was recommended that the Board obtain written statements from the candidates that they decline the nomination. Ballots will be sent out with Tim Beam as the only candidate. Ballots are due back by April 20, 2020.

ACCOUNTANT’S REPORT/PRESENTATION OF BILLS FOR DISBURSEMENT

Motion: To approve Addendum A in the amount of \$104,770.48 as presented.
Maker: Minick
Second: Heicke
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

APPLICATIONS FOR MEMBERSHIP

Boyce reported that two (2) applications for membership have been received from Nicholas Rankovich and Nicholas Wasmond. Both officers were hired on 12/30/2019 and are Tier 2 employees.

Motion: To accept Nicholas Rankovich into the St. Charles Police Pension effective 12/30/2019 with a 1992 DOB as a Tier 2 employee.
Maker: Minick
Second: Heicke
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Motion: To accept Nicholas Wasmond into the St. Charles Police Pension effective 12/30/2019 with a 1997 DOB as a Tier 2 employee.
Maker: Heicke
Second: Minick
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

APPLICATIONS FOR BENEFITS

Boyce reported that Thomas Shaw submitted himself for his annual examination with Dr. Peters and was determined to still be disabled. This should be the last examination required as Sgt. Shaw turns 50 soon.

Motion: To continue disability benefits for another year for Thomas Shaw pursuant to the report from Dr. Peters subject subsequent annual evaluations in accordance with the Pension Code.
Maker: Heicke
Second: Minick

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

Boyce reported that Scott Kerns presented himself for his annual examination in November 2019 and was determined to still be disabled and unable to perform the full duties of a police officer.

Motion: To continue disability benefits for another year for Scott Kerns pursuant to the doctor's report subject subsequent annual evaluations in accordance with the Pension Code.

Maker: Heicke

Second: Minick

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

NEW BUSINESS

Transfer of Service – Jackson – Boyce reported that Officer Rick Jackson has requested a transfer of service from Montgomery PD of 3 years 8 months 15 days. Montgomery transferred \$54,495.00, which bought Officer Jackson 3 years 6 months and 30 days.

Motion: To approve the transfer of service from Montgomery and acknowledge receipt of payment in full in the amount of \$54,495.00; amend date of hire by 3 years 6 months and 30 days.

Maker: Heicke

Second: Minick

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

Economic Interest Statements – The annual Economic Interest Statements should be forthcoming. These annual statements are due May 1.

Department of Insurance – The Finance Department will handle the annual Department of Insurance Report. Minick noted that auditors are currently working on this report.

ATTORNEY'S REPORT

LaBardi reported that the Consolidation Bill has passed. This Consolidation legislation requires the creation of two (2) boards; one for police and one for fire. Several meetings have already been held. On the police side, the board will conduct various meetings around the state. None of the asset transfers are ready to commence to date. Neither board has really taken any action. The fire board has hired a couple of attorneys but are still in the process of hiring an executive director.

LaBardi reported that the fall conference for the IPPFA will be in Naperville. The new requirement of 8 hours of training may be obtained at this conference, in addition to the 4-hours required training on the new consolidation law. Discussion was held on what the new training requirements consists of.

Minick inquired about the actuarial studies. LaBardi stated, that for the time being for the transition boards, the actuarial studies remain the same. The legislation contemplates the state-wide board taking this over once the permanent board is seated. The interim board serves for 12 months, then the elected board will

take over. Some time after the initial 12-month period, the state-wide board are supposed to take over the actuaries. What this means is that the municipalities will no longer have control on what their assumptions will be. Unclear if a local actuary may be conducted and funding held at this level. Unknown what the mandated funding is or will be. Discussion continued.

It was noted that meeting dates and meeting materials may be obtained through the IML website at iml.org. There are links on their homepage for both the fire and police boards. The fire board has retained a court reporter for their meetings so actual transcripts are available. Unknown if this is the same for the police board. Discussion continued on the structure of the interim boards. Once the transfer of funds is realized, the St. Charles Police Pension Board will still conduct quarterly meetings, hold hearings, accept applications for memberships and benefits, etc. A super majority vote will be required for the hiring of actuaries and setting of assumptions, hiring fiduciary counsel, hiring investment managers, etc. It is still unknown if tax levy monies will go directly into the consolidated fund or remain with the municipalities. For now, it will remain local. The new legislation requires the transfer of all funds to this consolidated fund, however, local municipalities may keep some money locally, in an interest-bearing account, for benefit payments. Unsure how this is going to work.

