

# ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue  
St. Charles, Illinois 60174

## MEETING MINUTES Wednesday, March 6, 2013 11:00 a.m. – St. Charles Police Department

1. Vice President Beam called to order the Regular Meeting of the St. Charles Police Pension Board at 11:12 a.m.

### 2. ROLL CALL

Members Present: Timothy Beam, Vice President; Michael Griesbaum, Secretary; Chris Minick, Finance Director; and Warren Drewes, City Treasurer

Members Absent: None

Vacant Position: Disabled/Retired Trustee

Guests: Attorney Rick Reimer, Reimer & Associates; and Jon Willhite, UBS

VP Beam stated that the Board would be going out of order for presentations.

### 5. OLD BUSINESS

Fiduciary Insurance – Presentations for fiduciary liability insurance for trustee members were made by Mesirow Financial and Cook Castle. Greg Kiesewetter from Cook Castle explained the coverage of this type of insurance, which covers the trustees in fulfilling their fiduciary duties, performing administrative functions, HIPPA coverage, and provides defense coverage for error coverage as long as the trustee is performing a function that is a function of a trustee. Mr. Kiesewetter gave an overview of the program and reported that the insurance would cover past, present and future trustees as long as an active policy is in place. The presentations included some of the following: who the policy really covers, exclusions, costs, actuarial decisions, limit of coverage, deductibles, premiums, network protection coverage and/or computer theft protection, choice of counsel, failure to monitor, coverage for administrative reviews, punitive damages, etc. Andrew Pataky and Tim Bowen of Mesirow Financial were next to give a presentation. Afterwards, the Board held a brief discussion of the presentations, pros and cons, etc.

Break 12:10 p.m.

Return 12:17 p.m.

### 3. APPROVE PREVIOUS MEETING MINUTES

**Motion:** To approve the minutes of the December 5, 2012 Regular Meeting as presented.

**Maker:** Drewes

**Second:** Griesbaum

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

**Motion:** To approve the minutes of the December 7, 2012 Special Meeting as presented.  
**Maker:** Drewes  
**Second:** Minick  
**Voice Vote:** 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion carried.

#### **5. OLD BUSINESS**

After the presentations, additional questions and concerns were brought forth and the Board contacted the fiduciary insurance vendors via phone for clarification. Discussion continued on the various coverage available and premiums.

**Motion:** To approve the cost of fiduciary insurance in the amount of \$3521.00 with Ullico through Cook Castle Associates, LLC for the period of one (1) year to be effective April 1, 2013.  
**Maker:** Griesbaum  
**Second:** Drewes  
**Roll Call:** Drewes – Aye, Aye, Beam – Aye, Minick – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. Motion carried.

#### **6. ACCOUNTANT'S REPORT/PRESENTATION AND APPROVAL OF BILLS FOR DISBURSEMENT**

**Motion:** To approve payment of bills and disbursements in the amount of \$1370.75 as listed in Addendum A.  
**Maker:** Minick  
**Second:** Griesbaum  
**Roll Call:** Drewes – Aye, Aye, Beam – Aye, Minick – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. Motion carried.

It was noted that all vendor payments are now being conducted through the Finance Department of the City of St. Charles.

#### **7. APPLICATIONS FOR MEMBERSHIP**

**Motion:** To accept the applications of Robert Vicicondi II, Eric Jannusch, and Tim Ocasek into the St. Charles Police Pension Fund as Tier 2 Members effective 01/02/2013.  
**Maker:** Minick  
**Second:** Griesbaum  
**Roll Call:** Drewes – Aye, Aye, Beam – Aye, Minick – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. Motion carried.

#### **8. APPLICATIONS FOR BENEFITS**

None.

#### **5. OLD BUSINESS**

It was noted that the Board has been working on the adoption of a set of Administrative Rules & Regulations. After a brief discussion on the current status of the rules, especially concerning the military buy-back section (6% interest and payments up to 5 years), it was determined that the Board would adopt the rules and regulations as amended.

- Motion:** To accept the Administrative Rules and Regulations of the St. Charles Police Pension Board as amended.
- Maker:** Drewes
- Second:** Griesbaum
- Roll Call:** Drewes – Aye, Aye, Beam – Aye, Minick – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. Motion carried.

A hard copy will be amended and distributed to the members for signature.

#### 9. NEW BUSINESS

- A. Setting Special Election for Retired/Disabled Trustee – Beam reported that requests were sent out to the retired/disabled members for nominations. The following members were nominated: Dave Jannusch, Darrell Rodgers, and Scott Kern. Reimer gave an overview of the rules governing elections. Beam will make contact with all nominees to make sure they wish to run for this position and have their names placed on the ballots. Ballots will be sent out and are due back to the Board by May 1, 2013. Results and certification of the election will be held at the June 5, 2013 regular meeting.
- B. Transfer of Files to Finance Department – It was noted that this process has been completed. All files have been transferred and the Finance Department is now handling the payment of beneficiaries and vendors. Hard copies will remain with the Board.
- C. Engagement Letter from Lauterbach & Amen – Beam reported that an engagement letter was received from Lauterbach & Amen for accounting services. As the majority of accounting services have been transferred to the Finance Department and it was determined at the last meeting that Lauterbach's accounting services would continue until the DOI report is complete. The City would then take over all accounting beginning May 1, 2013. Discussion continued. A letter will be drafted advising Lauterbach & Amen of the Board's intent.

