

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE
DES PLAINES POLICE PENSION FUND**

October 11, 2016

A regular meeting of the Des Plaines Police Pension Board was held on Tuesday, October 11, 2016 at 9:00 AM, at City Hall located at 1420 Miner Street in Room 101, 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 9:09 AM.

ROLL CALL:

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

ABSENT: Secretary Robert Neil

ALSO PRESENT: Also present was annuitant Wendall Whitted, Investment
Consultant Thomas McShane, City Treasurer Dorothy
Wisniewski and Board Attorney Laura J. Goodloe.

APPROVAL OF PRIOR MEETING MINUTES:

The Pension Board reviewed the minutes of the June 14, 2016 regular meeting. A motion was made by Trustee Mierzwa and seconded by Trustee Szczerbinski to approve the minutes as written. Motion carried by unanimous vote.

APPROVAL OF DISBURSEMENTS:

The Pension Board reviewed the list of disbursements as presented in Warrant List 58, which equaled \$44,986.50. Muehlenbeck made a motion to approve Warrant list 58 as presented and seconded by Trustee Mierzwa. Motion carried by roll call vote.

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

NAYS: None

ABSENT: Secretary Robert Neil

BOARD'S ATTORNEY REPORT:

Legal Update. Counsel for the Pension Board provided an update as to the promulgation of rules for municipal funding enforcement as well as an update as to investment consolidation efforts.

Ventimigla. The Pension Board's legal counsel advised the Board that on August 16, 2016 Ms. Ventimigla's Motion to Reconsider was denied by the Illinois Supreme Court. No further action needs to be taken with respect to this matter.

Review of New Court Decisions. Annuitant Wendall Whitted presented to the Board and its counsel for review and discussion the recent ruling in *Fraternal Order of Police, Chicago Lodge No. 7 v. City of Chicago*, 2016 IL App (1st) 143884. The case involved the issue of whether complaint registers were exempt from disclosure under the Illinois Freedom of Information Act.

OLD BUSINESS:

Annual Continuance of Disability Letters. All have been received. No further action is required at this time.

Disability Application from Carl Faust. Counsel for the Pension Board advised the Board that her offices are in the midst of procuring copies of Mr. Faust's medical records. A subpoena to the City's Human Resources Department had been sent on July 27, 2016. Once all documents have been received by the Board it will be in a position to proceed with the scheduling of Mr. Faust's Independent Medical Examinations in accordance with 40 ILCS 5/3-115. The Board directed counsel to investigate whether a

supplemental subpoena would need to be sent directly to the City's Police Department for additional relevant records.

NEW BUSINESS:

Death of Retired Chief Leroy Alfano. Leroy Alfano passed away on June 15, 2016. This information has been added to the Pension Fund's webpage. No further action is necessary.

Discussion of Benefit Calculations for Jerome and Cynthia Cascino. Pension Fund accountants, Lauterbach & Amen apprised the Board of a pension calculation error which resulted in an overpayment of benefits to the Cascinos. The overpayment occurred as follows:

- Jerome Cascino was hired on 10/20/65.
- He was awarded a non-duty disability pension effective 1/16/79.
 - At that time he had 13 years of creditable service.
 - He was granted a benefit based upon 50% of his salary attached to rank.
- Jerome Cascino opted to convert his disability pension into a regular retirement pension on 5/2/88.
 - His converted benefit was calculated at 52% of his salary based upon 22 years of service.
 - The Illinois Department of Insurance is of the opinion that his benefit should have been based on 50% and not 52% of his salary.

Legal counsel discussed with the Pension Board its options with respect to recouping the overpayment. Discussion included a recitation of relevant caselaw, application of the Administrative Review Law, and whether the likelihood of success in recoupment would outweigh negative financial implications in litigating the matter.

Based upon said discussion and consideration Trustee Muehlenbeck made a motion to take no further action with respect to this matter. The motion was seconded by Trustee Mierzwa. The motion carried by roll call vote.

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

Review of Proposed Administrative Rules. A draft set of administrative rules and regulations had been previously disseminated to all Board members for review and remarks. Several corrections and changes were noted. A final set of rules will be provided to the Pension Board at its next regular meeting for formal approval.

Freedom of Information Requests. The Pension Board received and timely responded to three (3) Freedom of Information Act Requests. See Board packet for details. No further action is necessary at this time.

Retirement of Officer Gary Klier. The Pension Board received an application for retirement pension benefits from Officer Gary Klier. Officer Klier was hired on 6/27/88. He is a Tier I member. His effective retirement is 6/26/16. His effective pension date will be 6/27/16. His original monthly pension will be \$5,586.06. A pension calculation worksheet was reviewed by both the Pension Board and the City's Treasurer.

A motion to approve Officer Gary Klier's retirement application was made by Trustee Mierzwa and seconded by Trustee Szczerbinski. The motion carried by a roll call vote.

