

ST. CHARLES POLICE PENSION BOARD
AGENDA
Wednesday, March 5, 2014
11:00 a.m. – St. Charles Police Department

- 1. MEETING CALLED TO ORDER**
- 2. ROLL CALL**
- 3. APPROVE PREVIOUS MEETING MINUTES**
 - A. December 16, 2013 – Regular Meeting
 - B. December 20, 2013 – Special Meeting
- 4. INVESTMENT ACTIVITIES**
 - A. Review & Accept Quarterly Investment Report to include Rebalancing Worksheet
- 5. OLD BUSINESS**
 - A. Discussion/Status – Retention/Destruction/Scanning of Pension Records
 - B. Preparation for Election of Active/Retired/Disabled Trustees (Elections to take place before May)
- 6. PRESENTATION AND APPROVAL OF BILLS FOR DISBURSEMENT**
 - A. Review & Accept Expenditure Approval List (Addendum A)
- 7. APPLICATIONS FOR MEMBERSHIP**
- 8. APPLICATIONS FOR BENEFITS**
 - A. Status of Cicci Disability Application
- 9. ATTORNEY’S REPORT**
 - A. Legal & Legislative Update
- 10. NEW BUSINESS**
 - A. Semi-Annual Review of Closed Executive Session Minutes to determine if needs to remain confidential
 - B. Resolution Delegating Treasurer’s Signatory Authority
 - C. Review of DOI Audit Findings and Approval of Response
- 11. MATTERS FROM THE PUBLIC**
- 12. ADJOURNMENT**

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES Wednesday, March 5, 2014 11:00 a.m. – St. Charles Police Department

1. Secretary Griesbaum called to order the Regular Meeting of the St. Charles Police Pension Board at 11:00 a.m.

2. ROLL CALL

Members Present: Michael Griesbaum, Secretary; Chris Minick, Finance Director; and Dave Jannusch, Trustee and Warren Drewes, City Treasurer

Members Absent: Timothy Beam, President

Guests: Attorney Brian LaBardi, Reimer & Karlson; Greg Kiesewetter, Cook Castle Associates

Kiesewetter stated that the Board's fiduciary insurance expires on 04/01/2014. He presented a quote and a brief discussion was held on the coverage. As this item was not listed on the agenda, the Board was not able to vote on it. It will be tabled to a special meeting in order to meet the 04/01/2014 deadline.

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the minutes of the December 16, 2013 regular meeting and the December 20, 2013 special meeting as presented

Maker: Jannusch

Second: Minick

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

4. INVESTMENT ACTIVITIES

Willhite noted that the Board has completed its asset allocation study and they have been making changes as per these results. Willhite gave an overview and comparison of the bull and bear secular markets and where they believe 2014 is heading. He noted that the market is currently on the rise even with the slight down market in January. He further noted that the diversification of the portfolio is what helps mitigate the volatility.

Total portfolio is currently \$28,489,411.00. The portfolio is up 2.59% for the quarter, 7.91% YTD and 8.67% since inception with the benchmark at 3.08% for the quarter, 10.73% YTD and 9.28% since inception. Total Large Cap is up 10.92% with the benchmark up 10.51% for the quarter. Total US SMID is up 8.86% for the quarter and 19.27% since inception. International is up 3.36% for the quarter and 11.20% since inception. Global Equity is up 6.34% for the quarter and 23.51% YTD. Fixed Income is up 0.05% with the benchmark down -0.42%. Total Alternative Investments is up 2.15% with Total Hybrid Securities up 1.49% for the quarter. Total Equity Diversifiers is up 2.64% for the quarter with Total Core Equity up 6.81% and Total Real Asset/Infra down -1.22%. Willhite gave an overview of the money managers and did note that because of the changes to the new asset allocation, the portfolio did not perform as well as it

could have due to the monies moving in and out but he is very pleased where the portfolio it going. It is a very efficient portfolio. The next quarter should give a better overview on what the new asset allocations can do. Discussion was held on the diversification of the portfolio, bonds and equities. A brief discussion was held on the amount of money needed to cover pension beneficiary payments.

