

Meeting Minutes - August 9, 2005

The meeting of the Des Plaines Police Pension Board was called to order by Chairman Chiaro at 9:02 a.m. in Room 101 of City Hall.

Roll Call. Present – Trustees Freeman, Muehlenbeck, Salas and Chairman Chiaro (4). Absent: Trustee Marks (1). Also present were board attorney Mathias Delort, annuitants Wendall Whitted and James Roel, City Finance Director James Egeberg, and Board Financial Advisor Thomas McShane.

Approval of Minutes. Motion by Muehlenbeck, seconded by Marks, to approve the minutes of the April 12, 2005 meeting. Motion carried by unanimous voice vote.

Disbursements. The board reviewed the proposed disbursements. Motion by Salas, seconded by Muehlenbeck, to pay the disbursements as listed, totaling \$8,136.77. Ayes: Trustees Freeman, Muehlenbeck, Salas and Chairman Chiaro (4). Absent: Trustee Marks (1). Motion carried.

Financial Report. Thomas McShane of Wachovia Securities reported on financial activities for the past few months. He will be working on a new investment policy soon. The best-performing class of investment holdings were the Latin American stocks. Long-term treasuries were up 16.8% for the past 12 months, but most fund growth was from foreign stocks. The economic cycle may reach a plateau as the housing market becomes oversaturated, so the board should keep an eye on the markets and respond accordingly. Nonetheless, there should still be a steady 3% annual growth in the economy. Stocks remain a better investment than bonds.

The fund currently has \$43,646,003 on hand, which is the largest balance in fund history. The average annual return since 1996 has been 5.85%. McShane compared the fund's performance to the various benchmarks.

Egeberg asked about the performance of Lord Abbott. This large cap manager has not met its target. Also, he noted, TCW has been underperforming. McShane agreed and stated he was already monitoring these advisers.

Chiaro asked if the fund should become involved with Real Estate Investment Trusts (REITS). McShane responded that the fund had not invested much in REITs but in retrospect, some would have been good investments. Egeberg commented that the real estate market had peaked. Board members commented that the fund should further diversify its holdings. McShane will look into this issue and provide further recommendations to the board. Chiaro commended McDonnell for its consistent positive performance.

McShane left the meeting at 9:45 a.m.

City Tax Levy/ Refund of Overpayment. A letter dated June 16, 2005 was reviewed, noting that the City inadvertently transferred \$572,171.26 in tax levy money twice. This mistake was confirmed with Lauterbach & Amen. Motion by Chiaro, seconded by Salas, to ratify the action taken by the Board President to return the excess funds. Ayes: Trustees Freeman, Muehlenbeck, Salas and Chairman Chiaro (4). Absent: Trustee Marks (1). Motion carried.

Attorney's Report.

SARKIS Case. Attorney Delort reported that the City had filed an appeal of the order entered on June 7, 2005 by Judge Nowicki, reversing the board's decision to grant an off-duty, rather than on-duty, pension. The board has joined that appeal. Under the standard schedule set by the appellate court, the last brief will be filed in December, although extensions could take that schedule into the next year. A motion to stay the ruling is set for hearing before Judge Nowicki on August 18.

Martin Transfer of Service Credit. Attorney Delort again reported that this application is on hold pending further direction by Officer Martin.

Recent Court Decisions. Attorney Delort reported on the case of *Demski v. Mundelein Police Pension Board*, in which the appellate court ruled that a decision by the workers' compensation regarding on-duty disability is not necessarily binding in a subsequent police pension hearing.

Board Web Site. The attorney's report was then postponed momentarily to allow Egeberg to address the board regarding the board's web site. He stated that much of the information which is currently password-protected is public information, such as the board minutes and agendas. He felt that the web site would be better utilized if less information was password protected. Chiaro agreed, but noted that retirees' names and address information should be kept confidential. The board reached a consensus to remove the retiree information from the web site and provide it to retirees on request. There was also discussion regarding establishment of a memorial page honoring deceased police officers, with their names and dates of death.

Mukahirn Document Request. It was reported that Mr. Mukahirn has requested copies of voluminous documents which have already been given to his attorney. However, Mukahirn is having difficulty obtaining them from the attorney. If the documents are copied, the regular rate for a FOIA request will be charged.

Legislative Update. Attorney Delort reported that Senate Bill 1446 is awaiting the Governor's approval. This bill would dramatically change the QILDRO law to permit percentage-based divisions of governmental pensions in divorce cases. He indicated that if the bill were signed, he would prepare amendments to the board's rules and forms to implement these changes. Salas asked

about pending legislation to reduce the offset of pension funds by Social Security benefits. Attorney Delort commented that was probably being considered, if at all, at the federal level.

Board Computer. The board was advised that funds were expended to purchase back up equipment for the computer.

Historical Reports. The board reviewed historical reports that were recently prepared showing the growth of the fund and other financial information from 1937 to the present. Noteworthy were changes which occurred during the interest rate boom in the early 1980s and the 1995 buyout of senior officers. It was the consensus of the board to place these charts on the board's web site.

New Business.

Annual DOI Report. Board members reviewed and signed the annual report filed with the Division of Insurance. It was noted that the police pension board pays much less for its investment advice than does the fire pension board. Motion by Salas, seconded by Freeman, to approve the report for filing. Motion carried by unanimous voice vote.

New Officer. The board noted the entry of the following new officer into the fund:

Ryan M. Barrett, effective July 1, 2005

Financial Reports. Motion by Salas, seconded by Freeman, to accept the financial reports prepared by Lauterbach & Amen for June and July, 2005, subject to audit. Motion carried by unanimous voice vote. The board also reviewed portions of the City of Des Plaines' annual financial report regarding pension funding.

Adjournment. Motion by Salas, seconded by Freeman, to adjourn at 11:01 a.m. Motion carried by unanimous voice vote.

Approved:

Nick Chiaro

Chairman