

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES

Wednesday, December 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; and James Keegan, Trustee

Members Absent: Dave Jannusch, Trustee

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

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the minutes of the September 2, 2015 Regular Meeting as presented

Maker: Keegan

Second: Minick

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

Motion: To approve the minutes of the May 14, 2015 Special Meeting as presented

Maker: Keegan

Second: Griesbaum

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

4. INVESTMENT ACTIVITIES

Willhite reported that the Investment Policy Statement (IPS) was reviewed back in March 2015. The next update will be March 2016. To date, there are no statutory updates. Looking at crafting a paragraph that states that if there is something that UBS needs to do and it is in the best interest of the plan, is outside the IPS but still conforms with statute, UBS will be able to do that and revise the IPS later. This could include terminating a manager, changing an asset allocation, items that need immediate attention. Documentation proving that these decisions are in the best interest of the plan will be kept. All language will be presented to the Board's attorney for approval before any changes are made.

The Asset Allocation Study will begin in the 2nd quarter of 2016. A questionnaire will be forwarded to all Board members for their input. Willhite noted that the Fire Department has decided to hold a special meeting in February to discuss their results, if the Board wishes to do the same. All data will be collected and a risk profile will be compiled by UBS. Willhite will forward potential dates in February as well as a potential agenda.

Willhite noted that the UBS contract was renewed in January 2015 and this document was filed with the Department of Insurance (DOI). Updates to the Cash Flow and Rebalancing Policy may be needed to accommodate the 2016 COLA's.

Willhite noted that the tax levy monies have been invested and PIMCO and Columbia have been terminated. UBS brought in Trans America International and numbers will be available at the next quarterly meeting. The portfolio began the quarter at \$29,775,377 and ended the quarter at \$29,180,440 down -4.75% with the Index down -4.07%; YTD down -3.83% with the Index down -3.52%; and up 6.55% since inception. Discussion was held on the portfolio's ranking against other funds; better use of risk; capture ratio; removing some of the downside risk; capturing more of the up market; performance of managers noting that out of 15 managers, 11 have outperformed their benchmarks; history of performance shows that out of 31 time periods, managers have only underperformed in 5 time periods (84% of the time managers are outperforming); history of Miller; etc. The Board reviewed each individual manager's performance history. Underperformers include: Miller, Tortoise and FAMCO. Minick inquired as to where MLP's are headed and the wisdom of keeping them in the portfolio. Willhite reported that the consensus is that it is an asset class that has been oversold, however, believes that it will be rebounding. This asset class is based on the price of oil. Will look at the MLP's closer at the February meeting. Willhite gave an overview of a Large Cap Manager Comparison Report. This included discussion on performance vs. risk as well as a 3-Year Rolling Alpha.

Motion: To rebalance the portfolio as presented in the rebalancing worksheet dated 11/24/2015.
Maker: Minick
Second: Griesbaum
Roll Call: Griesbaum – Aye, Minick – Aye, Keegan – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

5. OLD BUSINESS

2016 IPPFA Fall Conference – Lake Geneva – Conference will be held October 4-7, 2016. Beam reported that the Conference was very worthwhile. Felt there was a lot of good information available. The Spring Conference will be held in East Peoria and the Fall Conference at Lake Geneva. Reimcr noted that 2016 will be the last time the Conference will be held in Lake Geneva. It will then move to St. Louis as a result of the increased membership.

Motion: To authorize payment and expenses for 2016 IPPFA Fall Conference.
Maker: Griesbaum
Second: Minick
Roll Call: Griesbaum – Aye, Minick – Aye, Keegan – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 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 11/24/2015 in the amount of \$70,073.66
Maker: Keegan
Second: Minick
Roll Call: Minick – Aye, Keegan – Aye, Beam – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

7. APPLICATIONS FOR MEMBERSHIP

Applications for Membership – The following officers were appointed to the St. Charles Police Department on September 21, 2015: Bresnahan, Jacobo and Vargas. All officers are Tier 2 members. Officer Dony was appointed on November 16, 2015 and is also a Tier 2 member.

