

ST. CHARLES POLICE PENSION FUND
211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES
Wednesday, March 6, 2019
11:30 a.m. – St. Charles Police Department

1. MEETING CALLED TO ORDER

President Boyce called to order the Regular Meeting of the St. Charles Police Pension Board at 11:33 a.m.

2. ROLL CALL

Members Present: Brooks Boyce, President; Stephen Heike, Secretary; Dave Jannusch, Trustee; Chris Minick, Finance Director (arrived at 11:36); and James Keegan, Trustee

Members Absent: None

Others Present: Brian LaBardi, Reimer Dobrovolny & Karlson LLC; Robert Vaughn, UBS; Greg Keiswater, Cook Castle; Cheryl Shimp, Recording Secretary

3. APPROVE PREVIOUS MEETING MINUTES

December 5, 2018 amended to correct the name of President Brooks to President Boyce.

Motion: To approve the Regular Meeting Minutes of December 5, 2018 as amended.

Maker: Jannusch

Second: Heike

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

Motion: To approve the Special Meeting Minutes of December 21, 2018 as presented.

Maker: Keegan

Second: Heike

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

Boyce reported that several corrections were noted in the minutes of the June 6, 2018 meeting. Amended minutes were presented for review.

Chris Minick arrived at 11:36 a.m.

Motion: To approve the Amended Meeting Minutes of June 6, 2018 as presented.

Maker: Heike

Second: Jannusch

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

4. INVESTMENT ACTIVITIES

Vaughn reported on UBS cyber security. A lot of security issues happen through emails. As a result of this, UBS checks and double checks (personally) with members on transfer requests that are outside of the normal operations. Further, UBS has a \$400M insurance policy with Lloyds Bank. Policy and procedures were distributed to all members.

Discussion was held on the market trends for over the last 20 years. This trend noted that 2 asset classes survived in 2018, cash and bonds, which shows how bad 2018 was. This discussion included returns, rising Fed rates, negotiations with China, dramatic ups and downs during the year, etc. It was noted that the Fund regained most of its losses for the year by the end of December.

The Board reviewed the portfolio for 4Q18. The portfolio began the quarter at \$35,915,820 and ended the quarter at \$32,948,129. As of 03/01/2019, the portfolio is back up to \$35M. Since inception, the Fund has increased approximately \$11.6M. The portfolio was down -7.85% for the quarter with the benchmark down -7.37; YTD down -5.45% with the benchmark down -4.84% and since inception up 5.70% with the benchmark up 5.92%. It was noted that the worst quarter of the portfolio was 12/2018 and the worst 4 quarters was 12/2018. Discussion was held on the standard deviation, sharpe ratio, alpha, beta, risk vs. reward, Dynamic Index, etc. Concerns were voiced reference IMRF and Article 3 Funds. It was noted that IMRF has a much broader spectrum for investment than Article 3 Funds. Article 3 investments are very restrictive as per statute. IMRF does not have those same restrictions.

Discussion was held on the returns of the money managers. Concerns were expressed about American Beacon (Large Cap); 2018 was a very bad year for them, however, they are up approximately 200% in 2019. Discussion continued. UBS has begun the practice of setting up conference calls with money managers to discuss strategies, returns, risk, etc. All Board members are invited to participate in these conference calls. Calls will be set up on a regular basis. Time spent on these conference calls may be used towards mandatory trustee training. Concerns were expressed on RiverFront. Vaughn noted that RiverFront has investments in energy stocks and this is where some of the loss was incurred. New technology in this field, however, should show increasing returns in the future.

Motion: To accept the 4Q18 report as presented.
Maker: Minick
Second: Keegan
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

The Board reviewed the Rebalancing Worksheet. After review, there doesn't appear to be the need to rebalance or move any monies. UBS will review the worksheet in greater detail. A special meeting will be called, if needed.