Minick left the meeting at 1:15 p.m.

#### 4. INVESTMENT ACTIVITIES

At this time, Jon Willhite, UBS, joined the meeting via conference call at 1:16 p.m.

Willhite gave a brief market review for the Fourth Quarter 2012. This included domestic fixed income performance as well as board markets performance. The market outlook for 2013 was also discussed, which included emerging markets, investment position, corporate debt, etc. Several articles were distributed for the Board's review at their leisure.

The total portfolio was up 1.51% for the quarter with the Policy Index up 1.30% and Dynamic up 1.01%. SMID Caps was up 3.98%, with the benchmark up 3.10%. Total Large Caps was up 1.44% with its benchmark down -0.38%; Total International was up 5.02% for the quarter and up 16.62 % for the year; Fixed Income was up 0.29% for the quarter and up 5.69% since inception. Preferred Securities was up 0.76% for the quarter compared to the benchmark at 0.69% and up 13.60% for the year. Total Tactical All Asset is up 3.13% for the quarter compared to the benchmark at 0.31%. Discussion was held on how the managers are performing.

Willhite gave an overview of the growth of a dollar analysis, time weighted rates of return, actual vs. target allocation, opportunity gains and losses, market timing and security selection, capture ratio trends, risk vs. reward analysis, performance profile, etc. It was noted that Penn Capital is on the watch list. Discussion

was held on investing in BBB bonds. Willhite noted that the Fund does have good managers and recommended that the Board listen to them. Although there may be an interest rate problem in the market, he believes that the managers can manage a good core bond portfolio. At the last meeting, the Board decided not to invest in anything lower than a AAA. To begin investing in BBB's would require an amendment to the Investment Policy Statement (IPS). Willhite further stated that he could arrange to have a manager speak to the Board. This item will be tabled to the next meeting when all members are present.

Willhite reviewed the results of the asset allocation survey with the Board. The survey determined that the Board's risk profile is moderate, they wish to produce a combination of income and capital appreciation, moderate fluctuations, moderate returns, the time horizon for investment is longer than 10 years, there is a need for cash in the short term and more than 80% of total assets to be dedicated to this investment strategy. Discussion continued on the current asset allocation, capital market assumptions, contribution to estimated future risk and return by sub-asset class, estimated future diversification effects by sub-asset class, forward looking estimated risk/return scatter by sub-asset class, unconstrained efficient frontier, simulated historic and probabilistic analysis, etc. The Board discussed the possibility of a special meeting in May to further discuss this survey and to determine a course of action.

**Motion:** To terminate Penn Capital SMID Core and place the funds into an ETF until such time as the Board can reallocate.  
**Maker:** Drewes  
**Second:** Griesbaum  
**Roll Call:** Drewes – Aye, Aye, Beam – Aye, Griesbaum – Aye. 3 Ayes, 0 Nays, 1 Absent, 1 Vacant. All in favor. Motion carried.

Willhite reported on a stable value versus a money market. Discussion was held on the pros and cons of each, interest rates, availability of monies, etc.

#### **10. MATTERS FROM THE PUBLIC**

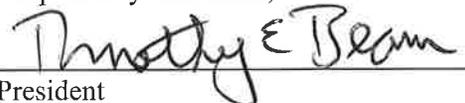
None

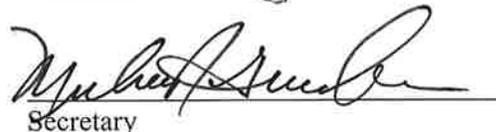
#### **11. ADJOURNMENT**

There being no further business, a motion was made by Drewes to adjourn the meeting at 2:30 p.m. Seconded by Griesbaum. Voice Vote. 3 Ayes, 0 Nays, 1 Absent, 1 Vacant. All in favor. Motion carried.

The meeting was adjourned at 2:30 p.m. The next regular meeting is scheduled for 06/05/2013.

Respectfully submitted,

  
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President

  
\_\_\_\_\_  
Secretary

# Vendor Payment History

AP270 Date 03/06/13  
Time 10:13

Company 4000 Police Pension Fund  
Vendor Payment History for 01/01/13 thru 02/28/13

USD

Page 1

Currency USD US Dollars

Invoice	Inv Date	Pmt Date	Payment Number	Pmt Cd	Cash Code	Payment Amount	Discount Amount	D W	L H Net Payment Amount
Vendor 2927 CHERYL A SHIMP									
			Company 4000 Police Pension Fund						
21038	09/06/12	02/21/13	1001	CHK	4000	75.00	0.00		75.00
Voucher :	Proc Level : 4000								
	*** Vendor	2927	Company 4000 Totals			75.00	0.00		75.00
	*** Vendor	2927	Totals			75.00	0.00		75.00
Vendor 2928 REIMER & KARLSON LLC									
			Company 4000 Police Pension Fund						
2281-16520	01/22/13	02/21/13	1002	CHK	4000	1,295.75	0.00		1,295.75
Voucher :	Proc Level : 4000								
	*** Vendor	2928	Company 4000 Totals			1,295.75	0.00		1,295.75
	*** Vendor	2928	Totals			1,295.75	0.00		1,295.75
	*** Company 4000	USD	Totals			1,370.75	0.00		1,370.75

ADDENDUM A