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

Retirement of Officer David Kerfman. The Pension Board received an application for retirement pension benefits from Officer David Kerfman. Officer Kerfman was hired on 01/02/96. He is a Tier I member. His effective retirement is 8/17/16. His effective pension date will be 8/18/16. His original monthly pension will be \$3,990.04. A pension calculation worksheet was reviewed by both the Pension Board and the City's Treasurer.

A motion to approve Officer David Kerfman's retirement application was made by Trustee Mierzwa and seconded by Trustee Szczerbinski. The motion carried by a roll call vote.

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

Retirement of Detective Michael Heene. The Pension Board received an application for retirement pension benefits from Detective Michael Heene. Detective Heene was hired on 01/02/96. He is a Tier I member. His effective retirement is 8/31/16. His effective pension date will be 9/1/16. His original monthly pension will be \$4,251.88. A pension calculation worksheet was reviewed by both the Pension Board and the City's Treasurer.

A motion to approve Detective Michael Heene retirement application was made by Trustee Mierzwa and seconded by Trustee Szczerbinski. The motion carried by a roll call vote.

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

Retirement of Officer Robert Anderson. The Pension Board received an application for retirement pension benefits from Officer Robert Anderson. Officer Anderson was hired on 6/27/88. He is a Tier I member. His effective retirement is 6/25/16. His effective pension date will be 6/26/16. His original monthly pension will be \$5,586.06. A pension calculation worksheet was reviewed by both the Pension Board and the City's Treasurer.

A motion to approve Officer Robert Anderson's retirement application was made by Trustee Mierzwa and seconded by Trustee Szczerbinski. The motion carried by a roll call vote.

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

2016 Tax Levies. The Pension Board reviewed the Illinois Department of Insurance's (IDOI) actuarial valuation report as of January 1, 2016. The enrolled actuary for the IDOI recommended \$4,873,264 as the total amount of employer contributions to arrive at the Fund's annual statutory funding requirements in accordance with 40 ILCS 5/3-125.

Based upon the findings contained in this report Trustee Mierzwa made a motion to certify to the City of Des Plaines \$4,873,264 as the Pension Fund's tax levy request. The motion was seconded by Trustee Szczerbinski. Motion carried by roll call vote.

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

APPROVAL OF LAUTERBAUCH & AMEN BALANCE SHEETS FOR MAY, JUNE, JULY AND AUGUST 2016: The Pension Board reviewed Lauterbach & Amen May, June, July and August 2016 accounting reports. A motion was made by Trustee Szczerbinski and seconded by Trustee Mierzwa to

accept the Lauterbach & Amen May, June, July and August 2016 monthly accounting reports. Motion carried by roll call vote.

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

FINANCIAL REPORT:

Review of Funds Portfolio/Asset Allocation. The Pension Board and its Investment Consultant, Thomas McShane, reviewed the Fund's portfolio and current asset allocation. Consultant McShane provided an overview of Morgan Stanley Smith Barney's capital markets review and current economic status.

With respect to the Pension Fund's current portfolio, the Fund is currently invested in 63.6% of its assets in equities (by design), 32% in fixed income and approximately 5% in cash. Total cash in the portfolio currently sits at around 3.6 million.

A review of the Fund's performance revealed that Fund is up a total of 4.11% for the quarter versus the benchmark showing only a 3.53% gain. The Fund's performance in the S&P was a bit off, however Great Lakes, SG and Cohen and Steers added value to the Fund. Likewise, American Funds added value to the portfolio. Oppenheimer was off slightly when compared with the benchmark. Lazard has had a good come back and McDonnell met and exceeded the benchmark by 5 basis points over the past year. SKBA's return was slightly under the benchmark.

Upon review of the portfolio and the Fund's overall performance throughout the past quarter Consultant McShane did not have any recommendations for changes to the Fund's allocations or investment management.

Cash Flow Analysis. The Pension Board reviewed and discussed its current cash flow needs. At present the Fund is paying out approximately \$620,000 per month in benefits and costs. Given the fact that the Fund now has four (4) new retirees, Consultant McShane recommended to increase the Fund's monthly cash flow to \$640,000. A motion was made by President Chiaro to increase the Fund's monthly cash flow to \$640,000. The motion was seconded by Trustee Muehlenbeck. Motion carried by roll call vote.

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

PUBLIC COMMENT: None.

CONTINUING EDUCATION: Continuing education options for board members were discussed and reviewed. Board President Chiaro and Trustee Muehlenbeck received 4 hours of training for April and June sessions. Trustee Neil completed 2 hours of training for April.

EXECUTIVE SESSION: None.

ADJOURNMENT: A motion was made by Chiaro and seconded by Trustee Oscar to adjourn the meeting at 10:44 AM. Motion carried by unanimous vote.

Respectfully Submitted:

Date Approved: 12/13/16

The next regular meeting of the Des Plaines Police Pension Board is scheduled for December 13, 2016 at 9:00 AM.

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