

Meeting Minutes - June 13, 2006

The meeting of the Des Plaines Police Pension Board was called to order by President Chiaro at 11:10 a.m. at the offices of the board attorneys, Robbins, Schwartz, Nicholas, Lifton & Taylor, Ltd., 20 North Clark Street, Chicago.

Roll Call. Present – Trustees Marks, Muehlenbeck and Salas; President Chiaro. Absent - Freeman (1). Also present were board attorney Mathias Delort, annuitant Wendall Whitted, and board financial Advisor Thomas McShane.

Approval of Minutes. Motion by Muehlenbeck, seconded by Salas, to approve the minutes of the April 11, 2006 meeting. Motion carried by unanimous voice vote.

Disbursements. The board reviewed the proposed disbursements. Motion by Marks, seconded by Salas, to pay the disbursements as listed, totaling \$20,301.06. Ayes: Trustees Marks, Muehlenbeck and Salas; President Chiaro (4). Absent - Freeman (1). Motion carried.

Attorney's Report.

SARKIS Case. Attorney Delort reminded the board that the appellate court sent this case back to the circuit court for reworking of the wording of the order. The case will be before Judge Palmer, who has replaced Judge Nowicki, on June 23.

Roswiniak Disability Application. Attorney Delort advised the board that he had a conference call with the attorneys for the City of Des Plaines and the applicant last week. At this point, the board has received reports from all three appointed physicians: two have found the applicant to be not disabled, and one has found him to be disabled. Delort discussed several issues with the attorneys. First, there was an agreement that, in general, the case should not proceed to trial until the *Marconi* case was resolved by

the Illinois Supreme Court. That case deals with the constitutionality of the "Three Doctor Rule", and could have a significant impact on this case. Second, the attorneys for the parties expressed an interest to take depositions of the board's doctors. The attorneys discussed that the requesting party would be required to pay the doctor's fee and that the board would absorb the cost of the court reporter and transcript. The board agreed to this arrangement. Delort will notify the attorneys accordingly. Delort reminded the board that the case was likely to proceed to a full contested hearing and would have to be heard on a special day.

Recent Cases. Attorney Delort reported on a Berwyn case issued by the appellate court, holding that a decision by the Illinois Workers' Compensation Commission that an officer qualifies for worker's compensation benefits does not bind the pension board in a future hearing on whether the officer qualifies for an "on duty" pension.

Sudan Legislation. Attorney Delort also reported that plans are being made by various corporate interests to challenge the Sudan legislation. His associate, attorney Aaron Allen, and Illinois pension attorneys attended a meeting in Washington, DC, at which the litigation was discussed. It will be the subject of an upcoming IPPFA meeting in Bensenville.

Marzano Inquiry. Officer Marzano inquired about the possibility of his disabled son receiving benefits if both Officer Marzano and his new wife were to predecease the son. At the board's request, Delort provided Marzano with a copy of the relevant statute and a court decision interpreting it. Delort advised Marzano that any decision would rest in the hands of the board which was sitting at the time the application was made.

Trustee Election Results. The results of the trustee elections were reviewed and announced as follows:

Active Participant Trustee: 53 valid ballot cast; 6 additional invalid ballots

Jim Salas - 50 votes

Larry Marks - 50 votes

Scattered write-ins - 1 vote each

Beneficiary Trustee: 66 valid ballots cast; 5 additional invalid ballots

Nick Chiaro - 61 votes

Motion by Muehlenbeck, seconded by Salas, to declare Jim Salas and Larry Marks elected as active participant trustees for two years; and to declare Nick Chiaro elected as beneficiary trustee for two years. Motion carried by unanimous voice vote.

Board Officers. Motion by Salas, seconded by Muehlenbeck, to elect the following officers of the board:

President - Nick Chiaro

Vice-President - Jim Salas

Secretary - Larry Marks

Assistant Secretary - Gaston Freeman

Motion carried by unanimous voice vote.

Annual Certificates of Disability. The board received annual certificates of disability from all disabled officers under the age of 50, as follows: Aiardo, Jacoby, Johnson, Kujawa, Martino, Sarkis and Sotirakis. Motion by Salas, seconded by Muehlenbeck, to accept the certificates as presented. Motion carried by unanimous voice vote.

