

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES Wednesday, December 03, 2014 11:00 a.m. – St. Charles Police Department

1. President Beam called to order the Regular Meeting of the St. Charles Police Pension Board at 11:05 a.m.

2. ROLL CALL

Members Present: Timothy Beam, President; Michael Griesbaum, Secretary; Chris Minick, Finance Director; and Dave Jannusch, Trustee

Members Absent: Warren Drewes, City Treasurer

Guests: Attorney Rick Reimer , Reimer & Karlson; Jon Willhite, UBS

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the minutes of the September 4, 2014 regular meeting as presented

Maker: Griesbaum

Second: Jannusch

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

4. INVESTMENT ACTIVITIES

Willhite stated that COLA increase will be happening in January 2015 and gave a brief overview of actions taken from the last meeting. The Fund's current managed portfolio value is \$30,589,517, which was down -1.61% for the quarter but up 5.58% YTD and up 8.51% since inception. Willhite noted that the allocations in the portfolio have proven to be profitable. The portfolio is \$719,373 ahead of their actuarial. For every \$100 invested, the fund is making \$154. The Board reviewed the quarterly returns to include time weighted rates of return, performance profiles, opportunity gains and losses, growth of a dollar analysis, risk vs. reward, investment earnings, asset allocation and market value per manager, investment performance summaries, etc.

Willhite reported that PIMCO and Guggenheim are underperforming. Would like to understand what is causing the poor performance and how to make improvements. Both companies are on the watch list. Will continue to monitor their performance. Managers outperforming include Stonebridge, Tortoise Capital, Chilton and FAMCO. All of these companies are equity diversifiers, which are helping to hold the portfolio's returns up. Another manager to keep an eye on is the Miller Convertible Fund. They were hired knowing they were very risk adverse. On an absolute basis, they are underperforming. On a risk adjusted basis, they are doing well and the portfolio is being fairly compensated for the amount of risk. Will continue to monitor them more closely though. Willhite said overall, the portfolio is doing very well and looks to be on track with the 7% actuarial.

Discussion was held on active managing fees. Minick stated that he would like to try to minimize some of the fees being paid on some of the active managers. These fees do cut into the returns. Although you may not always want to go with the lowest cost when choosing a manager, the fees do have to have some influence on the decision. Want to make sure that the Fund is maximizing the returns.

Willhite stated that he met with Glovista and Guggenheim on a due diligence trip. After this trip, he reported that he is comfortable with Glovista at this time. They outperformed their benchmark this past quarter. They were overweighted in Eastern Europe, which had a negative impact and which they have now corrected. Discussion continued. Guggenheim, however, continues to be a problem. He doesn't believe that they are bringing enough diversification to the portfolio. Need to consider a possible change in the near future. Willhite did state that the portfolio, overall, has a real good asset allocation that is bringing a good balance in the up and down markets.

The Board reviewed and discussed the rebalancing worksheet. After reviewing the cash flow for pension payments, it was determined that the proposed \$250,000 taken from Chilton would be transferred to the cash account to cover.

Motion: To accept the rebalancing worksheet with the following change: take \$250,000 from Chilton and transfer it to the UBS Cash Account.
Maker: Minick
Second: Jannusch
Roll Call: Minick – Aye, Jannusch – Aye, Beam – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Discuss/Approve Tax Levy Money Allocations – Minick reported that action was taken at the last meeting requesting the tax levy for the Fund. This request was presented to the City Council and was approved at their last meeting in the amount of \$1,557,000.00. This is not the amount originally requested (\$1.6M) and was based on a different actuarial assumption. Minick noted that the City has not adopted the 6.75% actuarial return at this point. Although, within the next 5-10 years there may be a large number of retirements, these numbers are considered in the entire study. What this will do is increase the tax levy in the near future. Discussion was held on the new mortality tables.

5. OLD BUSINESS

None

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

Motion: To approve bills for disbursement as presented in Addendum A in the amount of \$69,703.19.
Maker: Minick
Second: Jannusch
Roll Call: Minick – Aye, Jannusch – Aye, Beam – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Beam reported on the Coalition for Qualified Plan Status. Reimer stated the IRS came to the State of Illinois stating that they have not maintained the requirements to maintain the Qualified Plan Status for the Article 3 and Article 4 Pension Funds. One option would have been that each individual pension fund

would hire their own tax attorney at a cost of approximately \$20,000 to \$40,000 to complete the process to maintain the Qualified Plan Status. This Qualified Plan Status ensures that the invested monies' profits are non-taxable and to make sure that anyone who has a line-of-duty disability benefit doesn't have to pay taxes on these monies. A coalition was formed and they hired a tax attorney firm out of Indiana. This firm approached the IRS requesting that instead of 600+ plan qualification processes, would the IRS agree to do one (1) for Article 3 Funds and one (1) for Article 4 Funds. The IRS agreed. The coalition is on a voluntary basis. The first cycle payment was \$400.00. The new audit cycle is requesting \$300.00. Currently there is approximately 80% participation of all the funds. Discussion continued.