Motion: To approve and accept the memberships of Bresnaha, Jacobo and Vargas as Tier 2 members.
Maker: Griesbaum
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Motion: To approve and accept the membership of Dony as a Tier 2 member.
Maker: Griesbaum
Second: Keegan
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

8. APPLICTIONS FOR BENEFITS

Officer Joanne Pawlak retired from the St. Charles Police Department on October 13, 2015 with 26 years and 2 days of creditable service. Annual salary was \$95,087.20 with a pension benefit of \$5150.56 per month until her first increase in 2017.

Motion: To grant the retirement benefit of Joanne Pawlak effective October 13, 2015.
Maker: Griesbaum
Second: Keegan
Roll Call: Minick – Aye, Keegan – Aye, Beam – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Beam reported on receipt of a QILDRO for Joe Cicci. Cicci is currently in retirement status. Notifications have been sent to his attention informing him of this QILDRO, however, no response has been received. Beam will forward Cicci's current address to the Board's attorney as well as the St. Charles Finance Department. It was noted that all necessary documentation has been received on the QILDRO.

9. ATTORNEY'S REPORT

Reimer reported that the DOI is taking a position on pension reform and are supporting consolidation of Article 3 & Article 4 Funds into IMRF for investment purposes only. What this means is the Board would no longer have the authority to have Willhite as the Fund's Investment Consultant. No investment decisions will be made by the individual funds. All investment decisions would be made by IMRF. This has the potential to going further in that the Board may not be making the disability pension decisions. Discussion continued. There is new management in the DOI who believes in everything Governor Rauner is doing. The new management has implemented a lot of changes, which probably won't be realized until the Fund goes through a compliant audit. They are also recommending that compliant audits be done every 3 years.

New Bill being proposed creating a Tier 3 defining contributions for new officers, consolidation of Article 3 & Article 4 Funds for investment purposes only and implementing these monies into the IMRF or an IMRF type program, municipal bankruptcy, Tier 1 individuals receiving a COLA or pay raise – not both, etc. The Supreme Court has protected Tier 1 benefits in the past. They are reviewing a third pension reform bill, which is the Chicago Pension System Reform. This reform bill is also trying to modify Tier 1 benefits, which is a violation of the pension protection clause. Will continue to monitor situation.

10. NEW BUSINESS

Moving Member Files to Finance Department – Beam reported that letters have been sent to the membership requesting missing documentation in preparation of moving the member files to the St. Charles Finance Department. Discussion continued on collecting missing documentation and scanning all documents before forwarding originals.

2016 Meeting Dates – The 2016 meeting dates are as follows: March 2, 2016; June 1, 2016; September 7, 2016 and December 7, 2016. Minick presented and discussed a “model” agenda that covers routine matters throughout the year. These agenda items are designated for specific quarterly meetings. Reimer also presented recommended agenda items.

Motion: To approve and accept the 2016 Meeting Dates as presented.
Maker: Minick
Second: Griesbaum
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

2015 Municipal Compliance Report – This report is a statutory requirement and must be presented to the municipality on an annual basis before tax levy monies are determined.

Motion: To sign and submit the Municipal Compliance Report.
Maker: Minick
Second: Keegan
Roll Call: Minick – Aye, Keegan – Aye, Beam – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Tax Levy Request – Per the actuarial report, the recommended tax levy amount is \$1,988,762. This is the amount that Minick will be recommending to City Council. Minick noted that this report takes into account all of the same actuarial assumptions that Sharpe has used in the past with the exception of the mortality tables. The mortality tables have been updated to the 2012 DOI mortality tables. This resulted in an increase in the levy request of approximately \$300,000.

Motion: To recommend a tax levy amount of \$1,988,762 to the St. Charles City Council.
Maker: Griesbaum
Second: Minick
Roll Call: Minick – Aye, Keegan – Aye, Beam – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

2015 Actuarial Report – The actuarial report prepared by Tim Sharpe was presented for review. This report will also be filed with the DOI.

