

Meeting Minutes - June 8, 2007

The meeting of the Des Plaines Police Pension Board was called to order by President Chiaro at 11:07 a.m. at the offices of Robbins, Schwartz, Nicholas, Lifton & Taylor, Ltd., 20 North Clark Street, Suite 900, Chicago, Illinois.

Roll Call. Present – Trustees Salas, Marks, Muehlenbeck, and President Chiaro (4). Absent: Trustee Freeman. Also present were Board attorneys Joseph Perkoski and Camille Cribaro; annuitants Wendall Whitted and Board Financial Advisor Thomas McShane.

Approval of Minutes. Motion by Salas, seconded by Marks, to approve the minutes of the March 20, 2007 meeting. Motion carried by unanimous voice vote.

Disbursements. The Board reviewed the proposed disbursements. Motion by Marks, seconded by Muehlenbeck, to pay the disbursements as identified, totaling \$39,873.36. Ayes: Trustees Salas, Marks, Muehlenbeck, and President Chiaro (4). Nays: None. Absent: Trustee Freeman. Motion carried, 4 - 0.

Attorney's Report.

Sarkis Case. Attorney Perkoski advised the Board that the Board's Reply Brief in Support of the Appeal was completed and would be filed on June 11, 2007. The City's Reply Brief in Support of the Appeal is due to be filed by June 13, 2007. Oral arguments have been requested by both the Board and the City.

Rozkowiak Disability Application. Attorney Perkoski advised the Board that all three independent medical examinations had been completed and that upon receipt of the relevant medical information a hearing date would be scheduled.

Lalowski Disability Application. Attorney Perkoski reported that Drs. Conroe and Harris had completed their IMEs. The third IME with Dr. Wahlstrom had been rescheduled to July 11, 2007.

Schroeder Disability Application. Attorney Perkoski advised the Board that IMEs were being scheduled with Drs. Conroe, Harris and Wahlstrom.

Sudan Legislation. Attorney Cribaro reported that an amended version of HB 1169 had been passed by both the House and the Senate, and was awaiting signature by the Governor. The amended version of HB 1169 will likely face litigation and could produce a similar ruling as that issued by Judge Kennelly earlier this year. At the same time, it appears that the amended version of HB 1169 will have less of an impact on downstate pension boards, as such are exempt from a number of the proposed Act's provisions.

Old Business.

H.E.L.P.S. Retiree Pension Act. Attorney Cribaro advised the Board that the U.S. Department of the Treasury had just issued clarification concerning the H.E.L.P.S. Retiree Pension Act. Based upon this advisory, the Board can move forward on permitting deductions pursuant to the Act for the fourth quarter 2007. Attorney Cribaro will consult with Lauterbach and Amen with respect to the appropriate communication to annuitants.

New Business.

Approve Updated Investment Policy. Thomas McShane reported on the completion of updates on the investment policy. Motion by Muehlenbeck, seconded by Marks, to approve the updated investment policy subject to Board attorney's review. Ayes: Trustees Salas, Marks, Muehlenbeck, and President Chiaro (4). Nays: None. Absent: Trustee Freeman. Motion carried, 4-0.

Review of Funds Portfolio/Asset Allocation. Thomas McShane of Smith Barney Consulting Group advised the Board on the current status of the Board's investment portfolio. President Chiaro suggested maintaining \$20-25,000 cash in an operating account to address obligations. McShane noted that such a cash reserve would now be maintained in the Harris Bank operating account. Motion by Muehlenbeck, seconded by Salas, to maintain

\$25,000 in the Board's Harris Bank operating account. Ayes: Trustees Salas, Marks, Muehlenbeck, and President Chiaro (4). Nays: None. Absent: Trustee Freeman. Motion carried, 4-0.

Approval of SG Capital (Small Cap/Long Only Fund) Management Agreement. Attorney Perkoski advised the Board that his recommended modifications to the draft agreement with SG Capital Management had been made and that the Agreement should be in final form for approval. Motion by Muehlenbeck, seconded by Salas, to approve SG Capital Management Agreement subject to final Board attorney review. Ayes: Trustees Salas, Marks, Muehlenbeck and President Chiaro (4). Nays: None. Absent: Trustee Freeman. Motion carried 4-0.

Acceptance of Certificates of Disability. The Board reviewed the received statements of continuing disability. Motion by Salas, seconded by Muehlenbeck, to accept certificates of disability. Ayes: Trustees Salas, Marks, Muehlenbeck and President Chiaro (4). Nays: None. Absent: Trustee Freeman. Motion carried 4-0.

Resignation of Officer Andrew Sraga. The Board reviewed the dollar amount of refund for Police Officer Andrew Sraga who resigned effective April 12, 2007. Sraga's start date with the city was June 28, 2006. He achieved the rank of police officer. The amount of the refund for Officer Sraga is \$4,061.89.

Retirement of Commander Kevin O'Connell. The Board reviewed the pension determination with respect to Kevin O'Connell. O'Connell retires at the rank of police commander. O'Connell's start date with the city was April 11, 1977. His effective date of retirement is June 15, 2007. Years served are 30 years and two months. His annual salary at retirement was \$92,662 with longevity compensation for a total salary of \$95,851. The Board was advised that Police Commander O'Connell's annual pension will be \$71,888.35.

Approval of Lauterbach and Amen Balance Sheets. The Board reviewed the monthly financial statements from Lauterbach and Amen. Motion by Salas, seconded by Marks to approve the

statements for March and April, 2007, subject to audit. The motion was carried by unanimous voice vote.

Investment Report. Thomas McShane presented on recent portfolio changes. McShane further reported on terminating the relationship between the Board and TCW large cap growth manager. McShane had previously expressed concern with TCW's poor performance over the previous four quarters. McShane's recommendation was to terminate the relationship with TCW and replace same with Wells Capital large cap growth manager.

Motion by Muehlenbeck, seconded by Marks, to approve termination of the Board's relationship with TCW. The motion was carried by unanimous voice vote. Motion by Muehlenbeck, seconded by Marks, to engage Wells Capital large growth manager. The motion carried by a unanimous voice vote.

HIPAA and New Spouses of Retirees. President Chiaro posed follow up questions on Attorney Gadola's recent opinion letter on compliance with HIPAA relative to new spouses of retirees covered under the group health insurance plan administered by the City for retirees of the Des Plaines Police Pension Fund ("the Fund"). Gadola had opined that marriage is a HIPAA-triggering for insured retirees, and that new spouses of these retirees must be given special enrollment rights in the City's group health plan after the marriage occurs. Chiaro asked what the Board's response options would be if the City declined to provide the special enrollment rights to new spouses of retirees. Attorney Perkoski advised that the Board could pursue administrative remedies to seek compliance with HIPAA.

Executive Session. Motion by Marks, seconded by Muehlenbeck, to enter into closed session based on Section 2(b)(11) of the Illinois Open Meetings Act. Motion carried by unanimous voice vote.

Adjournment. Motion by Muehlenbeck, seconded by Marks, to adjourn at 12:30 p.m. The motion was carried by unanimous voice vote.

Approved:

Nicholas Chiaro

Chairman