

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

October 9, 2018

A regular meeting of the Des Plaines Police Pension Board was held on Tuesday, October 9, 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 9:07 AM.

ROLL CALL:

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

ABSENT: Trustee Oscar Szczerbinski and Trustee Robert Neil.

ALSO PRESENT: Also present was annuitant Wendall Whitted, Investment Consultant Thomas McShane, Investment Consultant James A. Czerniak, City Finance Director Dorothy Wisniewski, Board Attorney Laura J. Goodloe, and member of public Tara Karpp.

APPROVAL OF PRIOR MEETING MINUTES:

The Pension Board reviewed the minutes of the August 14, 2018 regular meeting. A motion was made by Trustee Mierzwa and seconded by Trustee Muehlenbeck 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 69, which equaled \$47,318.55. Trustee Mierzwa made a motion to approve Warrant list 69 as presented and Trustee Muehlenbeck seconded the motion. The motion carried by roll call vote.

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

NAYS: None.

ABSENT: Trustee Oscar Szczerbinski and 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:

Approval of Revised Rules & Regulations. Board Counsel drafted and disseminated a proposed set of updated administrative rules and regulations. The Board will review the updates. This matter is tabled for further discussion and approval at its next meeting.

NEW BUSINESS:

Annual Tax Levy Certification. On October 1, 2018 Board Counsel submitted to Mayor Mathew J. Bogusz its annual tax levy request letter based upon the Board's previously approved recommended amount. No further action is needed at this time.

Approval of Municipal Compliance Report. The Pension Board had the opportunity to review its Municipal Compliance Report, as prepared by Lauterbach & Amen. Upon review, Trustee Mierzwa made a motion to approve and accept the Municipal Compliance Report as presented and Trustee Muehlenbeck seconded the motion. The motion carried by unanimous voice vote. A draft report was previously submitted to the City. An executed copy will be tendered to the City as well. No further action is needed at this time.

Approval of Officer Carlo Ereno Transfer of Military Service. Officer Carlo Ereno made application to purchase twenty-four (24) months of prior military service for pension purposes. In response to the calculations that were presented to Officer Ereno, as prepared by Lauterbach & Amen, on August 21, 2018 Officer Ereno issued payment to the City of Des Plaines Police Pension Fund in the amount of \$37,903.50 to effectuate his military service purchase.

Upon review, Trustee Muehlenbeck made a motion to accept payment in the amount of \$37,903.50 as Officer Carlo Ereno's twenty-four (24) month military service purchase, formally recognize this purchase as having been paid in full, and adjust Officer Ereno's date of hire from December 28, 2005 to December 28, 2003 for pension purposes. (Note: Due to prior IMRF transfer Officer Ereno's overall revised date of hire is July 2, 2000). Trustee Mierzwa seconded the motion. Motion carried by roll call vote.

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

Application for Membership from Officer Evan Franck. Officer Franck entered service on 9/5/18 and is a Tier 2 member. Trustee Muehlenbeck made a motion to accept Officer Evan Franck 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 James Plepel. Officer Plepel entered service on 9/5/18 and is a Tier 2 member. Trustee Muehlenbeck made a motion to accept Officer James Plepel into the Des Plaines Police Pension Fund. Trustee Mierzwa seconded the motion and the motion carried by unanimous voice vote.

Resignation of Officer Daniel Murphy. Officer Murphy resigned from the City of Des Plaines Police Department effective 9/2/18. Appropriate refund paperwork has/shall be forwarded onto Officer Murphy.

Approval of Lauterbach & Amen Balance Sheets for July & August 2018. The Pension Board reviewed Lauterbach & Amen balance sheets for July and August 2018. Trustee Muehlenbeck

made a motion to approve the July and August 2018 balance sheets and Trustee Mierzwa seconded that motion. The motion carried by roll call vote.

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

NAYS: None.

ABSENT: Trustee Oscar Szczerbinski and Trustee Robert Neil.

Freedom of Information Request. The Pension Office received a FOIA request from Zack Cziryak of Fin News on August 20, 2018. The Pension Office fully responded to this request on August 22, 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, under allocated in fixed income (by design), and slightly overallocated with respect to its equities allocation. Consultant McShane went on to provide an in-depth review of the Fund's asset subclasses and recommended reducing exposure in its small to mid cap class by 2.5%. Upon further discussion, Trustee Muehlenbeck made a motion to reduce the Fund's small to mid cap exposure by 2.5% by liquidating 2 million dollars from SG Capital and placing 500K of the proceeds into cash and 1.5 million of the proceeds into the S&P 500. Trustee Mierzwa seconded the motion and the motion carried by roll call vote.

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

NAYS: None.

ABSENT: Trustee Oscar Szczerbinski and Trustee Robert Neil.

Consultant McShane then provided a review of the Fund's portfolio returns and manager performance. With respect to investment returns, since inception with MSSB the Fund continues to hold an unrealized gain of 35.7 million. The Fund's overall investment platform has received greater return and taken less risk than the benchmark. With respect to Lazard's particular ongoing underperformance, Consultant McShane recommended terminating Lazard and moving the proceeds into IShares Emerging Markets Index Fund (with the anticipation that the Board will further review its investment options at its next meeting). Upon discussion, Trustee Chiaro made a motion to terminate services with Lazard and move the investment monies held by Lazard into IShares Emerging Markets Index Fund and Trustee Mierzwa seconded the motion. The motion carried by roll call vote.

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

NAYS: None.

ABSENT: Trustee Oscar Szczerbinski and Trustee Robert Neil.

Consultant McShane confirmed the transfer of assets from Weaver to SKBA.

Toward the conclusion of his report Consultant McShane discussed wealth management perspectives, provided a capital markets overview for 3rd quarter 2018 and provided comparison information on emerging markets managers.

PUBLIC COMMENT: None.

CONTINUING EDUCATION:

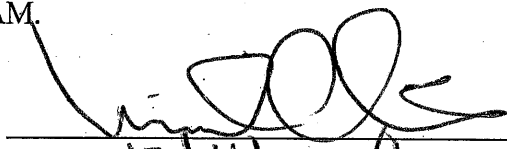
The Pension Board reviewed its continuing education training status, requirements and training options for 2018.

ADJOURNMENT:

A motion was made by Trustee Mierzwa to adjourn the meeting at 10:30 AM, and the motion was seconded by Secretary Muehlenbeck. The motion passed unanimously by voice vote and the meeting adjourned at 10:30 AM.

Respectfully Submitted:

Date Approved:



12/11/2018

The next regular meeting of the Des Plaines Police Pension Board is scheduled for December 11, 2018 at 9:00 AM.

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