Motion: To accept and place on file the 2015 Actuarial Report as presented.
Maker: Griesbaum
Second: Keegan
Roll Call: Minick – Aye, Keegan – Aye, Beam – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

2015 Audit Report – Minick reported that the City asked the auditors to prepare a separate financial report for both the police and fire pension funds. These financial reports are essentially a complete set of financial statements and disclosures as required by government accounting standards for the police pension fund. This information use to appear in the City’s comprehensive annual financial report and in summary, still appears. The City believes it is a good idea to show a separate audit with a separate set of financials. Copies of the report were presented to all members. Minick also presented a copy of the Auditors Communication to the Honorable President and Members of the Board of Trustees. This report includes difficulties realized while performing the audit, whether or not consultation was held with other auditors, etc. Minick reported that no problems were noted.

Motion: To approve the audit report and financial statement as presented.
Maker: Keegan
Second: Griesbaum
Roll Call: Minick – Aye, Keegan – Aye, Beam – Aye, Griesbaum – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

11. PUBLIC COMMENTS

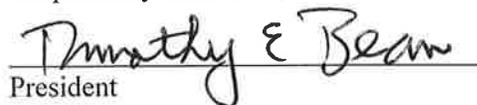
None

12. ADJOURNMENT

There being no further business, a motion was made by Trustee Minick to adjourn the meeting at 1:05 p.m. Seconded by Secretary Griesbaum. Voice Vote. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The meeting was adjourned at 1:10 p.m. The next regular meeting is scheduled for March 2, 2016 at 11:30 p.m.

Respectfully submitted,



President



Secretary

Rebalancing Worksheet
11/24/2015
St Charles Police Pension Fund

Manager/Fund	11/23/2015 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)	\$1,802,390	5.0%	3.5%	6.1%	NO	(\$314,000)	(\$1,802,390)	\$15,887	\$1,502,390	8.5%
New Large Cap Growth Manager	\$0			0.0%			\$750,000	\$0		2.5%
New Large Cap Value Manager	\$0			0.0%			\$752,390	\$0		2.5%
Total US Large Cap	\$1,802,390	5.0%	3.5%	6.1%	NO	(\$314,000)	(\$300,000)	\$15,887	\$1,502,390	8.5%
Vanguard Extended Mkt ETF (VXF)	\$2,521,744	7.5%	2.5%	8.5%	NO	(\$289,000)	\$0	\$20,630	\$2,521,744	8.5%
Total US Small/Mid Cap	\$2,521,744	7.5%	2.5%	8.5%	NO	(\$289,000)	\$0	\$20,630	\$2,521,744	8.5%
Transamerica International Equity (TSWIX)	\$1,419,767	6.0%		4.8%				\$90		4.8%
First Eagle Overseas Fund	\$724,426	9.0%		2.4%				\$932		2.4%
Glovista Emerging Markets	\$1,314,469			4.4%				\$17,725		4.4%
iShares Core MSCI EM ETF (IEMG)	\$1,282,296			4.3%				\$8,368		4.3%
Total International Mkts	\$4,740,957	15.0%	4.5%	15.9%	NO	(\$276,000)	\$0	\$27,115	\$4,740,957	15.9%
Stonebridge Advisors Preferred Sec	\$1,383,712	4.0%		4.6%				\$67,462		4.6%
Miller Convertible Securities Fund	\$1,738,460	6.0%		5.8%			\$55,000	\$789		6.0%
Tortoise Cap Adv MLP	\$643,366	4.0%		2.2%				\$18,441		2.2%
FAMCO MLPs	\$411,299	7.5%		1.4%				\$14,134		1.4%
Chilton REIT SMA	\$2,414,024			8.1%				\$5,904		8.1%
Total Equity Diversifiers	\$6,590,860	21.5%	7.0%	22.1%	NO	(\$192,000)	\$55,000	\$100,730	\$6,645,860	22.3%
BlackRock Strategic Income Opps (BSIX)	\$1,788,948	6.0%	2.5%	6.0%	NO	(\$3,000)	\$0	\$0	\$1,788,948	6.0%
Total Fixed Income Diversifiers	\$1,788,948	6.0%	2.5%	6.0%	NO	(\$3,000)	\$0	\$0	\$1,788,948	6.0%
Wells Fargo Absolute Return (WABIX)	\$2,274,010	10.0%	2.5%	7.6%	NO	\$702,000	\$0	\$1	\$2,274,010	7.6%
Total Opportunistic TAA	\$2,274,010	10.0%	2.5%	7.6%	NO	\$702,000	\$0	\$1	\$2,274,010	7.6%
C.S. McKee Core Bond	\$5,071,546			17.0%			(\$145,000)			16.6%
Pacific Income Advisors	\$4,912,558			16.5%			\$390,000			16.5%
UBS Cash Account	\$60,996			0.2%						1.5%
Total GIC Fixed Income	\$10,045,100	35.0%	55.0%	33.7%	NO	\$372,000	\$245,000	\$0	\$10,290,100	34.6%
		100.0%		100.0%			(\$0)	0.55%	\$29,764,011	100.0%
									New Fil/Cash:	35.0%