Motion: To direct UBS to transfer \$100,000 from the money managers cash account to the cash account at Harris Bank.
Maker: Drewes
Second: Minick
Roll Call: Drewes – Aye, Minick – Aye, Jannusch – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Willhite will prepare a new Letter of Authorization (LOA) denoting a change in the amount of monies UBS is allowed to transfer. This LOA will be available for signature at the next meeting. No action is required on the rebalancing worksheet.

The Board still needs to approve its revised Investment Policy Statement (IPS). Discussion was held on the wording that was requested by the auditors, custodial issue, etc. The Board discussed tabling the custodial issue until the Request for Proposal (RFP) is completed for the consultant. An RFP must be completed every five (5) years as per statute. It was recommended that since the Fire Pension Fund must also conduct an RFP, that maybe this process should be done jointly. It was further recommended that Chris Minick, Finance Director, be authorized to investigate and prepare an RFP format for the Board's review. As the ISP was not on the agenda, there were still some questions on wording and not all members were present, will table this item to the special meeting.

10. NEW BUSINESS

B. Resolution Delegating Treasurer's Signing Authority - This resolution would allow another member of the Board to sign checks in the treasurer's absence. The treasurer would still be a signer on all accounts and all checking accounts would still require two (2) signatures. This resolution is as a result of the DOI findings that being that the treasurer is required to be a signer on all accounts. The DOI goes further to say that the treasurer must be one of the signatures. The resolution would cover this issue stating that it would cause undo hardship because of the availability of the treasurer and would allow a member of the Board to act as his designee for signing purposes. This resolution will be tabled to the special meeting.

C. Review of DOI Audit Findings and Approval of Response – LaBardi stated that a letter has been sent to the DOI requesting an extension in order to answer the findings noted. This extension is to 04/14/2014. The summary of findings is as follows:

- 1) The Treasurer is not being a required signer on all accounts. The Treasurer Resolution being drafted should address this. It was noted that the Treasurer is a signer on all accounts.
- 2) Surviving Spouse, Pauline Arballo, incorrectly received a 3% COLA until her death in 2012. The DOI findings state that surviving spouses do not get increases, which is true, however, they also state that if the Fund had been giving this COLA, they cannot stop it without an administrative review and the 35 day waiting period. The response would be that because the person is question passed in 2012, the COLA is no longer being paid and the board is unable to change this benefit because more than 35 days has passed.
- 3) The Board didn't file an executed copy of their Investment Advisor/Sub-Advisor Agreements with the DOI within 30 days. It then goes on to itemize a number of agreements that were and were not filed. Willhite will pull all of the agreements and forward them to LaBardi. The response would be that the Board admits to not filing the agreement(s), if this is the case, and the agreement(s) will be

filed. UBS does keep records of what agreements were filed and when. If needed, they will refile all agreements.

- 4) Some members files did not contain written applications. This appears to be a problem with many boards, missing required documents. The findings did not indicate which files were missing records. The response will be that the Board agrees they are missing some applications and they are working to remedy this situation. Griesbaum noted that it is very difficult to obtain missing documents and keep the files updated, however, they are entering into a process of scanning all records, which will allow them to determine what is required and what is missing. They can then proceed to notify all parties involved in order to obtain the missing data.
- 5) Minutes did not include the following information: Appointments of Civilian Board Members; Date of Separation from the Fund for Terminated Participants, in case refunds are requested; The July 11 meeting did not note the election of officers, positions of president, vice president, secretary. The response will be that the Board admits the above information was omitted and is working to incorporate them into future minutes.
- 6) The annual statement (2010 to 2012) filed contained numerous reporting errors. A list of these errors was included. LaBardi inquired if Lauterbach & Amen completed the annual statement. Lauterbach & Amen will be contacted to respond to this item. The City of St. Charles is now responsible for the annual statement.

