

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES Wednesday, December 5, 2018 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 11:38); and James Keegan, Trustee (arrived at 11:38)

Members Absent: None

Others Present: Brian LaBardi, Reimer Dobrovolny & Karlson LLC; Jon Willhite, UBS; Cheryl Shimp, Recording Secretary

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the Regular Meeting Minutes of September 5, 2018 as presented.

Maker: Jannusch

Second: Heike

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

4. INVESTMENT ACTIVITIES

Willhite noted that there has been a lot of volatility in the market recently and gave a brief overview. Reported that the Fund's portfolio is well positioned for this volatility. UBS has been working on the creation of a discretionary service contract for the last couple years. In creating this contract, UBS must be very aware of all the Illinois Statutes involved. The main goal of this contract is to reduce the number of special meetings required to transfer and invest monies. Discussion was held on the pros and cons of a discretionary service. This discussion included examples of how this service would work such as replacing managers, moving monies, investing monies in a timely/efficient manner, etc. There were no objections to this service. The contract should be available for review/approval at the next meeting.

The portfolio began the quarter at \$35,164,485 and ended with \$35,915,820; up 1.76%. The portfolio is ranked in the 13th percentile, which means it is doing about 87% better than other funds on an absolute return basis. Discussion was held on the alpha, beta, standard deviation, up

and down capture ratios, sharpe ratios, etc. It was noted that the Fund is doing better than 60% of the other portfolios on risk management, capturing about 101% of the up market.

The Board reviewed the performance of the individual managers. A manager review discussion was held on Mid-Cap Value managers. This discussion included Carillon. It was noted that Carillon performs well in rising and falling markets but not choppy markets.

Motion: To terminate I-Share Russell Mid-Cap and move proceeds to Carillon Mid-Cap.
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.

The Board reviewed the Rebalancing Worksheet.

Motion: To accept and approve the Rebalancing Worksheet as presented by UBS.
Maker: Jannusch
Second: Minick
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Brief discussion was held on Cyber Security. UBS Cyber Security to be discussed at March meeting.

Investment Policy Statement – Tabled to the March meeting.

Motion: To accept and approve the 3Q18 Investment Activity Report as presented.
Maker: Minick
Second: Jannusch
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

5. OLD BUSINESS

Tax Levy – Minick reported that the recommended tax levy was approved by City Council as presented.

Rules & Regulations – Updated Rules & Regulations were distributed to all Board members.

Motion: To approve the Updated Rules & Regulations as presented.
Maker: Boyce
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.

6. PRESENTATION AND APPROVAL OF BILLS FOR PAYMENT

Motion: To approve Addendum A in the amount of \$101,425.04 as presented.
Maker: Jannusch
Second: Minick
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Financial Statements – Minick distributed correspondence from the auditors. The Auditor’s Communication and the Annual Financial Report. The Auditor’s Communication reviews and details the internal control structure of the City and the Pension Fund, making sure the affairs of the Fund are administered appropriately given the risks of fraud, weaknesses, significant deficiencies. No discrepancies were found.

Minick reported that a few years ago, the City decided to have separate Financial Statements for both the Police and Fire Pensions, complete with an auditor’s opinion. The same information that is included in the City’s Audit Report related to the Police Pension is included in this report. This report just breaks the Fund down in greater detail and allows it to be a stand-alone report that may be shared with the fiduciary liability insurance companies as well as consultant. Minick gave an overview of this report. It was noted that the auditors gave an unmodified opinion on the Financial Statement, which is the best opinion received from an audit firm. It means that the recordings are reported fairly and are materially correct in accordance with generally accepted accounting standards.

Motion: To accept and approve the Financial Statements are presented.
Maker: Keegan
Second: Minick
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

7. APPLICATIONS FOR MEMBERSHIP

Boyce reported on two (2) new members to the Pension Fund; Jason Wessendorf, formerly of LaGrange; and Alfredo Delgadillo from Chicago.

Officer Wessendorf has 3 years in LaGrange and has requested LaGrange to calculate the funds for a transfer to St. Charles. Should have everything reference a transfer at the next meeting. Wessendorf is a Tier 2 employee with a start date of 10/22/2018. Officer Delgadillo has 5 years with the Chicago PD, which is an Article 5 Pension Fund so he will not be able to transfer funds to St. Charles. Delgadillo is a Tier 2 employee with a start date of 10/22/2018.

Motion: To accept Jason Wessendorf and Alfredo Delgadillo into the St. Charles Police Pension effective 10/22/2018 as Tier 2 employees.
Maker: Jannusch
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.

Gaske – Transfer of Funds – Boyce has reported that Gaske transferred \$132,510.32 from Winfield Police Pension Fund to the St. Charles Pension Fund. Gaske has made arrangements to pay on a monthly basis for 5 years, which will total approximately \$88,000. LaBardi will draft a buy-back agreement for Gaske’s signature. This agreement will be placed on the March agenda for approval.