Discretionary Service Contract – UBS has been working with the Board's attorney to complete a discretionary service contract. Illinois has the toughest restrictions reference this issue. All comments have been returned to UBS for their review. Should have a contract at the next meeting. Minick reported that the Funds have a statutory obligation to take a look at investment consultants every 5 years. A draft Request For Proposal (RFP) will be available for the June meeting. LaBardi stated they have a draft RFP that will be forwarded to the members for review.

Investment Policy Statement – If the Fund decides to move to a discretionary service contract, the IPS will have to updated accordingly.

5. OLD BUSINESS

Fiduciary Insurance – Keiswater presented 3 options. The first was the current policy, the second an increase in aggregate liability of \$2M; and option 3 has a \$3M aggregate liability limit. Discussion was held on the policy coverage. Current coverage limit is \$1M. Pros and cons were discussed on retaining the existing limit or increasing.

Motion: To increase the liability limit to \$2M with an annual premium of \$6771.00.
Maker: Minick
Second: Heike
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Police/Fire Retiree & Beneficiary Death Auditing Service – This is a free service that Lauterbach & Amen (L&A) are offering to any IPPFA members. L&A has an agreement with LS360 (Life Status 360) to provide this service. The Fund would need to authorize L&A to provide the Fund's information on behalf of the Fund to LS360. There is a report on the Department of Insurance that is updated every year that may be downloaded and can be provided to L&A, through a secure portal. This information would then be sent to LS360, which tracks the deaths of any beneficiaries. Once the data is transferred to LS360 from L&A, L&A will delete this information from their system. L&A is one of the largest firms in the State providing accounting services to police and fire pension funds. If the Board desires, the Finance Department will provide this information to L&A. LS360 has had a comprehensive security certification performed on their software and systems. Discussion continued on the pros and cons of this service. It was noted that IPPFA will not have access to any of this data. The Fiduciary Insurance Policy of the Fund covers breaches of statutory responsibility of trustees or breaches of administrative policies. Depending on the circumstances, it may not cover a breach of data in regards to this type of service. LS360 does provide some insurance coverage, unknown the extent of this coverage. More research needs to be conducted. Table to the next meeting.

2019 Elections – One active position is open (Boyce). Boyce reported that he will be running for another term. Per statute, elections are to be held on the 3rd Monday in April. Nomination sheets will be posted immediately. Nominations will be open until 03/26/2019. If no other nominations are received, Boyce may be declared elected by acclamation. Results will be presented at the next meeting.

6. PRESENTATION AND APPROVAL OF BILLS FOR PAYMENT

Motion: To approve Addendum A in the amount of \$97,512.59 as presented.
Maker: Minick
Second: Jannusch
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Training Reimbursement – Jannusch – Jannusch attended 8 hours of trustee training recently. Requesting reimbursement of \$185.00 on personal credit card.

Motion: To reimburse Dave Jannusch in the amount of \$185.00 for trustee training.
Maker: Keegan
Second: Minick
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

7. APPLICATIONS FOR MEMBERSHIP

Boyce reported on three (3) new members to the Pension Fund; Matthew Kraus, Bryce Rentschler and Thomas Fawkes. All 3 are Tier 2 members being hired on 12/31/2018. None have previous law enforcement experience and are all currently in the academy.

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

Jannusch left the meeting at 12:55 p.m.

9. ATTORNEY'S REPORT

Newsletter distributed to members. Most significant case is City of Countryside v. City of Countryside Police Pension Board of Trustees. Officers were receiving \$850 in longevity pay, which is pensionable, however, the pension board was pensioning it as \$850 x 26 pay periods, which is a substantial spike in their pension. The reason the pension board was doing this is as a result of an agreement the city reached with the FOP reference factoring in longevity pay. Eventually the city sued. The courts stated that the longevity pay is \$850 not \$850 x 26. Many of the retirees effected had been retired for over a decade. The courts have ordered that the benefits be adjusted going forward. The retirees will not be required to pay back monies, however, they will realize a greatly diminished benefit. The Illinois Supreme Court has chosen not to hear the case.

