

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE
DES PLAINES POLICE PENSION FUND
June 12, 2018**

A regular meeting of the Des Plaines Police Pension Board was held on Tuesday, June 12, 2018 at 9:00 AM, at City Hall located at 1420 Miner Street, Des Plaines, Illinois pursuant to proper notice, to conduct regular business of the Pension Board.

CALL TO ORDER: President Chiaro called the meeting to order at 9:00 AM.

ROLL CALL:

PRESENT: President Nicholas Chiaro, Trustee Oscar Szczerbinski Trustee Robert Muehlenbeck, and Trustee Chris Mierzwa

ABSENT: Robert Neil

ALSO PRESENT: Also present was annuitant Wendall Whitted, Investment Consultant Thomas McShane, City Finance Director Dorothy Wisniewski, Board Attorney Laura J. Goodloe, Brian Forth and Andy Bischel of SKBA, and member of public Tara Karpp,

APPROVAL OF PRIOR MEETING MINUTES:

The Pension Board reviewed the minutes of the April 10, 2018 regular meeting. A motion was made by Trustee Muehlenbeck and seconded by Trustee Mierzwa to approve the minutes as written. The motion carried by unanimous voice vote.

APPROVAL OF DISBURSEMENTS:

The Pension Board reviewed the list of disbursements as presented in Warrant List 67, which equaled \$27,504.87. Trustee Mierzwa made a motion to approve Warrant list 67 as presented and Trustee Muehlenbeck seconded the motion. The motion carried by roll call vote.

AYES: President Nicholas Chiaro, Trustee Oscar Szczerbinski, Trustee Chris Mierzwa and Trustee Robert Muehlenbeck

NAYS: None

ABSENT: Trustee Robert Neil

BOARD'S ATTORNEY REPORT:

Legal Update/Review of new court decisions. Counsel for the Pension Board provided an update as to pending legislation and new caselaw.

OLD BUSINESS:

Annual Affidavit Update. All completed. No further action is needed.

Active & Retired Election Results. Trustee Mierzwa won the active trustee election (95 ballots sent, 63 ballots returned/submitted and of the 63 ballots return/submitted, 48 ballots were cast in favor of Trustee Mierzwa). President Chiaro won the retiree/beneficiary election (115 ballots sent, 75 ballots returned/submitted and of the 75 ballots returned/submitted, 63 ballots were cast in favor of Trustee Chiaro). Elections results have been publicly posted.

Statements of Economic Interest. All completed. No further action is needed.

NEW BUSINESS:

Application for Membership from Officer Joshua Kok. Officer Joshua Kok entered service on 5/2/18 and is a Tier 2 member. President Chiaro made a motion to accept Officer Kok into the Des Plaines Police Pension Fund. Trustee Mierzwa seconded the motion and the motion carried by unanimous voice vote.

Application for Membership from Officer Bradley Murray. Officer Bradley Murray entered service on 5/2/18 and is a Tier 2 member. President Chiaro made a motion to accept Officer Murray into the Des Plaines Police Pension Fund. Trustee Mierzwa seconded the motion and the motion carried by unanimous voice vote.

Application for Membership from Officer Anthony Tangorra. Officer Anthony Tangorra entered service on 5/29/18 and is a Tier 2 member. President Chiaro made a motion to accept Officer Tangorra into the Des Plaines Police Pension Fund. Trustee Mierzwa seconded the motion and the motion carried by unanimous voice vote.

Fiduciary Liability Insurance Renewal. The Pension Fund's liability insurance policies have been extended by 4 months in order to allow the Fund's current broker to research and obtain competing quotes for renewal. The Pension Board will also be seeking quotes from a reputable competing broker for comparison purposes. Presentations will be made at the Board's next regular meeting. This matter is tabled.

Discussion/Possible Action- HELPS Program. Derek Flessner of Lauterbach & Amen provided a presentation on the HELPs Program and services they offer with respect to the same. Upon discussion and review, Trustee Szczerbinski made a motion to implement the program and President Chiaro seconded the motion. The motion carried by unanimous voice vote. Lauterbach & Amen will begin to take the necessary steps toward implementing this service for free.

