

# ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue  
St. Charles, Illinois 60174

## MEETING MINUTES

Wednesday, September 2, 2015

11:30 p.m. – St. Charles Police Department

1. President Beam called to order the Regular Meeting of the St. Charles Police Pension Board at 11:35 p.m.

### 2. ROLL CALL

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

Members Absent: None

Others Present: Attorney Rick Reimer, Reimer Dobrovolny & Karlson LLC; Jon Willhite, UBS

### 3. APPROVE PREVIOUS MEETING MINUTES

**Motion:** To approve the minutes of the June 10, 2015 Regular Meeting as presented

**Maker:** Minick

**Second:** Griesbaum

**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion Carried.

### 4. INVESTMENT ACTIVITIES

Minick reported that the Board has been questioning, in terms of receipt of tax levy money, how much should be held and how much should be invested right away. Willhite created a cash flow draft policy to include procedures for rebalancing the portfolio on a quarterly basis. Currently the Fund is receiving monthly contributions of approximately \$37,000 with pension payouts of approximately \$133,000; so each quarter the Fund needs approximately \$438,000 in cash. This money would come from a combination of the tax levy money and investments. Recommending that the contributions continue to flow into the Harris Bank account to help fund the liability payments, but the tax levy money would be direct deposited into the UBS accounts to maximize the time in the investment pool. Documenting these procedures help to maintain Open Government and accounting as well as have documenting procedures for future trustees to the Board. The Board paused to review the proposed cash flow policy, rebalancing policy, investments, etc. Discussion included taking economic conditions into consideration when rebalancing, IPS violations and steps to correct, authorizing the finance director to rebalance the portfolio, etc. Reimer reported that boards can no longer ratify investments after the fact as it is considered a violation of the Open Meetings Act. However, creating a policy for investments, such as presented, is legal. The action would then be read into record at the next meeting. This policy gives the Finance Director fiduciary discretion to invest. All investments would still be conducted as per the Investment Policy Statement (IPS).

**Motion:** To adopt the quarterly cash flow and rebalancing policy as presented.

**Maker:** Griesbaum

**Second:** Jannusch

**Roll Call:** Minick – Aye, Jannusch – Aye, Keegan – Aye, Griesbaum – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Willhite gave a brief overview of the portfolio's quarterly results. The portfolio was down -1% with the index down -1.69%, about 66 basis points of outperformance. FYE started May 1 at -1.96% with the index down -2.20% or 24 basis points ahead. YTD the fund is 0.97% with the index at 0.57% or 40 basis points behind. The portfolio is basically flat with the index for the 3-year numbers and trailing by 13 basis points since inception with 7.70% and the index at 7.83%. Discussion continued on the capture ratio trend, market cycle analysis, up and down periods and review of the individual managers. Willhite noted that First Eagle is giving the portfolio some good downside protection and is giving good returns for the risk taken. Recommending replacement of Columbia Acorn due to manager turnover and have changed their methodology for selecting stocks. Possible replacements were discussed. PIMCO was another manager recommended for replacement. Willhite suggested that they not be replaced but that the balance of the monies redistributed within the current asset allocation of the portfolio. The Fund is due for an Asset Allocation Study in 2016, which will determine how much risk the Board does or does not wish to take.

Willhite noted that the rebalancing worksheet does not show the \$447,000 in local cash. He recommended that once the Board determines if it will terminate, change or hire any money managers, that UBS work with the Finance Director, Chris Minick, to determine allocation of these monies, as per the ISP, and then present the Board with a new rebalancing worksheet. The Board paused to review possible replacement managers.

**Motion:** To terminate Columbia Acorn International Fund and hire Transamerica International Equity.

**Maker:** Minick

**Second:** Griesbaum

**Roll Call:** Minick – Aye, Jannusch – Aye, Keegan – Aye, Griesbaum – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

**Motion:** To terminate PIMCO All Asset Authority effective immediately.

**Maker:** Griesbaum

**Second:** Jannusch

**Roll Call:** Minick – Aye, Jannusch – Aye, Keegan – Aye, Griesbaum – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

**Motion:** To rebalance according to the Investment Policy Statement guidelines to include funds from the liquidation of PIMCO and Columbia Acorn and the \$447,000 from the tax levy.