Total Managed Portfolio Value:	\$29,764,011
Cash Surplus/(Deficit):	(\$377,004)
Statutory Fixed Income/Cash:	34%

Cash flow policy - September 2015)

Monthly Contributions (Harris Bank) are approx: \$37,000
 Monthly Pension payouts are approx: \$183,000
 Net payout from UBS is approx: \$146,000

Transfer amount is capped at \$225,000

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.

11/24/2015

Police Pension Fund
EXPENDITURE APPROVAL LIST

9/1/2015 - 11/30/2015

<u>VENDOR</u>	<u>VENDOR NAME</u>	<u>PO NUMBER</u>	<u>AMOUNT</u>	<u>DATE</u>	<u>INVOICE</u>	<u>DESCRIPTION</u>
328	TIMOTHY BEAM		315.00	09/30/2015	20150929-REV	PER DIEM IPPFA CONFERENCE
	TIMOTHY BEAM Total		315.00			
1181	IPPFA		795.00	09/29/2015	20150929	IPPFA MEMBERSHIP DUES
	IPPFA Total		795.00			
2212	CITY OF ST CHARLES		475.01	11/10/2015	20151110	REIM 50%IPPFA CONF=C MINICK
	CITY OF ST CHARLES Total		475.01			
2638	INTERNAL REVENUE SERVICE		17,316.34	09/25/2015	FIT 150925131041300 0	Federal Withholding Tax
			17,178.06	10/23/2015	FIT 151023140635300 0	Federal Withholding Tax
			17,237.76	11/25/2015	FIT 151125095619300 0	Federal Withholding Tax
	INTERNAL REVENUE SERVICE Total		51,732.16			
2927	CHERYL A SHIMP		75.00	09/03/2015	21046	TRANSCRIPTION MIN. 6/10/15
	CHERYL A SHIMP Total		75.00			
2928	REIMER DOBROVOLNY & KARLSON		1,100.93	09/18/2015	2281-20093	LEGAL SERVICES AUGUST 2015
			332.95	10/28/2015	2281-20188	LEGAL SERVICES SEPTEMBER 2015
	REIMER DOBROVOLNY & KARLSON Total		1,433.88			
3172	CITY OF ST CHARLES PP		5,038.74	09/25/2015	MEBN150925131041300	Retiree Benefits
			5,038.74	10/23/2015	MEBN151023140635300	Retiree Benefits
			5,078.13	11/25/2015	MEBN151125095619300	Retiree Benefits
	CITY OF ST CHARLES PP Total		15,155.61			
3184	JIM KEEGAN		92.00	10/21/2015	102015JK	POLICE PENSION SEMINAR NOV2-
	JIM KEEGAN Total		92.00			

DESCRIPTION

INVOICE

DATE

AMOUNT

PO NUMBER

VENDOR NAME

VENDOR

Grand Total: 70,073.66