Motion: To approve the DOI Audit response as proposed and to authorize Brian LaBardi to respond on the Board's behalf.

Maker: Drewes

Second: Jannusch

Roll Call: Drewes – Aye, Minick – Aye, Jannusch – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

A. Semi-Annual Review of Closed Executive Session Minutes – The Board reviewed the Closed Executive Session Minutes from 09/08/2010 and 03/07/2012 to determine if the minutes should remained closed.

Motion: To release the Closed Executive Session Minutes of 09/08/2010 and 03/07/2012.

Maker: Drewes

Second: Jannusch

Roll Call: Drewes – Aye, Minick – Aye, Jannusch – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

8. APPLICATIONS FOR BENEFITS

LaBardi reported that a subpoena has been prepared requesting records in the matter of the Cicci Disability Application. Waiting on the records from this subpoena before scheduling a hearing date. After a brief discussion, it was determined that all documentation would be placed on a CD and each member would receive a copy of this CD. The members will be notified when everything is received so a hearing date may be scheduled.

Drewes left the meeting at 12:45 p.m.

9. ATTORNEY'S REPORT

LaBardi stated that there is a lot of pension reform legislation floating around, it just doesn't not affect Article 3 & 4 Pensions, yet. Governor Quinn recently signed legislation (Public Act 98-0599) that will greatly affect COLA's reducing them. Class action suits have been filed seeking to strike down Public Act

98-0599 stating that the formula used to calculate COLAs diminishes the amount retirees currently receive and have been promised. Further claims are that it is unconstitutional that it violates the equal protection clause of the Illinois Constitution, etc. These suits will play out in the Circuit Court of Sangamon County. The Illinois Supreme Court has the ability to accept a direct review of whatever decision is made in Sangamon, if they desire. It is also understood that all the other pension funds are "on the table" for legislation in the spring session. Despite all the pending lawsuits, the legislatures are planning on moving forward. Minick inquired when the 1% lower withholding requirement, which takes effect 07/01/2014, is enacted, does it apply to police, fire & IMRF employees. LaBardi stated that it is unclear what exactly is going to be passed. It was recommended that when the legislation is enacted, to review it with the City's attorney to determine what action will be necessary. Discussion continued. Will continue to monitor the situation.

LaBardi reported that a recent ruling in the Detroit Bankruptcy case that upheld that pensions are able to be diminished in bankruptcies. As a result, pensions would be eligible for a 30% reduction. Appeals will be forthcoming. Recent opinions of the Open Meetings Act (OMA) cite a case that found an OMA violation when a county board meeting was held in a room too small to accommodate a crowd. The meeting was held in the board's attorney's office. PAC stressed that meetings should be held that were reasonably accommodating to the public.

7. APPLICATIONS FOR MEMBERSHIP

None.

6. PRESENTATION AND APPROVAL OF BILLS FOR DISBURSEMENT

The Board is not in possession of the Expenditure Approval List (Addendum A). This item will be tabled to the special meeting.

5. OLD BUSINESS

A. Discussion/Status – Retention/Destruction/Scanning of Pension Records – Pension Records are currently being reviewed to determine which records, if any, may be destroyed. Working with the City on the review and paperwork for a schedule of destruction of records. Membership files will also need to be reviewed to determine what records are missing. Ideally, would like all membership files scanned and placed in a shared drive. This scanning process would allow the Fund to update the membership files.

B. Preparation for Election – The position of one (1) active member (Beam) and the retired/disabled trustee is up for election. Requests for nominees will be sent out. It was suggested that whoever is nominated that they be informed of the 32 hours of trustee training required.

11. MATTERS FROM THE PUBLIC

None

ADJOURNMENT

There being no further business, a motion was made by Minick to adjourn the meeting at 1:03 p.m. Seconded by Jannusch. Voice Vote. 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

The meeting was adjourned at 1:03 p.m. The next regular meeting is scheduled for June 4, 2014 at 11:00 a.m.

Respectfully submitted,



President



Secretary