

Meeting Minutes - February 12, 2008

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

Roll Call. Present – Trustees Freeman, Muehlenbeck, Salas, Marks, and President Chiaro (5). Absent: None. Also present were Recording Secretary Tina Whitted, Board Attorneys Joseph Perkoski and Neil Smith, Board Paralegal Catherine Caifano, Board Financial Advisor Thomas McShane, City Finance Director (Acting) Dorothy Wisnewski and Assistant Finance Director Bruce Raymond, Annuitant Jim Roel and Annuitant Wendall Whitted.

Approval of Minutes. Motion by Salas, seconded by Marks to approve the December 11, 2007 regular meeting minutes. Motion carried by unanimous voice vote.

Disbursements. The Board reviewed the recommended disbursements as set forth in the February 12, 2008 warrant list. Motion by Freeman, seconded by Marks to pay disbursements as listed, totaling \$19,750.65. Ayes: Trustees Salas, Muehlenbeck, Freeman, Marks and President Chiaro (5). Nays: None. Motion carried, 5 – 0.

Board Attorney's Report

Sarkis Appeal Update. Attorney Perkoski advised the Board the Appellate Court issued a decision concerning the appeal on February 8, 2008. The Appellate Court reversed the Board's decision to grant Sarkis 50% disability benefits for a shoulder injury that occurred when Sarkis "propped" up a railroad gate, rather than the statutory 65% "in line of duty" disability benefits. Discussion ensued concerning the standard of review the Appellate Court applied concerning the appeal, and the rationale behind the Appellate Court's ruling. Attorney Perkoski also advised the Board that if it desired to pursue an appeal to the Illinois Supreme Court, the decision would have to be made within 30 days of February 8, 2008.

Lalowski Complaint for Administrative Review. Attorney Perkoski advised the Board that the Complaint for Administrative Review filed by the attorney for Officer Lalowski is presently in the initial stage, and that we have filed an Answer on behalf of the Board. Attorney Perkoski also advised the Board that the City of Des Plaines would file its Answer within the week which would trigger Officer Lalowski's attorney to file a brief in support of its Complaint for Administrative Review. Attorney Perkoski further advised the Board that it would file a brief in response to Officer Lalowski brief, once it is filed.

Officer Schroeder Disability Claim. The Board determined that it would discuss Officer Schroeder's disability claim in executive session.

Review of New Court Decisions. Attorney Perkoski discussed a decision in the Illinois Appellate Court in *Rozak v. Kankakee Firefighters' Pension Board*.

Review of Recent Legislation. Attorney Perkoski discussed recent legislation introduced concerning high risk home loans which states that any public entity that has a financial relationship with an Illinois-chartered banking institution must ensure that the Illinois-chartered banking institution is not engaging in predatory home loan lending, and submit an affidavit to that effect. Attorney Perkoski advised the Board that this legislation would not affect the Board because its primary financial institution is Harris Bank, which is not chartered in the state of Illinois.

Attorney Perkoski advised the Board concerning House Bill 4569 which would allow pension annuitants to re-enter service for two (2) years if there is a man power shortage due to the Iraq conflict.

Attorney Perkoski advised the Board concerning House Bill 4609 which would change the definition of "officer" under the Act to include dispatchers. This Bill would allow dispatchers to transfer IMRF credit to the downstate police pension system. Discussion

ensued concerning the effect of this legislation on the downstate police pension system.

The Board also discussed some additional pieces of legislation, including House Bill 0012; Public Act 95-0279 which amends the Pension Code to include adoptive children; and Public Act 95-0025 which makes it a civil rights violation if a police department refuses to transfer a pregnant female police officer where transfer is a reasonable accommodation and legislation which provides that all downstate police pension system taxes be paid directly to the treasurer; and an amendment to the State Universities Retirement Act.

Old Business.

Lauterbach & Amen, LLP. The Board accountants will be invited to attend the Board's August 2008 meeting.

Officer Matt Jones. Officer Jones is currently deployed to Iraq. Officer Jones was receiving half-pay from the City of Des Plaines. Officer Jones will now receive full-pay during deployment, and he will rebate to the City of Des Plaines his military pay, so that his pension is fully serviced.

Disabled Annuitant Dick Lalowski. Lalowski's date of birth was removed from the Police Pension website, at his request.

Officer Joan Penze. Officer Penze previously entered into an agreement to transfer her IMRF service to the downstate police pension system. Penze will pay \$6,392.06 per the agreement to buy back three (3) years and three (3) months. To date, the Board has not received any information and wonders if this agreement will proceed if she has not paid the \$6,392.06.

Fiduciary Insurance. The Board attorney advised that they were working with the Board's insurance carrier to secure a better financial arrangement if the policies were secured in coordination

with the Fire Pension Board. President Chiaro discussed the fact that currently there are two (2) separate policies, but the expiration of both policies is synced so that a new policy can be negotiated. It was confirmed that the disbursement and extension of the policies are now in-line with one another.

Board Candidacy. There was a discussion concerning the retiree and active request for Board Candidacy. 99 affidavits have been sent out and responses are due on March 1, 2008. The annual physical requests will be sent out within 3-4 weeks.

New Business.

New Members. Two (2) officers have applied for membership in the downstate police pension system: Theresa A. Bieschko, Start Date: December 20, 2007; and John J. Doherty, Jr., Start Date: December 20, 2007.

Approval of Lauterbach & Amen, LLP Balance Sheets for September and October 2007.

The Board reviewed the balance sheets of Lauterbach & Amen for November 2007.

Motion by Muehlenbeck, seconded by Marks, to approve the Lauterbach & Amen balance sheets for November 2007. Ayes: Trustees Marks, Salas, Freeman, Muehlenbeck and President Chiaro (5). Nays: None. The motion was carried, 5 – 0.

Financial Report.

Fourth Quarter Performance and Review. Thomas McShane presented the Board with its Fourth Quarter 2007 Performance Report. McShane presented the Board with information pertaining to the economy, the federal funds rate, the inflation rate, an overview of capital market, and the fact that a recession may be

experienced over the next few quarters. McShane discussed how the Board has moved from value stock to growth stock to add value to its portfolio.

McShane further discussed the Fund's investment performance summary since December 31, 2006, specifically the performance of the Fund's equity investments and fixed income investments. McShane presented the Board with information concerning the total Fund risk return analysis since December 31, 2005, as measured by the standard deviation of 3.35%.

McShane further discussed the Fund's holdings in Wells—Large Cap Growth Manager. At its December 11, 2007 meeting, the Board voted to transfer \$1,000,000 from Fayez Sarofim to Wells—Large Cap Growth Manager. McShane reviewed Wells' top equity holdings and economic sector allocation. McShane then discussed the Fund's holdings in Fayez—Large Cap Growth Manager, Great Lakes—Large Cap Growth Manager, Kayne—Small Cap Core, SG Capital—Small Cap Growth, Amerifunds—International Equity, the Annuity, and the McDonnell-Fixed Income account. McShane advised the Board that he recently visited with Kayne because it has been underperforming. While McShane believes that Kayne's philosophy is disciplined, he is putting Kayne on watch for the next 2–3 quarters to see if it performs better. McShane advised the Board that he is scheduled to review the Annuity with the insurance company and will then provide a recommendation to the Board if the Fund's money should continue to be kept here.

McShane provided the Board with an Account Summary as of January 31, 2008. As of January 31, 2008, the Fund is at \$48,826.958, which is down from \$49,750,339 in December 2007. McShane reviewed for the Board the Fund's asset allocation, and the fact that there is a greater tilt toward growth stocks rather than value stocks. McShane discussed the fact that allocation to foreign securities is high due to the idea that foreign economies are continuing to grow strong. McShane further discussed the Fund's

portfolio options, and the fact that the market has reduced exposure to equities. McShane recommended that the Board hold the Fund as to equities, rather than add to equities as this time.

Based on the performance of foreign securities, McShane is recommending that the Board transfer \$1,000,000 from Great Lakes—Large Cap Value Manager to Amerifunds—International Equity Manager.

Motion by Salas, seconded by Marks to transfer \$1,000,000 from Great Lakes—Large Cap Value Manager to Amerifunds—International Equity Manager. Ayes: Trustees Muehlenbeck, Freeman, Salas, Marks and President Chiaro (5). Nays: None. Motion carried, 5 – 0.

McShane presented the Board will a letter dated February 11, 2008 which identifies two (2) errors which occurred in the Fund's Great Lakes Account. First, a consultant fee of \$55,336 was incorrectly charged to the Fund. This has been adjusted to the correct consultant fee of \$9,434, and interest has been credited in the amount of \$665. Second, the advisory payment to Great Lakes was duplicated. Great Lakes will be issuing a check to the Fund in the amount of \$18,756, plus interest of \$248. A discussion ensued concerning how these errors occurred. McShane advised the Board that the coding on the bills were incorrect, and the coding has now been corrected.

Executive Session.

Motion by Salas, seconded by Marks to enter executive session at 11:22 a.m. pursuant to 5 ILCS 120/2(c)(11). The Motion was carried by unanimous voice vote.

Return to regular session at 12:16 p.m.

Adjournment.

Motion by Salas, seconded by Marks to adjourn at 12:16 p.m. The motion was carried by unanimous voice vote.

Approved:

Nick Chiaro

Chairman