

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES

****REVISED****

Wednesday, June 6, 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 11:37 a.m.

2. ROLL CALL

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

Members Absent: Tim Beam, President

Others Present: Brian LaBardi, Reimer Dobrovolny & Karlson LLC; Robert Vaughan, UBS; Stephen Heike, Trustee-Elect; Cheryl Shimp, Recording Secretary

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the Regular Meeting Minutes of March 7, 2018 as presented.

Maker: Jannusch

Second: Keegan

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

Motion: To approve the Special Meeting Minutes of April 3, 2018 as presented.

Maker: Keegan

Second: Minick

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

4. INVESTMENT ACTIVITIES

Vaughan reported on receipt of a letter from the Department of Insurance stating that the Fund was in breach of their IPS, unless proven otherwise. Research of records was conducted and a response drafted. LaBardi stated that they have yet been able to find an actual violation. The only issue may be that something may have been reported wrong but no actual violation. The City Finance Department, which completes the annual financial statements, will review their records further. The response from UBS was very complete and indicated that IDOI violations were either misreported by the Fund; bonds that were not rated for one reason or another, mainly because they were at or near their maturity date (IDOI picked this up as a down-grade); and as far as the one or two rating grade concern, IDOI has advised to just report the one that is investment grade. LaBardi

stated that their office has not been able to determine an actual violation. A response is due by June 10, 2018. LaBardi to draft an official response to the IDOI.

Vaughan gave an overview of the portfolio. The Fund started the last quarter at \$35,135,181 and ended the quarter at \$34,099,559. Since inception, the portfolio has grown from \$18M. The Fund is realizing more contributions than withdrawals. The Fund is using a hurdle rate of 6.75%. Vaughan noted that when hurdle rates were first established, fixed income was realizing 9% to 10% returns. Fixed income has been at 3% for the last 10 years. The Fund is seeing an actual hurdle rate of 6.85% over the last 9 years. Discussion was held on hurdle rates.

Vaughan reported that 2017 was a record with the Market up every month. The S&P 500 returned about 23% and the Emerging Markets returned about 37%. In February, however, volatility hit at the highest rate ever. With the changes in the asset allocations, the Fund was given a lot of protection in this down market. The Fund was at 7.03% to its benchmark at 6.83% and is beating the hurdle rate by about 12 basis points since inception. Discussion was held on returns, comparison funds, risk management, capture ratios, asset classes, etc. Vaughan noted that there is the possibility of a UPS strike, which could affect the market considerably.

Discussion was held on the updated Investment Policy Statement (IPS).

Motion: To approve the amended Investment Policy Statement.
Maker: Minick
Second: Keegan
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Boyce – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The Board reviewed the Rebalancing Worksheet.

Motion: To ratify the Rebalancing Worksheet as presented.
Maker: Minick
Second: Jannusch
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Motion: To accept the Investment Report as presented by UBS.
Maker: Minick
Second: Keegan
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

5. OLD BUSINESS

Election Results (Active Member) – The Board paused to count ballots. A total of 7 ballots were received and Stephen Heike received 7 votes. No other votes for candidates were received.

Motion: To certify the election results with Stephen Heike as the Active Member for a term of 2 years.
Maker: Keegan
Second: Boyce
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Election of Board Officers – Brief discussion was held with the following recommendations: Boyce – President, Heike – Secretary, Jannusch – Vice President. No Assistant Secretary was recommended.

Motion: Brooks Boyce – President, Stephen Heike – Secretary and Dave Jannusch – Vice President.
Maker: Jannusch
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

As a new trustee, Heike is required to attend 16 hours of trustee training and has 90 days to obtain this training. Some training has been scheduled.

6. PRESENTATION AND APPROVAL OF BILLS FOR PAYMENT

Motion: To approve Addendum A in the amount of \$93,326.75 as presented.
Maker: Minick
Second: Keegan
Roll Call: Keegan – Aye, Minick – Aye, Boyce – Aye, Jannusch – Aye. 4 Ayes 0 Nays 1 Absent. All in favor. Motion carried.

7. APPLICATIONS FOR MEMBERSHIP

The City of St. Charles has recently hired 3 new officers, all of which are lateral moves. Diehl came from Sterling, Jackson came from Montgomery and Gaske came from Winfield.