**Maker:** Griesbaum

**Second:** Minick

**Roll Call:** Minick – Aye, Jannusch – Aye, Keegan – Aye, Griesbaum – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Willhite will work with Minick to redistribute the monies and provide an updated rebalancing worksheet at the next meeting.

Minick noted that the Board discussed at the last meeting the possibility of changing the hurdle rate, however, not ready to have this discussion at this time. The State of Illinois is currently using a 6.75% hurdle rate. Recommended that Tim Sharpe conduct an actuarial report to determine what this would mean for the tax levy recommendation. Will table to the March 2016 meeting.

Willhite noted that GASBE 67 now requires a risk profile of the fund. This study is done approximately every 3 years. To table to the December meeting.

## 5. OLD BUSINESS

Resignation Warren Drewes – Minick reported that the City has received a formal letter of resignation from Warren Drewes. As such, the Mayor has appointed James Keegan to the St. Charles Police Pension Board.

Selection of Asst. Secretary to St. Charles Police Pension Board – Reimer stated that statute indicates that there are to be 4 officers amongst 5 members. These include the President, Vice President, Secretary and Asst. Secretary. Every July, the Board needs to hold an election of officers.

**Motion:** To elect James Keegan to the position of Asst. Secretary with the St. Charles Police Pension Board.

**Maker:** Jannusch

**Second:** Minick

**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

FOIA and OMA Officers – Reimer reported that an official FOIA Officer and official OMA Officer needs to be appointed.

**Motion:** To appoint Tim Beam as the FOIA and OMA Officer.

**Maker:** Minick

**Second:** Keegan

**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

IPPEA Fall Conference – Lake Geneva – Beam reported that anyone wishing to attend need only attend training on Wednesday and Thursday. The IPPFA board meeting is Friday. Beam originally made reservations for 3 nights so will cancel the last night and reimburse the Fund.

**Motion:** To adopt the City of St. Charles' per diem policy for the conference.

**Maker:** Jannusch

**Second:** Griesbaum

**Roll Call:** Minick – Aye, Jannusch – Aye, Keegan – Aye, Griesbaum – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Reimer will update the Board's Rules & Regulations to include the City of St. Charles' (GSA) per diem policy.

**Motion:** To reimburse Chris Minick for expenses associated with the IPPFA Conference.

**Maker:** Griesbaum

**Second:** Jannusch

**Roll Call:** Minick – Aye, Jannusch – Aye, Keegan – Aye, Griesbaum – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

## 6. PRESENTATION AND APPROVAL OF BILLS FOR DISBURSEMENT

**Motion:** To approve bills for disbursement as presented in Addendum A dated 08/31/2015 in the amount of \$74,680.52

**Maker:** Jannusch

**Second:** Minick

**Roll Call:** Minick – Aye, Keegan – Aye, Beam – Aye, Griesbaum – Aye, Jannusch – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

## 7. APPLICATIONS FOR MEMBERSHIP

Application for Membership – Mijal (Tier 2) – Officer Mijal was appointed to the St. Charles Police Department on March 23, 2015 and is a Tier 2 individual.

**Motion:** To approve and accept the membership of John Mijal as a Tier 2 member.

**Maker:** Griesbaum

**Second:** Minick

**Voice Vote:** 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

## 8. APPLICIIONS FOR BENEFITS

Continuation of Benefits – Kern – Scott Kern received a non-duty disability in 2011. Annual exams were being conducted by Dr. Shaw. Discussions were previously held on whether or not the Board should send Kern to a different physician. Reimer presented a list of the names and addresses of some of the previous doctors Kern has been examined by. Discussion continued and it was noted that Doctor Catheral has performed a variety of tests and concluded that Scott Kern is unable to perform the duties of a police officer.

**Motion:** To continue non-duty disability benefits for Scott Kern subject to further annual evaluations as required.

**Maker:** Jannusch

**Second:** Minick

**Roll Call:** Minick – Aye, Jannusch – Aye, Keegan – Aye, Griesbaum – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Reimer stated that for Kern's next annual, he will return to Dr. Shaw with a copy of Dr. Catheral's report. Reimer will also send a letter to Kern notifying that the Board accepted the report of Dr. Catheral and he (Kern) will not be required to come to Illinois for another examination, his benefits are continued for another year.