Retroactive Pay Increases. The board reviewed computations prepared by Lauterbach & Amen regarding officers who recently retired on pension, but who were on the force during a time for which retroactive pay was recently awarded due to the settlement of the union contract. Pursuant to Division of Insurance directives, the board is required to permanently adjust these pension so they are based on the final salary, as opposed to the salary that was in place at the time of retirement.

Motion by Salas, seconded by Muehlenbeck, to award amended retirement or disability benefits (as the case may be) as shown on the accounting worksheets for Officers Coyne, Leaderbrand, Mukahirn, and Sarkis; and to place on file the new correct salary information for deferred pensioner Fazio. Motion carried by unanimous voice vote.

Financial Consultant Membership Subsidy. The board discussed providing the board financial consultant with an annual subsidy, along the same lines as that already provided to the board attorney, for membership in professional organizations helpful to the pension fund, and related expenses. Attorney Delort indicated that he had joined the National Association of Public Pension Attorneys and was forwarding information from that group periodically to the pension board office. Motion by Muehlenbeck, seconded by Salas, to provide the board financial consultant with a \$500 annual subsidy for these expenses. Ayes: Trustees Marks, Muehlenbeck and Salas; President Chiaro (4). Absent - Freeman (1). Motion carried.

Retirements/Resignation. The board reviewed applications for retirement pensions submitted by various officers. Motion by Salas, seconded by Marks, to award retirement pensions as follows:

Name	Entry Date	Retirement Date	Length of Creditable Service	Annual Pension

Neil Loewe	10/6/1978	4/22/2006	27 Y 6 M 15 D	\$66,872.93
Larry Burton	12/31/1979	5/16/2006	26 Y 4 M 15 D	\$47,398.00
Gary Parkhill	3/31/1986	5/22/2006	20 Y 1 M 21 D	\$43,594.00
William Marzano	4/7/1980	7/1/2006	26 Y 2 M 23 D	\$47,398.93

and to note for the record the resignation of Kevin Zelk, effective January 8, 2006. Motion carried by unanimous voice vote.

Miscellaneous Business. Recent articles regarding the use of pension funds for general government purposes were distributed.

The board congratulated Nick Chiaro on his appointment by Mayor Arredia to the Des Plaines Firefighters' Pension Board.

Lauterbach & Amen submitted correspondence advising that payroll accounts would be moved from JP Morgan Chase to Harris Bank to provide better service to beneficiaries.

The board attorney was asked to submit a copy of the board's most recent rules to the Division of Insurance.

Financial advisor McShane was asked to review the board's investment guidelines and submit an updated draft for the board's consideration at the August meeting. The board also decided to review updated investment policies at June meetings, with final approval scheduled for August meetings.

Accounting Reports. The board reviewed the monthly financial statements from Lauterbach & Amen. Motion by Marks, seconded by Salas, to approve the statements for March and April, 2006, subject to audit. Motion carried by unanimous voice vote.

Investment Report. Thomas McShane of Wachovia Securities presented a preliminary report for the current cycle. The fund's total assets as of the end of May are \$44,736,428, down about 3% from the last report due to unfavorable stock market conditions. McShane noted that the market looks weak for the

upcoming quarter and that the board should put more money in cash for now. He reviewed a cash flow analysis showing that the board will need about \$1,300,000 in additional funds placed in the cash account to meet the next year's obligations. He also reviewed the board's current asset allocations. He noted that corporate pension funds, which are allowed to place more money in equities, often invest about 60% in equities during good periods and less in down markets. However, as state law already limits the board's investments in equities, the board is already at an appropriate level of equity investment even given the unfavorable market. Chiaro noted that the board retains McShane to provide advice on issues like this and that the board should follow it in this instance. Motion by Muehlenbeck, seconded by Chiaro, to transfer funds from equities to cash as recommended by McShane. Motion carried by unanimous voice vote.

The board also decided to routinely place a cash flow analysis on the agenda of June meetings.

Adjournment. Motion by Muehlenbeck, seconded by Salas, to adjourn at 12:17 p.m. Motion carried by unanimous voice vote.

Approved:

Nick Chiaro

Chairman