Motion: To recognize receipt of \$132,510.32 and approve the buy-back agreement at a subsequent meeting.
Maker: Heike
Second: Keegan
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

8. APPLICATIONS FOR BENEFITS

Disability Hearing – Shaw – Shaw disability hearing has been scheduled for 12/21/2018 at 1:00 p.m. All reports have been distributed to members. Reimer will be conducting the hearing.

Annual Examination – Kern – Kern presented himself for his annual examination and was determined to still be disabled.

Motion: To accept physicians report on Scott Kern and continue disability benefits subject to subsequent annual evaluations in accordance with the Pension Code.
Maker: Keegan
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.

9. ATTORNEY’S REPORT

LaBardi distributed the current newsletter. Noted that the Harvey case settled so there will not be any case law or precedent about the Comptroller Intercept issue. The Comptroller will be paying to both the police and fire pension funds a significant amount of revenue that would have otherwise gone to the City of Harvey.

There’s been a movement in the last couple of years restricting what has been referred to as “double dipping”. Chiefs of Police have the ability to participate in Article 3 or IMRF upon their appointment. This legislation amends IMRF, which restricts the ability of a Chief of Police to elect

IMRF, if they were a former chief of a department, had no prior IMRF service and are being rehired by the same municipality.

Unsure if anything will be happening during the veto session. As a new governor will be taking office soon, everything is in limbo. There was an Illinois Supreme Court case that came out recently involving a union pension issue, special legislation that allowed certain union leaders to count their time serving as a union leader towards their pension. The Supreme Court ruled that these pensions cannot be diminished as it is a violation of the constitution. The pension benefits cannot be changed. There is a push to amend the constitution. It is very difficult to amend the constitution, which requires a 3/5 vote of both houses and then must be included as a ballot on a referendum for the State to approve. The graduated income tax issue would also require a constitutional amendment as Illinois income tax is a flat tax in the constitution. It is possible that legislatures may couple these two issues together. Need to be diligent in reviewing new legislation. Will continue to monitor the situation.

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

10. NEW BUSINESS

Marketing Fiduciary Insurance – Both the Police & Fire Pensions have the same underwriting vendor for their fiduciary insurance for many years. Discussion has never been held regarding marketing the coverage. Police fiduciary insurance renewal expires in March. Will consider higher limits and potential vendors at that meeting. It was noted that there are not a lot of vendors out there willing to underwrite fiduciary insurance. Minick stated that they've been directed by the City Council to ensure competitiveness of contracts that don't require a bid process. Therefore, the City has been reviewing a number of their service contracts to make sure they are getting a good value for the money being spent. Discussion was held on marketing fiduciary insurance, even though there are companies that won't submit proposals and/or indicate they cannot be competitive enough to propose anything. There may be only 5 carriers available for this type of insurance and those carriers must be licensed in the State of Illinois.

2019 Meeting Dates – Meetings are held on the first Wednesday of the months of March, June, September and December. 2019 Meeting dates will be March 6, June 5, September 4, and December 4, 2019.

Motion: To approve the 2019 Meeting dates as presented.
Maker: Minick
Second: Heike
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

2019 COLA's – 2019 COLA's were presented to the Board for review. Boyce noted that Marty Sheets will be retiring on 12/18/2018. After a brief discussion, it was determined that the Board would consider Sheets' request for retirement benefits at the 12/21/2018 special meeting. This item will be placed on that agenda along with the disability hearing.

Motion: To approve the 2019 COLA's as presented.
Maker: Minick
Second: Heike
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Absent, Heike – Aye, Boyce – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Verification Letters for Retirees – Verification letters will be set out after the first of the year. The Finance Department will handle this task.

Police/Fire Retiree & Beneficiary Death Auditing Service – Lauterbach & Amen is offering a Police/Fire Retiree & Beneficiary Death Auditing Service for pension funds. This service looks for death certificate information based on census information. L&A would then notify the board of the member's death allowing the board to discontinue benefits or switch to a surviving spouse benefit. Contact has not been made with L&A nor IPPFA at this time. If this is a service is something the Board is interested in, it may be used to supplement the verification letter process and enhance the internal controls over the administration of the benefits. This is a free service available to IPPFA members. There is reporting that will need to be submitted to L&A as St. Charles is not one of their clients.

Motion: To direct the Finance Department to investigate the Police/Fire Retiree & Beneficiary Death Auditing Service with Lauterbach & Amen.
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.

Will report back at the next meeting.

2019 Elections – Boyce reported that there will be one (1) Active Member position open in 2019, his position. Positions are 2-year terms. Boyce noted that he will run again. Election materials will be sent out in March.

11. PUBLIC COMMENTS

None.

12. ADJOURNMENT

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

Motion: To adjourn the meeting at 1:19 p.m.
Maker: Minick
Second: Boyce
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The meeting was adjourned at 1:19 p.m. The next regular meeting is scheduled for March 6, 2019 beginning at 11:30 a.m.

Respectfully submitted,



President



Secretary