(Kiesewetter arrived at 12:15 p.m.)

Boyce inquired if there are any investments restrictions imposed on this consolidated fund. LaBardi stated that the super board will require a super majority vote in order to set the investment policy. The legislation states that the current restrictions will not apply. LaBardi reported that there have been a number of opinions lately very pro-ex-spouse when it comes to police pensions.

NEW BUSINESS

Fiduciary Insurance – Greg Kiesewetter distributed the fiduciary insurance renewal quote. All terms and conditions remain the same. The police run from April 1, 2020 to April 1, 2021. There is a \$2M limit on this policy. Total annual premium is \$6879.00. Kiesewetter gave an overview of the policy, which includes cyber coverage.

Motion: To approve the renewal of Fiduciary Liability Insurance with Euclid in the amount of \$6879.00 effective April 1, 2020.
Maker: Minick
Second: Heicke
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Heicke – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

(Falduto arrived at 12:20 p.m.)

Falduto arrived from the Consolidation Board Meeting. Stated that this process is going to be very challenging. The Board still needs to interview legal and potential executive director candidates. The board needs to figure out how to consolidate, allocate, invest over 650 funds. Discussion was held on this meeting. Facebook and Linked In accounts have been set up. Information and meeting dates may also be obtained on the IML site. This entire process will be very difficult.

INVESTMENTS

Falduto reported that the paperwork was drafted to establish the Schwab account and the agreement between Sawyer Falduto and the Board. The Schwab account is now open, and the transfer forms have been submitted to UBS to collect the assets. The transfer forms were rejected indicating that UBS did not have the account set up and a retirement account. What needs to happen now is UBS is asked to repaper the account, or another type of account may be opened at Schwab, something that mirrors what UBS has set up. Once the new Schwab account is set up, the transfer forms will be resubmitted, and the two account types now match. Once the funds are transferred, the assets would be moved into a retirement account. Updated forms were distributed to members for signature. There is no cost for this change. Stocks are not being bought or sold.

Falduto noted that bond prices are up, and the portfolio is in the same position. This process should be completed within the next week. Discussion continued.

Benefits will be paid the same as in the past. The Board requests an auto-transfer into the cash account to make the benefit payments. Falduto recommended reaching out to UBS to transfer the benefit payment monies immediately, so they are available for the end of the month.

Falduto presented a sample quarterly report along with a sample of the Investment Policy Guidelines and gave an overview of the report and guidelines. Portfolio allocations would be 55% - 65% (65%) in Equities; Fixed Income would be 30% - 40% (34%); and Cash would be 0% - 5% (1%). Discussion was held on the Fixed Income Allocations and Equity Diversification. A new section to the Guideline includes the Illinois Sustainable Investing Act. An Investment Policy prototype was presented for desegregation at the next meeting.

Motion: To accept the Investment Policy Guidelines as proposed on Page 2 of 14 with the Asset Allocation Parameters of 65% target for Equity (range of 55% - 65%); 34% target for Fixed Income (range 30% - 40%); and 1% target for Cash (range 0% - 5%); for final approval at the next meeting.

Maker: Minick

Second: Heicke

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

Falduto gave an overview of the funds that are used by all their police and fire pension funds. This overview included Large Cap Domestic, Small & Mid Cap Domestic, International and Alternative Assets (Real Estate). Multiple funds are utilized in each category. Discussion was held on Equity Portfolio Characteristics, Enhanced Index Equity, Fixed Income Management, etc. It was noted that Fixed Income is experiencing a record low in government bonds. Falduto explained how their firm buys and sells stocks and bonds.

ADJOURNMENT

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

Motion: To adjourn the meeting at 1:05 p.m.

Maker: Heicke

Second: Minick

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

The meeting was adjourned at 1:05 p.m. The next regular meeting is scheduled for June 4, 2020.

Respectfully submitted,



President



Secretary