

## Meeting Minutes - August 14, 2007

The meeting of the Des Plaines Police Pension Board was called to order by President Chiaro at 9:08 a.m. in Room 101 of City Hall.

**Roll Call.** Present – Trustees Freeman, Muehlenbeck, Salas and President Chiaro.(4). Absent: Trustee Marks. Also present were board attorney Joseph Perkoski; annuitant Wendall Whitted; annuitant James Roel; and Board Financial Advisor Thomas McShane.

**Approval of Minutes.** Motion by Salas, seconded by Muehlenbeck, to approve the minutes of the June 8, 2007 meeting. Motion carried by unanimous voice vote.

**Disbursements.** The board reviewed the proposed disbursements. Motion by Muehlenbeck, seconded by Freeman, to pay the disbursements as listed, totaling \$121,610.14. Ayes: Trustees Freeman, Muehlenbeck, Salas and President Chiaro (4). Nays: None. Motion carried, 4 - 0.

**Accounting Reports.** The Board reviewed the monthly financial statements from Lauterbach & Amen. Motion by Salas, seconded by Chiaro, to approve the financial statements from Lauterbach & Amen for May and June 2007, subject to audit. Motion carried by unanimous voice vote.

### **Attorney's Report.**

**Sarkis Case.** Attorney Perkoski advised the board that briefing for the appeal has been completed and the parties are waiting to hear if oral arguments will be directed.

**Rozkowiak Disability Application.** Attorney Perkoski advised the Board of receipt of notification on late August 9, 2007 that Rozkowiak was withdrawing his application for disability. Rozkowiak's application was set for hearing on August 22, 2007. The hearing date has been cancelled as a result of the withdrawal of the application. Attorney Perkoski advised the Board that the City

will have to address the impact of the withdrawal on Rozkowiak's current employment status.

**Lalowski Disability Application.** Attorney Perkoski advised the Board that all three IMEs, and their respective reports, have been completed. The Board's attorneys are in contact with the City with respect to proceeding to hearing on the disability claim.

**Schroeder Disability Application.** Attorney Perkoski advised the Board that all three IMEs are complete. Receipt of the respective reports is pending and a hearing date in September may be possible.

**Recent Cases.** Attorney Perkoski summarized a recent Second District Illinois Appellate Court case involving the Aurora Police Pension Fund, in which an officer suffered an injury in an automobile accident while returning from a crime scene. The court held that at the time of the accident, the officer was riding in an automobile and faced no risks different that an ordinary person who is a passenger in automobile. Therefore, the officer was not eligible for an "in the line of duty" pension.

**City Tax Levy.** The Board discussed concern with the continued decrease of funding by the City relative to the annual tax levy. Tom McShane provided an analysis of funding over the course of the last five years which affirms the significant drop in funding. President Chiaro requested that McShane provide analysis going back more than five years. Attorney Perkoski will prepare a letter to the City expressing concern with respect to the decrease which will incorporate the information from McShane.

## **Old Business.**

**HELPS Retiree Pension Act Implementation.** The Board discussed implementation of the *HELPS Retiree Pension Act* which allows retiree to pay for health insurance with pre-tax dollars. Motion by Salas, seconded by Freeman, approving implementation of the *HELPS Retiree Pension Act* provisions for annuitants of the Des Plaines Police Pension Fund. Ayes: Trustees

Freeman, Muehlenbeck, Salas and President Chiaro (4). Nays: None. Motion carried, 4 - 0.

**Ratification of Approval of Contract with Wells Capital Investments.** Motion by Muehlenbeck, seconded by Salas, to ratify the action taken by the Board at the June 8, 2007 meeting approving agreement between the Board and Wells Capital Investments (large growth manager). Motion carried by unanimous voice vote.

### **New Business.**

**Review of Closed Session Minutes.** The Board and its attorney reviewed the closed session minutes for the following meetings: June 1, 2004; August 10, 2004; February 8, 2005; September 14, 2005; and June 8, 2007. Of these minutes, the February 8, 2005 minutes are released. The remaining minutes of the closed sessions referenced will remain close.

**Closed Session Recordings.** The Board and its attorney considered the closed session audio recordings for the January 21, 1999 and the February 8, 2005 closed session meetings. The recordings will be destroyed in accordance with the *Illinois Open Meetings Act*.

**Retirement of Deputy Chief McAllister.** The Board reviewed the summary of creditable service and pension benefits concerning the retirement of Deputy Chief Terry McAllister. Motion by Muehlenbeck, seconded by Salas, to approve the retirement pension calculation as provided by Lauterbach & Amen in the amount of \$82,724.28 annually.

**Service Transfer.** The Board reviewed the summary sheet for Brain Martin's service transfer relative to Cicero Police Department. The total creditable service time transferred is seven years, six months, eighteen days, with an amount transferred of \$91,807.26. Motion by Salas, seconded by Freeman, to approve service transfer for Martin in the amount of \$91,807.26 as calculated by Lauterbach & Amen.

**Review of Funds Portfolio/Asset Allocation.** Tom McShane discussed with the Board the financial committee's position on remaining with the current "full overweight" recommendation of stocks over bonds. McShane recommends a reallocation from large cap value to large cap growth. Specifically, McShane recommends that the Board reallocate \$800,000 from Great Lakes large cap value to Fayeze large cap growth. McShane further recommends holding on current allocation relative to foreign equities. Motion by Salas, seconded by Freeman, to transfer \$800,000 from the Board's Great Lakes large cap value holding to Fayeze large cap growth account. Ayes: Trustees Freeman, Muehlenbeck, Salas and President Chiaro (4). Nays: None. Motion carried 4-0.

**Record Retention Issue.** The Board discussed a request received by Lauterbach & Amen concerning records held by Lauterbach & Amen relative to the Des Plaines Police Pension Fund dating from 1997 through 2001. There are 8-1/2 boxes of records. The Board's attorneys will review the status of the City of Des Plaines current record retention rules and regulations and advise the Board. The Board's attorneys will further prepare a policy for the Board concerning record retention. Such a policy will be in accordance with the local *Record Retention Act*.

### **Financial Report.**

Tom McShane presented on the Board's portfolio performance. McShane discussed the generally poor performance of the equity market in July, 2007. McShane discussed the impact of the declining real estate market and the issues related to sub-prime loans. McShane discussed that while the gap between global equity earnings yield and global bond yields has narrowed, it continues to remain wide by historical standards and bonds yields would have to rise substantially to close the gap. McShane also discussed that equity valuations generally do not look stretched as corporate earnings growth has been strong and the outlook remains solid. Looking ahead to the next 12 months, McShane discussed the financial committee's view that the potential for stocks continues to appear considerably higher than for bonds. As such,

the committee, as noted above, recommends remaining with the current "full, overweight" allocation to stocks over bonds.

**Adjournment.**

Motion by Muehlenbeck, seconded by Salas to adjourn at 12:05 p.m. The motion was carried by unanimous voice vote.

Approved:

*Nicholas Chiaro*

Nick Chiaro

Chairman