Motion: To accept Nichole Diehl as a Tier 1 pension member effective 03/19/2018.
Maker: Keegan
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Officer Diehl is currently obtaining numbers to transfer her time. LaBardi recommended that Diehl wait for 2 years before making the transfer to make sure she makes it through her probation period.

Motion: To accept Richard Jackson as a Tier 2 pension member effective 03/19/2018.
Maker: Jannusch
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Motion: To accept Joseph Gaske as a Tier 1 pension member effective 03/19/2018.

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

Gaske has expressed interest in transferring his time to St. Charles and is currently working with Winfield to accomplish this task.

8. APPLICATIONS FOR BENEFITS

Tom Shaw applied for an On-Duty Disability Pension. Medical records have been received and will be sent to INSPE to decide on doctors. A subpoena was received from the City of St. Charles. The City is seeking answers to several medical questions. The City has been notified that they may cross exam the doctors, but they must intervene as a part and perform their own evidence depositions. The Board has its own form of interrogatories that are submitted to the doctors for their examinations. The Board will be notified if a petition to intervene is received. INSPE will pick 3 doctors and those reports will be available before a hearing is conducted. Shaw should be, at least, scheduled for these appointments by the next meeting.

9. ATTORNEY'S REPORT

LaBardi distributed the current newsletter. Discussion was held on the various articles. To note, another consolidation bill was presented. This bill, however, was more of an option to consolidate. The proposal would create a police down state fund and a fire down state fund for management of assets. The local pension boards, as they exist now, would have the ability to opt into this consolidation. This proposal was submitted at the last minute. It is unclear what will be heard during the fall session. Will continue to monitor the situation.

LaBardi reported that the police pension fund of Harvey exercised their comptroller intercept option, which is new as of January 2018. This law was passed several years ago but the rules were never adopted. The State Comptroller put aside approximately \$1.5M for the pension fund that would normally have gone to the city. The city sued and the Circuit Court of Cook County ruled that this is exactly what this legislation was intended to do. Harvey appealed and the Appellate Court ruled that they would have to review the situation and, in the meantime, instructed the State Comptroller to return the money to the city. The Illinois Supreme Court then intervened and ruled that the Comptroller was to keep the money. The issue was sent back to the Circuit Court for a hearing on the relief requested. In the interim, there have been several rulings reference bond holders, what priority they take, etc. Subsequently, the firefighter pension fund of Harvey has filed to intercept funds as well. It was noted that Harvey recently laid-off several police officers and firefighters. Will continue to monitor the situation.

A police officer line-of-duty case recently involving special risk. Special risk situations note that it is not enough to be on-duty and in a uniform, the officer must be performing an active police duty involving special risk. There have been 2 cases from down state that have expanded what would be interpreted as special risk. The first involved an officer performing bicycle training. The officer fell off the bicycle and injured their wrist. No question that the officer was disabled. The board gave the officer a non-duty pension as the officer was performing training and there was no

special risk involved. The Appellate Court reversed this ruling and awarded the officer a line-of-duty pension stating this was rapid response training and outside the scope of a normal civilian riding a bicycle. This is now being appealed to the Supreme Court. A similar incident in the northern districts found this type of incident was not a line-of-duty. Will continue to monitor.

10. NEW BUSINESS

IDOI Report – The City of St. Charles Finance Department will complete this report.

Pension Training – Registration is currently not open for the IPPFA October Seminar; however, hotel reservations may be made at this time. Members wishing to attend should contact Boyce as soon as possible.

Motion: To approve hotel and registration expenses for the IPPFA Fall Seminar to be held in October at Lake Geneva from 10/02/2018 – 10/05/2018.
Maker: Jannusch
Second: Keegan
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Updated Rules & Regulations will be discussed at the next meeting.

11. PUBLIC COMMENTS

None.

12. ADJOURNMENT

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

Motion: To adjourn the meeting at 12:50 p.m.
Maker: Minick
Second: Boyce
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The meeting was adjourned at 12:35 p.m. The next regular meeting is scheduled for September 5, 2018 beginning at 11:30 a.m.

Respectfully submitted,



President


Secretary