Deferred Retirement – Huffman – Steven Huffman submitted an application for a deferred retirement effective September 10, 2017. Beam noted that Huffman received 2 years of military time, which changed his start date to 10/05/1991, retired on 08/21/2015 with an annual salary of \$134,999.18; received 30 days of unpaid time, which gives him 23 years 9 months and 17 days of creditable service. Huffman will begin collecting benefits on 09/10/2017.

**Motion:** To approved the request for a deferred retirement for Steven Huffman effective September 10, 2017.

**Maker:** Minick

**Second:** Minick

**Roll Call:** Minick – Aye, Jannusch – Aye, Keegan – Aye, Griesbaum – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Beam reported that Officer Eversole resigned from the department. He has contributed approximately \$3857.73 to the Fund although he has not requested a refund. It was noted that the Board has 9 or 10 former officers that have not requested refunds of their contributions. After a brief discussion it was noted that the Board is under no obligation to contact any former members reference their contributions.

9. ATTORNEY'S REPORT

Reimer distributed the 3<sup>rd</sup> Quarter Newsletter. The Illinois Supreme Court came down with their decision in May with a vote of 7-0; that Public Act 98-599, which radically modified Tier 1 benefits for some State employees, was unconstitutional under the Pension Protection Clause. The Illinois Attorney General has now filed for an extension of time with the United States Supreme Court to file a writ petition, writ of certiorari, in an attempt to get the United States Supreme Court to take the case. The good news is that their opinion would be discretionary and the United States Supreme Court takes very few cases. There has to be some federal significance, doesn't appear to be that in this case. It's a State law and a State Constitutional question. Will continue to monitor the situation.

Governor Rauner has submitted legislation discussing consolidation of all funds for investment purposes. There's also another attempt, although still unconstitutional, requiring new retirees to opt for either an annual COLA increase or pay raise, but not both. This legislation also includes municipal bankruptcy and amends PSEBA benefits (summary on website – actual document approx. 500+ pages). Will continue to monitor situation.

10. NEW BUSINESS

Approval of Collateral/Pledge Agreement with BMO Harris Bank and Bank of America – Minick stated that this protects the bank account with BMO Harris, which currently has FDIC Insurance coverage of up to \$250,000. The City of St. Charles has a requirement that for any amounts that exceed this FDIC coverage, that collateral be pledged in the amount of 102% of the difference. The City already has this agreement and this paperwork will extend this pledge to the St. Charles Police Pension Fund. There is no additional cost for this service because it is covered under the City's fees. Discussion continued on how this pledge/agreement works.

**Motion:** To approve the Collateral/Pledge Agreement with BMO Harris Bank and Bank of America as presented.  
**Maker:** Griesbaum  
**Second:** Minick  
**Roll Call:** Minick – Aye, Jannusch – Aye, Keegan – Aye, Griesbaum – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

QUILDRO – Cicci – Beam reported that additional information and documentation is needed before approval. Tabled to the December meeting.

Minick reported that he should have the final actuarial reports within the next week or so. A draft of this report was distributed for discussion. This report included the IDOI's new implementation of the 2012 mortality/disability turn-over rates and retirement assumptions. This has an impact increase to the tax levy of approximately \$300,000. Minick stated he will be recommending the implementation of the 2012 mortality tables and a request of \$1.974M tax levy to the City Council in November. This recommendation does have an impact on the percentage funded as well as an impact on the accrued liability. Discussion continued. This item will require a special meeting.

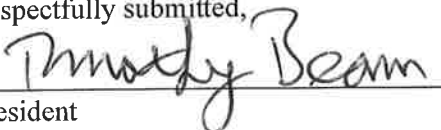
11. PUBLIC COMMENTS – None

**12. ADJOURNMENT**

There being no further business, a motion was made by Secretary Griesbaum to adjourn the meeting at 1:05 p.m. Seconded by Minick. Voice Vote. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

The meeting was adjourned at 1:05 p.m. The next regular meeting is scheduled for December 2, 2015 at 11:30 p.m.

