

Meeting Minutes - August 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 in Des Plaines, Illinois.

Roll Call. Present: Trustees Muehlenbeck, Salas, Marks and President Chiaro (4). Absent: None (0). Also present were Annuitant Wendall Whitted, Acting Finance Director for the City of Des Plaines, Dorothy Wisniewski, Board Financial Advisor Thomas McShane, and Board Attorney Joseph Perkoski.

Approval of Minutes. Motion by Muehlenbeck, seconded by Marks, to approve the June 10, 2008 regular meeting minutes and the June 10, 2008 Executive Session minutes. Motion carried by unanimous voice vote.

Disbursements. The Board reviewed the disbursements as identified on the August 12, 2008 warrant list #10 in the total amount of \$19,406.05. Motion by Salas, seconded by Marks, to pay the disbursements as listed in the August 12, 2008 warrant list #10 in the total amount of \$19,406.05. A roll call vote taken. Ayes: Trustees Muehlenbeck, Salas, Marks and President Chiaro (4). Nays: None (0). Motion carried: 4-0.

Financial Report. Financial Advisor Thomas McShane presented the Board with his 2nd Quarter Performance Review ending 6/30/2008. McShane discussed the continuing difficulties in the market noting that the current bear market is reaching historical proportions with no expectation of any improvement until at least February 2009. McShane discussed the difficulties in trying to determine when the market has found its bottom, which is the point in which investors will wish to reenter the equity market. Notwithstanding difficulties in the current market, McShane noted that small and mid-cap stocks did surprisingly well in the last quarter, commenting that smaller companies do come out of economic downturns faster than larger companies.

McShane further discussed the total Fund performance through June 30, 2008. For the quarter, the Fund is down -1.41%, which is better than the

custom benchmark which is a -1.57%. For the year, the Fund is down - 3.82% which is nearly consistent with the custom benchmark. A copy of the "Investment Performance Summary" through June 30, 2008 provided by McShane is attached and incorporated as [Appendix A](#). McShane further discussed the performance of the Fund's investment managers through June 30, 2008. A copy of the "Total Fund Performance" chart for the period ending June 30, 2008 is attached and incorporated as [Appendix B](#). As noted, the total Fund value as of June 30, 2008 is \$47,324,554.

McShane provided additional information on the performance of individual investment managers noting that Wells Large Cap Growth is doing particularly well posting a 7.08% increase for the quarter far exceeding the custom benchmark (the Russell 1000 Growth) which is 1.26% for the quarter. McShane further discussed his concerns with McDonnell fixed-income manager noting that it is time to review and possibly add an additional manager such as SKBA which has a different approach to compliment the fixed-income asset management.

McShane further discussed Great Lakes Large-Cap Value which, while posting a -3.76% for the last quarter, was above the custom benchmark (Russell 1000 Value) which was -5.32% for the quarter. McShane noted that Great Lakes has a positive alpha rating of 3.40% indicating that it achieved greater return with less risk and added value to the portfolio. McShane discussed his concerns with Fayeze-Large Cap Growth. McShane compared Fayeze with the performance of Wells noting that Fayeze's alpha rating was negative, indicative of less return with less risk and that it failed to add value to the portfolio. McShane also expressed concern that Fayeze has similar holdings as Wells but was not performing as well as Wells. Thus, McShane recommends that the Fund's assets in Fayeze be folded into Wells which is adding value to the portfolio.

Motion by Salas, seconded by Muehlenbeck, to transfer the Fund's assets held in Fayeze Large-Cap Growth to Great Lakes Large-Cap Growth. Roll call vote taken. Ayes: Trustees Muehlenbeck, Salas, Marks and President Chiaro (4). Nays: None (0). Motion carried: 4-0.