Death of Surviving Spouse Barbara Neumann. Ms. Neumann died on 4/24/18. No death certificate is presently on file. The Pension Office has requested the same. Timely notification of Ms. Neumann's passing was provided and therefore no overpayment of benefits occurred. Based upon there being no eligible survivors this pension is deemed to have been paid out to the fullest extent possible under the law and is terminated. No further action is needed, aside from the procurement of a death certificate.

Election of Board Officers. After discussion amongst the Board Trustee Mierzwa made a motion to appoint Trustee Chiaro as President, Trustee Muehlenbeck as Vice President, Trustee Neil as Secretary and Trustee Szczerbinski as Assistant Secretary. Trustee Muehlenbeck seconded the motion and the motion carried by unanimous voice vote. Therefore, the City of Des Plaines Police Pension Board Officers beginning July 1, 2018 are as follows:

Nicholas Chiaro – President
Robert Muehlenbeck – Vice President
Robert Neil – Secretary

Oscar Szczerbinski- Assistant Secretary

Board officer positions will remain in effect through the Board's June 2019 regular meeting.

FOIA Officer & OMA Officer Designee. After discussion amongst the Board, Trustee Szczerbinski made a motion to appoint President Chiaro as FOIA officer and Trustee Mierzwa as OMA designee. Trustee Mierzwa seconded the motion and the motion carried by unanimous voice vote. These designations will take effect immediately and remain in place through the Board's June 2019 regular meeting. President Chiaro successfully completed his online training with the Illinois Attorney General's Office on May 8, 2018. Trustee Mierzwa will complete his Open Meetings Act training through the Illinois Attorney General's Office in a timely manner.

Illinois Department of Insurance Annual Statement. Accountant Flessner provided an update as to the status of the IDOI annual statement. He reported to the Board that the IDOI made recent internal changes to their reporting software that has affected the finalization and submission of this report. The IDOI annual statement is due June 30, 2018. This matter remains pending.

Approval of Lauterbach & Amen Balance Sheets for March & April 2018. The Pension Board reviewed Lauterbach & Amen balance sheets for March and April 2018. Trustee Szczerbinski made a motion to approve the March and April 2018 balance sheets and Trustee Mierzwa seconded that motion. The motion carried by roll call vote.

AYES: President Nicholas Chiaro, Trustee Oscar Szczerbinski, Trustee Robert Muehlenbeck, and Trustee Chris Mierzwa
NAYS: None
ABSENT: Trustee Robert Neil

Review of Closed Session Minutes. Tabled for attorney review.

FOIA Request and Response. The Pension Office received a FOIA request from Zack Cziryak of Fin News on May 16, 2018. The Pension Office fully responded to this request on May 18, 2018. No further action is needed.

FINANCIAL REPORT:

The Pension Board discussed with Consultant McShane the Fund's current positions, asset allocations, investment activity and cash flow.

Review of Fund's Portfolio / Asset Allocation. With respect to the Fund's current asset allocations, Consultant McShane indicated the Fund is presently overallocated in cash (by design), under allocated in fixed income (by design), and on target with respect to its allocation in equities. Consultant McShane reviewed each individual manager's allocations, indicated he was comfortable where those allocations were at, and did not recommend changes to the Fund's allocations.

Consultant McShane reviewed and discussed Amerifund's and Oppenheimer's positive recent performance.

With respect to the Fund's portfolio review Consultant McShane indicated year to date the Pension Fund's overall return is -1.25 versus the benchmark of .35. Consultant McShane reviewed and discussed the Fund's underperformance relative to changes in market conditions. He provided an in-depth review of Great Lakes, SG Capital, and Lazard's recent underperformance when compared to performance over time and since inception.

Since inception with MSSB the Fund continues to hold an unrealized gain of 35.5 million (as of May 2018). The Fund's overall investment platform has received greater return and taken less risk than the benchmark.