Respectfully submitted,

  
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President

  
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Secretary

**Rebalancing Worksheet**  
**8/31/2015**  
**St Charles Police Pension Fund**

<u>Manager/Fund</u>	8/30/2015 Balance	IPS Target %	IPS Range + or -	Current % of Managed	IPS Violation?	Rebalance Needed	Proposed Correction	Cash Balance	New Balance	New %
SPDR S&P 500 ETF (SPY)	\$1,710,941	5.0%	3.5%	5.9%	NO	(\$272,000)	\$0	\$8,093	\$1,710,941	5.9%
<b>Total US Large Cap</b>	<b>\$2,207,985</b>	<b>7.5%</b>	<b>2.5%</b>	<b>7.7%</b>	<b>NO</b>	<b>(\$50,000)</b>	<b>\$150,000</b>	<b>\$78</b>	<b>\$2,357,985</b>	<b>8.2%</b>
Vanguard Extended Mkt ETF (VXF)	\$1,183,647	6.0%		4.1%			(\$1,183,647)	\$0		0.0%
<b>Total US Small/Mid Cap</b>	<b>\$0</b>	<b>0.0%</b>		<b>0.0%</b>			<b>\$1,183,647</b>	<b>\$0</b>	<b>\$2,357,985</b>	<b>8.2%</b>
Columbia Int'l Acorn New International Manager	\$668,049			2.3%				\$152		4.1%
First Eagle Overseas Fund	\$1,272,306	9.0%		4.4%				\$19,806		2.8%
Glovista Emerging Markets	\$885,526			3.1%				\$9,356		4.4%
iShares Core MSCI EM ETF (IEMG)										4.6%
<b>Total International Mkts</b>	<b>\$4,009,528</b>	<b>15.0%</b>	<b>4.5%</b>	<b>13.9%</b>	<b>NO</b>	<b>\$306,000</b>	<b>\$570,000</b>	<b>\$29,314</b>	<b>\$4,579,528</b>	<b>15.9%</b>
Stonebridge Advisors Preferred Sec	\$1,327,874	4.0%		4.6%				\$44,060		4.6%
Miller Convertible Securities Fund	\$1,699,652	6.0%		5.9%				\$763		5.9%
Tortoise Cap Adv MLP	\$546,045	4.0%		1.9%				\$21,772		1.9%
FAMCO MLPs	\$500,727			1.7%				\$8,422		1.7%
Chilton REIT SMA	\$2,262,686	7.5%		7.9%				\$10,206		7.9%
<b>Total Equity Diversifiers</b>	<b>\$6,336,983</b>	<b>21.5%</b>	<b>7.0%</b>	<b>22.0%</b>	<b>NO</b>	<b>(\$151,000)</b>	<b>\$0</b>	<b>\$85,223</b>	<b>\$6,336,983</b>	<b>22.0%</b>
BlackRock Strategic Income Opps (BSIX)	\$1,641,732	3.0%		5.7%				\$0		5.7%
<b>Total Fixed Income Diversifiers</b>	<b>\$1,641,732</b>	<b>6.0%</b>	<b>2.5%</b>	<b>5.7%</b>	<b>NO</b>	<b>\$85,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,641,732</b>	<b>5.7%</b>
PIMCO All Asset All Authority Fund	\$1,339,448			4.7%			(\$1,339,448)	\$353		0.0%
Wells Fargo Absolute Return (WABIX)	\$1,337,676			4.6%			\$839,448	\$0		7.6%
<b>Total Opportunistic TAA</b>	<b>\$2,677,123</b>	<b>10.0%</b>	<b>2.5%</b>	<b>9.3%</b>	<b>NO</b>	<b>\$200,000</b>	<b>(\$500,000)</b>	<b>\$353</b>	<b>\$2,177,123</b>	<b>7.6%</b>
C.S. McKee Core Bond	\$5,291,396			18.4%			(\$110,000)			18.0%
Pacific Income Advisors	\$4,896,670			17.0%			(\$110,000)			16.6%
UBS Cash Account	\$121			0.0%						0.0%
<b>Total G/C Fixed Income</b>	<b>\$10,188,187</b>	<b>35.0%</b>	<b>55.0%</b>	<b>35.4%</b>	<b>NO</b>	<b>(\$118,000)</b>	<b>(\$220,000)</b>	<b>\$0</b>	<b>\$9,968,187</b>	<b>34.6%</b>
		<b>100.0%</b>		<b>100.0%</b>			<b>\$0</b>	<b>0.43%</b>	<b>\$28,772,479</b>	<b>100.0%</b>
									<b>New Fl/Cash:</b>	<b>35.0%</b>

