

Meeting Minutes - February 10, 2009

The meeting of the Des Plaines Police Pension Board was called to order by President Chiaro at 9:03 a.m. in Room 101 of City Hall in Des Plaines, Illinois.

Roll Call. Present: Trustees Muehlenbeck, Marks, Neil and President Chiaro(4). Absent: Salas (1). Also present were Annuitant Wendall Whitted, Annuitant James Roel, Board Financial Advisor Thomas McShane, Acting City Treasurer Dorothy Wisniewski and Board Attorneys Joseph Perkoski and Camille Cribaro-Mello. Allison Barrett and Nathan Gaskill of Lauterbach & Amen arrived at 9:25 a.m.

Approval of Minutes. Motion by Muehlenbeck, seconded by Neil, to approve the December 9, 2008 regular meeting minutes. Motion carried by unanimous voice vote.

Disbursements. The Board reviewed the disbursements as identified in the February 10, 2009 Warrant List #13 in a total amount of \$33,329.52. The Board discussed whether they could obtain a discount from Lauterbach & Amen if they were to pay for services in advance, as opposed to monthly. Action on the disbursements was held until Lauterbach & Amen arrived at the meeting. Upon arrival, Allison Barrett indicated that the Board President should discuss the matter of the discount with Sherry Lauterbach directly. Ms. Barrett also indicated there was an error on the Warrant List and that the Board should not have been billed \$500 for preparing the Municipal Compliance Report. The Warrant List was adjusted to \$32,829.52 accordingly.

Motion by Muehlenbeck, seconded by Marks, to approve the disbursements as identified in the February 10, 2009 Warrant List #13 in a total amount of \$32,829.52. Motion carried by unanimous voice vote.

Financial Report. Financial Advisor, Thomas McShane, introduced Ed Caulkins and Tom Kiley of Great Lakes Investments and asked them to provide an update to the Board regarding the equity portfolio they presently manage. A copy of the investment summary depicting the portfolio performance as of December 31, 2008, is attached as Exhibit A. The overall portfolio performance is down 18% since September 30, 2008, as compared to the Russell benchmark, down 22%, which is reflective of the overall, international market downturn.

Next, Tom McShane presented the Board with his fourth quarter 2008 portfolio update. A copy of the portfolio update for the fourth quarter, depicting the Fund performance for the trailing 12 months ending December 31, 2008, is attached hereto as Exhibit B. Overall, the Fund is down 3.99% compared to the benchmark which is down 6.6%. McShane explained that the Fund's fixed income position allowed the Fund to minimize its equity loss. For the year 2008, the Fund was down 11.51%, which is reflective of the overall market performance during the year. However, McShane acknowledged that because the Fund assumes an 8% growth for actuarial purposes, the market downturn will create a funding issue for the Fund. President Chiaro asked whether it was still the correct position for the Fund to increase equity shares, as discussed in the December meeting. McShane responded that the market was still uncertain and that he did not know whether increasing the equity shares was absolutely correct. However, he felt strongly that the Fund should seize the opportunity of the down market and lower share costs.

Lauterbach & Amen Presentation. Next, the Board received a presentation from Allison Barrett regarding the new Professional Services offering from Lauterbach. She advised that the new service would provide professional administrative services as a substitute for the Board's secretarial function. The Board could choose from a menu of service options as needed. The fee for

services would be \$50 per hour. A listing of services available is attached as Exhibit C. Wendall Whitted expressed that this was an opportunity for the Board to establish institutional knowledge with someone other than staff. President Chiaro stated that the Fire Pension Board was going to begin using this service from Lauterbach and that he thought it would be a good idea over time to have Lauterbach assist with the services identified in Exhibit C.

Allison Barrett next advised the Board regarding the Coalition for Qualified Plan Status and the efforts being made to obtain a favorable opinion letter that Article 3 pensions meet the federal IRS requirements for a qualified plan. The Coalition has been formed to allow supporting pension funds to pool monetary support in obtaining the IRS opinion letter. The law firm Ice Miller, of Indianapolis, is preparing the request for the opinion letter on behalf of Scott Brandt of the Illinois Department of Insurance. Currently the Coalition is seeking \$400 from each pension fund as a contribution toward fees in obtaining the IRS opinion. Lauterbach is managing the fund account for the Coalition. It was noted that the Board's \$400 contribution was included in the Warrant List #13 for approval.

Motion by Marks, seconded by Muehlenbeck, to approve the \$400 disbursements to participate in the Coalition for Qualified Plan Status. Motion carried by unanimous voice vote.

Board Attorney's Report

a. Lalowski Update. Attorney Perkoski shared with the Board that Lalowski did not file an appeal within 35 days of the Court's order dismissing Lalowski's Complaint for Administrative Review. This effectively ends Mr. Lalowski's ability to appeal the decision and the Board's decision granting him a non-duty disability pension will stand.

b. Revised Investment Policy and Board Rules and Procedures. Attorney Cribaro-Mello provided the Board copies of the revised Investment Policy and Board Rules and Procedures. These were revised to incorporate the requirements of HB 5088. The Board will review the revisions and address approval of same at the next meeting.

c. Review of Legal Developments. Attorney Cribaro-Mello advised that the Illinois Supreme Court had heard oral argument on the case, Roselle Police Pension Board v. Village of Roselle on the issue of whether a surviving spouse was entitled to annual pension increases. Robbins, Schwartz will notify the Board of the decision as soon as it is issued by the Court.

Old Business. A copy of the Municipal Compliance Report, as prepared byLauterbach & Amen, was presented to the members. The report complies with the requirements set forth in HB 5088. A copy of the report was presented to the Mayor and City Council.

New Business.

a. Retirement of Officer Efram Salas. Officer Salas retired on January 2, 2009 with a monthly pension of \$4,083.41 (as calculated by Lauterbach & Amen). Motion by Neil, seconded by Muehlenbeck, to approve the monthly pension of Officer Salas of \$4,083.41. Motion carried by unanimous voice vote.

b. Resignation from Board of Trustee Efram Salas. The Board discussed the resignation from the Des Plaines Police Pension Board of Trustee Jim Salas. Based on the operation of Board rules, Muehlenbeck is now the Vice President, Marks is the Secretary and Neil is the Assistant Secretary. Ballots have been issued to elect the trustee to fill the open position vacated by Salas. Only one candidate, Danny Neiman, is seeking the Trustee position. Motion by Chiaro, seconded by Marks to approve the

selection of board officers. The motion was carried by unanimous voice vote.

c. Resignation of Leka Vukmarkaj. Leka Vukmarkaj has resigned his position with the Des Plaines Police Department and a refund of contributions will be made to him.

d. Application for membership of Officer Katherine M. Dombroski. Katherine Dombroski started with the department on December 29, 2008.

e. Actuarial Report. A copy of the Fund's actuarial report, as prepared by Tim Sharpe, was distributed to the members. It was noted that the City levied at 7.9%, slightly lower than the figures prepared by Sharpe.

f. Approval of Lauterbach & Amen's Balance Sheets for November 2008. Motion by Muehlenbeck, seconded by Marks to approve the Lauterbach & Amen Balance Sheets for November 2008. The motion was carried by unanimous voice vote.

Adjournment. Motion by Muehlenbeck, seconded by Marks to adjourn at 11:20 a.m. The motion was carried by unanimous voice vote.

Approved:

Nick Chiaro

President

Date: