

Meeting Minutes - February 12, 2013

Call to Order – The meeting was called to order at 9:15 a.m. in room 407 of the Des Plaines City Hall, 1420 Miner Street, Des Plaines, Illinois. (The meeting was scheduled to be held in room 101, but was relocated to room 407 due to a scheduling conflict.)

Roll Call – Chairman Chiaro and Trustees Muehlenbeck, Neil and Rotkvich were present. Trustee Niemann was absent. Also present were annuitant Wendall Whitted, Investment Consultant Tom McShane and the Board’s attorney Camille Cribaro-Mello. City Treasurer Dorothy Wisniewski joined the meeting at 10:10 a.m. Trustee Neil left the meeting at 10:40 a.m.

Approval of Prior Meeting Minutes – A motion was made by Trustee Neil, seconded by Trustee Muehlenbeck, to approve the minutes of the December 11, 2012 meeting. The motion passed by unanimous vote.

Approval of Disbursements – A motion was made by Trustee Muehlenbeck, seconded by Trustee Rotkvich to approve the Disbursements in the amount of \$7,912.70 as set forth on Warrant List #37. On a roll call vote, all members in attendance voted in favor and the motion passed.

Board’s Attorney Report – Attorney Cribaro-Mello updated the Board regarding the Matthew Hicks’ Appeal. Briefing is complete and the matter is pending a determination of the Appellate Court to grant oral argument, which was requested by the parties. The Notice of Appeal that was filed by Eleanor Ventimigla is still pending assignment of a case number at the Appellate Court. Other filing requirements are delinquent and it is likely that the Appeal will not proceed as Ms. Ventimigla is currently without counsel. Attorney Cribaro-Mello discussed the recent Appellate court case of *Buckner v. The University Park Police Pension Fund*. Attorney Cribaro-Mello also provided the Board

information concerning her new law firm, Sanchez Daniels & Hoffman LLP.

Old Business

- The Board discussed retiree health insurance coverage for a current pensioner who is not Medicare eligible and the impact of the Police and Fire Continuation requirements of the Illinois Insurance Code.
- The Board reviewed the updated Guide to Retirement Plan, recently updated by Attorney Cribaro-Mello.
- The Board discussed the recent request by the City Treasurer to have a chart summarizing Tier 1 and Tier 2 benefits for Police and Fire. The Board was advised that Attorney Cribaro-Mello is preparing the chart.
- The Board was advised that Attorney Cribaro-Mello will review the Board's Rules, which have not been updated since 2009. Recommended revisions will be reviewed at the next meeting.

New Business

- Six new members were accepted into the fund. Each of the following officers began employment with the City of Des Plaines Police Department on January 1, 2013: William Cozzens, Carl Faust, Thomas Doig, Jack Azar, Jimmy Armstrong and Curtis Miller. The Board wishes each of them a successful career with the City.
- The Board discussed the statutory term limit and options regarding the Board's Investment Consultant.
- The Board reviewed the summary of training hours attained by each Trustee for the 2012 calendar year.
- The Board reviewed the statutory cost-of-living pension increases calculated by the Board's accountants, Lauterbach & Amen. A motion was made by Trustee Muehlenbeck,

seconded by Trustee Rotkvich to approve the pension increases. On a roll call vote all members in attendance voted in favor of the motion and the motion passed.

Approval of Lauterbach & Amen Balance Sheets for November and December 2012 – A motion was made by Trustee Neil, seconded by Trustee Rotkvich to approve the Lauterbach & Amen balance sheets for November and December 2012. The motion passed by unanimous vote.

Financial Report – Tom McShane reviewed the pension fund performance for the period ending December 31, 2012. The total fund balance was \$56,585,911 comprised of \$26,369,669 in fixed income; \$20,257,195 in U.S. equity; \$9,412,971 in international mutual funds; and \$546,076 in cash. The Board reviewed the current allocations and discussed the re-balancing of the portfolio based on its revised investment allocation strategy of 60% equity and 40% fixed income/cash. In order to more closely align its investments with the allocation strategy, and based on McShane's recommendation, the following motions were discussed and voted upon:

- A motion was made by Trustee Neil, seconded by Trustee Muehlenbeck to transfer cash in the amount of \$530,000 (up to \$550,000 if necessary) to the Board's Harris bank account, in order to be available for the payment of benefits. On a roll call vote all members in attendance voted in favor of the motion and the motion passed.
- A motion was made by Trustee Rotkvich, seconded by Trustee Neil to reallocate \$1,060,000 from the fixed income managers (equally) to cash in order to have funds available to pay benefits until such time as the Fund receives its portion of the 1st installment of property taxes (expected in May). On a roll call vote all members in attendance voted in favor of the motion and the motion passed.

- A motion was made by Trustee Rotkvich, seconded by Chairman Chiaro, to terminate the Board's Mid Cap Equity manager, Messner & Smith, and reallocate their holdings to SG Capital in combination with \$500,000 reallocated from the fixed income managers (equally). The result of this motion would reallocate approximately \$2 million to SG Capital, who achieved returns of 27.88 % for 2012, well surpassing the market benchmark of 14.59%. The Board discussed the below market performance of Messner & Smith, which supports their termination and the reallocation. The Board further discussed the fact that the mid-cap market is captured both by SG Capital and by the Board's Large Cap Equity Manager. On a roll call vote all members in attendance voted in favor of the motion and the motion passed.
- A motion was made by Trustee Rotkvich, seconded by Trustee Muehlenbeck, to reallocate \$1.5 million from the fixed income managers (equally) to the Fund's emerging markets manager, Lazard. On a roll call vote all members in attendance voted in favor of the motion and the motion passed.

The Board will consider McShane's recommendation for adding a Mid Cap Equity manager in the future.

Executive Session – No Executive Session was needed.

Adjournment – A motion was made by Trustee Muehlenbeck, seconded by Trustee Rotkvich to adjourn the meeting at 11:00 a.m. The motion passed by unanimous vote.

The meeting adjourned at 11:00 a.m.