<b>Total Managed Portfolio Value:</b>	<b>\$28,772,479</b>
<b>Cash Surplus/(Deficit):</b>	<b>N/A</b>
<b>Statutory Fixed Income/Cash:</b>	<b>35.8%</b>

The information and statistical data contained herein have been obtained from sources we believe reliable but are in no way warranted by us as to accuracy or completeness. This report is intended to be an analysis and should not be relied upon for accuracy unless it conforms with the official records of the firm. Accordingly, you should rely on the monthly statement as the official record of your valued UBS Financial Services, Inc. account.

8/27/2015

CITY OF ST CHARLES  
EXPENDITURE APPROVAL LIST - DISTRIBUTION

6/1/2015 - 8/31/2015

<u>VENDOR</u>	<u>VENDOR NAME</u>	<u>PO NUMBER</u>	<u>ACCT UNIT</u>	<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>DATE</u>	<u>INVOICE</u>	<u>DESCRIPTION</u>
328	TIMOTHY BEAM	1	400300	51401	1,357.35	07/24/2015	20150722	REIMB-IPPPA CONF OCT 2015
					<u>1,357.35</u>	328	TIMOTHY BEAM	
1181	IPPPA	1	400300	51300	750.00	07/09/2015	20150708	CERT TRUST PROG = J KEEG
			400300	51300	975.00	07/20/2015	20150716	CONFERENCE BEAM/GRIESB
					<u>1,725.00</u>	1181	IPPPA	
1233	INSPE ASSOCIATES LTD	1	400300	54399	3,660.00	07/20/2015	47680	REVIEW RECORDS
					<u>3,660.00</u>	1233	INSPE ASSOCIATES LTD	
1276	DAVID JANNUSCH	1	400300	51300	200.00	07/24/2015	20150722	REIMB ONLINE SEMINAR
					<u>200.00</u>	1276	DAVID JANNUSCH	
2638	INTERNAL REVENUE SERVICE	1	400900	20107	16,612.37	06/25/2015	FIT 150625114407300 0	Federal Withholding Tax
			400900	20107	16,612.37	07/24/2015	FIT 150724152128300 0	Federal Withholding Tax
			400900	20107	16,612.37	08/25/2015	FIT 150825094137300 0	Federal Withholding Tax
					<u>49,837.11</u>	2638	INTERNAL REVENUE SERVICE	
2927	CHERYL A SHIMP	1	400300	54399	75.00	06/16/2015	21045	TRNSCRPTN 3-5-15
					<u>75.00</u>	2927	CHERYL A SHIMP	
2928	REIMER DOBROVOLNY & KARLSON	1	400300	54110	750.00	06/16/2015	2281-19742	LEGAL SVCS MAY 2015
			400300	54110	150.00	08/19/2015	2281-19963A	LEGAL SERVICES JULY 2015
					<u>900.00</u>	2928	REIMER DOBROVOLNY & KARLSON	
3172	CITY OF ST CHARLES PP	1	400900	20120	5,943.66	06/25/2015	MEBN150625114407300	Retiree Benefits
			400900	20120	5,943.66	07/24/2015	MEBN150724152128300	Retiree Benefits

ADDENDUM A



<u>VENDOR</u>	<u>VENDOR NAME</u>	<u>PO</u>	<u>NUMBER</u>	<u>ACCT UNIT</u>	<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>DATE</u>	<u>INVOICE</u>	<u>DESCRIPTION</u>
		1		400900	20120	5,038.74	08/25/2015	MEBN150825094137300	Retiree Benefits
						16,926.06	3172	CITY OF ST CHARLES PP	
				<b>Grand Total:</b>		<b>74,680.52</b>			