Board Attorney's Report

a. Lalowski Complaint for Administrative Review Update. Attorney Perkoski advised the Board that the Lalowski Complaint for Administrative Review is now fully briefed. The parties are to appear in Court on August 13, 2008 to set the matter for hearing. Possible hearing date is September 12, 2008.

b. Sarkis Appeal Update. Attorney Perkoski updated the Board with respect to the City of Des Plaines Motion for Supervisory Order seeking to have the Illinois Supreme Court direct the Appellate Court to hold oral argument on the appeal. Perkoski noted that the City requested that the Pension Board join in support of the Motion and that the Pension Board did in fact proceed as requested. Nonetheless, the Illinois Supreme Court denied the Motion for supervisory order and the decision of the Appellate Court that the Board should have awarded an *In The Line Of Duty* pension to Sarkis will stand. Attorney Perkoski noted that Lauterbach & Amen had already proceeded to adjust the annuity accordingly.

c. Schroeder Disability Claim. Attorney Perkoski noted that Dr. Dinwiddie has completed his IME and issued his report. Thus, the matter is ready to be scheduled for hearing. After a discussion on hearing dates, the Board directed Attorney Perkoski to proceed with setting a hearing date during the week of September 8th through the 12th, with preferred dates of September 11th and 12th.

d. Review of Legal Developments. Attorney Perkoski discussed his memo of August 11, 2008 to the Board providing an analysis of HB 5088. Attorney Perkoski noted that HB 5088 was sent to the Governor on June 30, 2008. The Governor has yet to sign the Bill; however, it will become law without his signature on August 29, 2008 if the Governor takes no action. It is anticipated that the Governor will allow the bill to become law without his signature. Attorney Perkoski discussed his August 11, 2008 memo which highlights the primary points of the legislative change and also indicates areas of the current Board rules and regulations which will need modification as a result of the anticipated legislative

change. Attorney Perkoski advised the Board that he will have ready at the next regular Board meeting, a redlined version of the Rules and Regulations for the Board's review and approval. Attorney Perkoski affirmed that despite the breadth of the legislation, the Board's Rules and Regulations were already in a state which is substantially compliant and that only minor changes will be necessary.

Attorney Perkoski further discussed HB 4959, currently in the House Rules Committee, which pertains to the limitation on Article 3 and 4 Pension Funds to invest in equity markets. The legislation would permit funds with holdings of at least \$5,000,000 in assets to invest up to 60% of its assets in equity markets. Since 1998, pension funds have been limited to investing 45% of their assets in equities. Attorney Perkoski noted that the legislation also provides more investment options permitting diversification of portfolios. Attorney Perkoski will continue to monitor the legislation and advise the Board accordingly.

Old Business. Wendall Whitted shared with the Board a copy of the Illinois Institute for Continuing Legal Education Chapter on Police and Firefighters Pension Boards authored by the Honorable Mat Delort and Attorney Perkoski. Attorney Perkoski noted that the chapter update is being held pending passage of HB 5088. If HB 5088 passes, the chapter update will include a description of the legislation and its impact on downstate pension funds.

New Business.

a) **Application for Membership from Officer Leka Vulmarkaj.** The Board discussed and accepted the application for membership from Officer Vulmarkaj. Officer Vulmarkaj's start date with the department was June 30, 2008.

b) **Purchase of Canon Optical Scanner.** President Chiaro discussed his analysis of the Pension Board's need for an optical scanner and an associated desktop computer to permit the Board to reduce documents to electronic form for storage purposes.

c) **Approval of Lauterbach & Amen 2009/2013 Contract.** The Board discussed the Lauterbach & Amen 2009/2013 Contract. Attorney Perkoski noted that his office had reviewed the contract and had no objections. Motion by Chiaro, seconded by Salas, to approve the Lauterbach & Amen 2009/2013 Contract. Roll call vote taken. Ayes: Trustees Muehlenbeck, Salas, Marks and President Chiaro (4). Nays: None (0). Motion carried: 4-0.

d) **Approval of Lauterbach & Amen Balance Sheets for May and June 2008.** The Board reviewed and discussed the Lauterbach & Amen Balance Sheets for May and June 2008. Motion by Salas, seconded by Muehlenbeck, to approve the Lauterbach & Amen Balance Sheets for May and June 2008. Roll call vote taken. Ayes: Trustees Muehlenbeck, Salas, Marks and President Chiaro (4). Nays: None (0). Motion carried: 4-0.

Adjournment. Motion by Salas, seconded by Marks to adjourn at 11:02 a.m. The motion was carried by unanimous voice vote.

Approved:

Nick Chiaro

President