10. NEW BUSINESS

Military Buy-Back Time – Coryell – Boyce reported that Officer Scott Coryell is looking to buy-back his military time. Coryell's DD214 has been provided to the Board. Looking to buy back prior military service. Need to complete a form for Foster & Foster (actuarial service) to perform the calculations. Officers are allowed to buy-back up to 2 years of service. After calculations are performed, will contact Coryell for a final determination.

Semi-Annual Review of Closed Session Minutes – Closed Session Minutes from Shaw Hearing on 12/21/2018 will remain closed at this time.

Motion: To that the Thomas Shaw Closed Session Minutes remain closed at the matter is not final.
Maker: Minick
Second: Heike
Roll Call: Minick – Aye, Keegan – Aye, Heike – Aye, Boyce – Aye, Jannusch - Absent. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Statements of Economic Interest – Statements of Economic Interest are required to be completed by all Trustee members. These statements may be completed on-line and must be completed by May 1, 2019.

DOI Annual Report – The Finance Department prepares the Annual DOI Report for the Fund.

Motion: To authorize the Finance Department to prepare the Annual DOI Report for the Police Pension Fund as required by statute.
Maker: Minick
Second: Keegan
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Absent, Heike – Aye, Boyce – 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 Keegan. Seconded by Trustee Heike.

Motion: To adjourn the meeting at 1:13 p.m.
Maker: Keegan
Second: Heike
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The meeting was adjourned at 1:13 p.m. The next regular meeting is scheduled for June 5, 2019 beginning at 11:30 a.m.

Respectfully submitted,



President



Secretary

2/28/2019

CITY OF ST CHARLES
EXPENDITURE APPROVAL LIST - DISTRIBUTION

12/1/2018 - 2/28/2019

<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	51304	795.00	12/13/2018	2065	IPPFA MEMBERSHIP
					<u>795.00</u>	1181	IPPFA	
2212	CITY OF ST CHARLES	1	400300	51401	656.40	12/18/2018	2018001	REIMB IPPFA CONF-BOYC
					<u>656.40</u>	2212	CITY OF ST CHARLES	
2638	INTERNAL REVENUE SERVICE							
		1	400900	20107	25,909.95	12/24/2018	FIT 181224095937300	Federal Withholding Tax
		1	400900	20107	28,106.86	01/25/2019	FIT 190125122402300	Federal Withholding Tax
		1	400900	20107	27,018.33	02/25/2019	FIT 190225090233300	Federal Withholding Tax
					<u>81,035.14</u>	2638	INTERNAL REVENUE SERVICE	
2927	CHERYL A SHIMP	1	400300	54399	75.00	02/11/2019	51050	MEETING MINUTES 6/6/18
					<u>75.00</u>	2927	CHERYL A SHIMP	
3172	CITY OF ST CHARLES PP							
		1	400900	20120	4,003.74	02/25/2019	MEBN190225090233300	Retiree Benefits
		1	400900	20120	4,003.74	01/25/2019	MEBN190125122402300	Retiree Benefits
		1	400900	20120	4,003.74	12/24/2018	MEBN181224095937300	Retiree Benefits
					<u>12,011.22</u>	3172	CITY OF ST CHARLES PP	
3615	FOSTER & FOSTER ACTUARIES INC							
		1	400300	54131	300.00	01/16/2019	13767	PP TRUE COST CAL = DON
					<u>300.00</u>	3615	FOSTER & FOSTER ACTUARIES INC.	
4062	REIMER & DOBROVOLNY PC							
		1	400300	54110	2,195.69	01/03/2019	2281-24538	LEGAL SVCS/QRTRLY RET
		1	400300	54110	444.14	12/13/2018	2281-24373	LEGAL SVCS - RETAINER I
					<u>2,639.83</u>	4062	REIMER & DOBROVOLNY PC	
					<u>97,512.59</u>		Grand Total:	