Toward the conclusion of his report Consultant McShane discussed market outlooks and discussed base and bull case market scenarios.

Review of Fixed Income Managers and Possible Manager Change. Andy Bischel (CEO, Chief Investment Officer) and Brian Forth (Manager of Marketing & Business Development) of SKBA appeared to present on their fixed income management.

Mr. Bischel provided a firm overview and a synopsis as to changes made within the firm. Mr. Bischel went on to discuss SKBA's strategy proposition, the active fixed income process SKBA works in (SKBA's position versus return probability forecasts), US Treasury yield curve changes as of FYE 12/31/17 and the period of 12/31/17 through 6/8/18, economic and financial market perspectives, SKBA's forecast on US economic scenarios/outcomes, yield spreads between 10 year corporate bonds and treasury bonds, and SBKA's proposed future bond strategy.

With respect to SKBA's performance relating to the City of Des Plaines Police Pension Fund, Mr. Bischel discussed the cumulative changes/effects of SKBA's management over its portion of the Pension Fund, SKBA portfolio characteristics for the Pension Fund, and portfolio historical returns (net and gross of fees) for the Fund.

Mr. Bischel discussed the Fund's positioning between 2016 and 2017 and the reasons why SKBA's performance was sub-par relative to the benchmark. Overall, Mr. Bischel believes the market is returning to a more normal environment and the difficult period of portfolio returns will not continue.

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At the culmination of SKBA's presentation Consultant McShane provided a recitation as to his perspective as to SKBA's history and performance and discussed why SKBA was brought in to present. He went on to review with the Board SKBA's overall underperformance (over past three 3 years SKBA is up .91 versus 1.47 benchmark).

Consultant McShane went on to review and compare SKBA relative to possible alternatives, which included an in-depth review of CS McKee, McDonnell, Western Asset and Weaver. Consultant McShane provided a background as to each manager's background, trading style, overall performance, measures, and fees. He provided an analysis as to each manager's risk/return ratio and each manager's added value over rolling periods.

At the conclusion of Consultant McShane’s presentation concerning SKBA and alternative managers, Trustee Szczerbinski made a motion to terminate its fixed income management relationship with SKBA. Trustee Mierzwa seconded the motion. The motion carried by roll call vote.

AYES: President Nicholas Chiaro, Trustee Oscar Szczerbinski, Trustee Robert Muehlenbeck, and Trustee Chris Mierzwa
NAYS: None
ABSENT: Trustee Robert Neil

Trustee Mierzwa thereafter made a motion to retain Weaver Barksdale to manage a portfolio relative to the Bloomberg Barclay’s government credit benchmark (and with the attributes it has) and transfer all funds currently being managed by SKBA (approximately 7.1 million dollars) to Weaver Barksdale. Trustee Muehlenbeck seconded the motion. The motion carried by roll call vote.

AYES: President Nicholas Chiaro, Trustee Oscar Szczerbinski, Trustee Robert Muehlenbeck, and Trustee Chris Mierzwa
NAYS: None
ABSENT: Trustee Robert Neil

Investment Policy Statement Review. Consultant McShane disseminated a proposed/updated Investment Policy Statement to all Trustees and discussed the modifications that were made. Approval of this document is tabled until the Board’s next meeting. No formal action was taken on this matter.

PUBLIC COMMENT: None.

CONTINUING EDUCATION:

The Pension Board reviewed its continuing education training status, requirements and training options for 2018.

ADJOURNMENT:

A motion was made by Trustee Muehlenbeck to adjourn the meeting at 11:25 AM, and the motion was seconded by Secretary Szczerbinski. The motion passed unanimously by voice vote and the meeting adjourned at 11:25 AM.

Respectfully Submitted: _____
Date Approved: _____

The next regular meeting of the Des Plaines Police Pension Board is scheduled for August 14, 2018 at 9:00 AM.

Minutes Prepared by Board Attorney Laura J. Goodloe, Esq.