Motion: To approve the expenses for the Coalition for Qualified Plan Status in the amount of \$300.00 for the cycle ending January 31, 2019.

Maker: Griesbaum

Second: Jannusch

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

Reimer noted this issue didn't come about by anything that the funds had done, because Qualified Plan status is a state regulated plan, the state had the responsibility of keeping the plan status in union with the IRS requirements. They didn't do that. He noted that if legislation changes are needed, this coalition does not have the authority to do this. It would have to come from the Department of Insurance (DOI). This may require the hiring of a lobbyist in the future to get the state to do what the federal government requires to keep the Qualified Plan Status. Need to continue to monitor the situation.

7. APPLICATIONS FOR MEMBERSHIP

None.

8. APPLICATIONS FOR BENEFITS

Reimer reported that Scott Kern presented himself for his annual physical on 10-27-14. Although Dr. Shaw concluded that he remains disabled, the conclusions of Kern's disability were confusing. The Board paused to review the doctor's report. It was noted that the Board does have the ability to send any individual on disability to a doctor of the Board's choosing.

Motion: To continue disability benefits for Scott Kern subject to attorney obtaining updated treatment records and scheduling of a battery of diagnostic tests thru INSPE.

Maker: Griesbaum

Second: Minick

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

9. ATTORNEY'S REPORT

Reimer distributed their quarterly newsletter and gave a brief overview. It was noted that 2 weeks ago, the Illinois Supreme Court issued a ruling on Public Act 98599, signed by the Governor in December 2013, which gave the State the ability to take away benefits for people already in service. This applies to State funds only. This act eliminated COLA's and kicked back the retirement age for Tier 1 participants. Six lawsuits were filed in various counties and consolidated by the Illinois Supreme Court. The Supreme Court

just ruled that this practice violates the pension protection clause. Lisa Madigan, however, has already indicated that she is going to file a direct appeal to the Supreme Court and fast track it. Reimer will be filing a brief for the IPPFA supporting the Supreme Court's decision.

Reimer reported that the Detroit bankruptcy issue. Right after a tentative settlement was announced, the police and fire pension funds are suing their actuarial malpractice for using inappropriate and unrealistic actuarial assumptions. Unknown what impact this will have. Will continue to monitor the situation. Any member wishing the quarterly newsletters via email should submit their email addresses at their earliest convenience.

Reimer noted that they have been working on the UBS agreement. The only sticking point appears to be that UBS wants the Board to agree that if there is a disagreement that the appropriate forum would be Federal Court, Northern District of Illinois and to waive the trial by jury. They have agreed to all other changes. Reimer stated that it is their practice to recommend to their clients to not waive the trial by jury. Clients may do this, however, if they desire. Discussion continued to the pros and cons of trials by jury. Reimer will respond that the Board will not waive the trial by jury but will reserve the right to consider a bench trial at any time. If this turns out to be a deal breaker with UBS, will revisit the issue.

10. NEW BUSINESS

- A. Approve 2015 Meeting Dates – The Board meets on a quarterly basis on the first Wednesday of the months of March, June, September and December.

Motion: To approve the 2015 Meeting Dates as follows: March 4, June 3, September 2, and December 2, 2015. All meetings will be held at the St. Charles Police Department beginning at 11:30 a.m.

Maker: Jannusch

Second: Griesbaum

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

- B. Approve Municipal Compliance Report – The MCR was discussed briefly and routed for signature. Reimer will submit signed MCR to City with cover letter.

Motion: To approve the Municipal Compliance Report FYE 04/30/2014 as presented and authorize the president to sign.

Maker: Jannusch

Second: Griesbaum

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

- C. Discuss/Approve Changes to Rules & Regulations – Changes and amendments to the Board's Rules & Regulations were discussed. Rules needed an amendment authorizing the Board to prorate a first and/or final payment on a QILDRO to an alternate payee.

Motion: To approve the amended Rules & Regulations as presented.

Maker: Jannusch

Second: Minick

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

D. Discuss/Approve Transfer of Time for Chief James Keegan – Discussion was held on determining the exact amount of money and time that may be transferred. It was recommended that Tim Sharpe perform a true cost for transfer of time.

Motion: To authorize Chris Minick to provide documentation to Tim Sharpe to perform a true cost calculation for transfer of time for Chief James Keegan.
Maker: Griesbaum
Second: Minick
Roll Call: Minick – Aye, Jannusch – Aye, Beam – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Once the true cost calculation is received and Chief Keegan wishes to move forward, He will have to send a request to Streamwood to transfer the calculated cost to the St. Charles Police Pension Fund. If additional monies, outside of the transfer are needed and payments are requested, interest will be charged.

11. MATTERS FROM THE PUBLIC

None

ADJOURNMENT

There being no further business, a motion was made by Minick to adjourn the meeting at 12:35 p.m. Seconded by Griesbaum. 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 March 4, 2015 at 11:30 a.m.

Respectfully submitted,



President



Secretary