

**MINUTES OF THE ALGONQUIN POLICE PENSION BOARD
KANE & McHENRY COUNTIES
SPECIAL MEETING HELD IN VILLAGE HALL
2200 HARNISH DRIVE, ALGONQUIN, IL**

MONDAY, NOVEMBER 5, 2012

CALL TO ORDER:

Vice-President Jeff Martynowicz called the special meeting to order at 5:00 p.m.

ROLL CALL:

Present: Vice-President Jeff Martynowicz, Secretary Andrew Doles, and Assistant Secretary Dennis Walker. A quorum was established. Village Treasurer Jack Walde, Recording Secretary Adam Carson and Mary Tomanek of Graystone Consulting, were also present. President Helgerson and Trustee Weber were absent.

ADOPT AGENDA

A motion was made by Walker and seconded by Doles to adopt the agenda as presented. Voice vote: unanimous ayes - motion carried.

PUBLIC COMMENTS

There were no public comments.

APPROVAL OF MINUTES:

The minutes of the special meeting held July 11, 2012, were presented. There were no questions or changes to the minutes.

A motion was made by Walker and seconded by Doles to approve the minutes of the July 11, 2012, special meeting. Voice vote: unanimous ayes - motion carried.

CONSULTANT REPORT:

Martynowicz turned the meeting over to Tomanek for the fixed income manager presentation and the third quarter review.

Tomanek said two representatives from Segall Bryant, Mark Rewey and Greg Hosbein, were at the meeting to update the Board on the performance of the Fixed Income Portfolio.

They provided a brief update to the Board citing steady consistent growth. They commented about how good the bond market has been lately and that they have outperformed the benchmark.

Hosbein said there are other opportunities within the guidelines of the pension code. He continued and stated they own higher quality bonds. Martynowicz asked what value has added by corporate bonds? Hosbein stated there was a 3.83% return in the third quarter. He said the firm is extremely diligent in looking at and buying corporate bonds. The

Moody rating for pension corporate assets is investment grade as required by the state and the Fund's Investment Policy. They realize the Board can only invest in bonds with Investment Grade ratings which are set by the rating agencies. However, they use an internal rating system as a guide to identify bonds that they consider to have a higher rating level.

Hosbein recommended that the corporate bond portfolio maximum range in the Investment Policy be increased to 50% from 35% which is where the portfolio is now. The treasury investment would be reduced if this were changed. Tomanek stated this move would provide an extra cushion to the portfolio when interest rates go back up. There would be an extra yield while waiting for the interest rates to go up. Rewey and Hosbein then exited the meeting at approximately 5:30 pm.

A short discussion was initiated after the presentation about Segall Bryant's investment strategy, and their investment grade rating system.

Mary then presented information about the third quarter performance. She stated it was a strong quarter for equities and bonds. She believes the diversification moves have been positive for the portfolio. She said Wedgewood had a very good quarter. She suggested staying diversified and high quality.

She continued and spoke about Cambiar, and they have been struggling. She made a recommendation of changing from Cambiar to Great Lakes. She compared Schafer Cullen to Columbia Dividend Income stating that there might be some duplication in Columbia Dividend and Schafer Cullen. Discussion continued to the type of duplication of returns and her recommendation on returns. A motion was made by Doles, and seconded by Walker to move from Cambiar Large Cap Value to Great Lakes, LLC Large Cap Value. Voice vote: unanimous ayes - motion carried.

Martynowicz next talked about the investment of new money. Martynowicz advised there was about \$500,000.00 available for investment. Tomanek suggested 60% to fixed income, Segall Bryant, and 40% to equities in Vanguard Total Stock Index. The investment suggestion was to move the money in two installments thirty days apart. A motion was made by Walker, and seconded by Doles to invest the \$500,000.00 over two months, being \$150,000.00 to Segall Bryant and \$100,000.00 to Vanguard Total Stock Index fund, with the same investment occurring the following month. Voice vote: unanimous ayes - motion carried.

Doles asked Tomanek about the Total Assets vs. Total Liabilities as listed on page 37 in The Quarterly Performance Review. Doles stated he was concerned about the large red number. Tomanek talked about the actuarial assumption of 7.0%, and that the number does not include the tax levy. Tomanek also stated there were revised 2nd quarter numbers being re-issued due to a small computer conversion problem that has been corrected.

Tomanek exited the meeting at 6:00 pm.

VILLAGE TREASURER'S REPORT:

Financial Statements for the Period Ending April 30, 2012

Walde presented excerpts from the Village's Comprehensive Annual Financial Report Year Ended April 30, 2012, and the Annual Statement for the same period. The reports were reviewed with the board and there were no questions.

Financial Statements for the Period Ending September 30, 2012 Balance Sheet:

The ending book value of assets was \$15,952,858.55, which is an increase of \$554,175.48 from August 31, 2012, due primarily to the employer contribution, market value gains in the equity portfolio and employee contributions.

The allocation of investments at market value was as follows:

Cash 2.2%, Fixed Income Portfolio 55.7%, and Equity Portfolio 42.1%; totaling 100%.

Income Statement:

September revenues were \$577,861.92 and \$1,353,647.836 YTD continuing the income growth since May. Employee contributions were \$35,244.97 and \$175,859.67 YTD or 41.4% of budget. Employer Contributions were \$362,190.44 and \$917,915.21 YTD or 92.9% of budget. Investment income was a gain in September of \$180,426.51 and a YTD gain of \$259,872.95 as the equity market continues to advance. September investment income reflects interest from the fixed income portfolio of \$14,635.42, dividends of \$16,492.81, a gain on sale of securities of \$1,965.53 and equity market gains of \$147,262.45. The September (unrecorded) fixed income value continues to be positive at \$97,913.68.

Expenditures were \$23,686.44 and \$124,916.98 YTD or 36.4% of budget. Annuitant payments were \$19,704.17 and \$98,520.85 YTD or 38.6% of budget while administration expenses were \$3,982.27 and \$26,396.98 YTD or 30.0% of budget. The YTD administrative fees are made up of investment management fees at \$20,176.66 while training, steno fees, office supplies and the state's compliance fee account for the remaining expenses.

The next item discussed was the Actuarial Valuation Report and the 2012 tax levy request. Walde said there were two things to be noted. First, the report continues to use the prior method of calculating the pension amortization as a level percentage of payroll which commenced in 1993. The targeted funding level under this method is 100% rather than 90% under the newer method. The tax levy request to be 100% funded in 2033 results in a requirement of \$1,020,427.00 for 2012.

A motion was made by Walker and seconded by Doles to approve the police pension employer contribution request in the amount of \$1,020,427.00 for the 2012 Tax Levy. Voice vote: unanimous ayes - motion carried.

APPROVE BILLS FOR PAYMENT:

Walde advised he had one invoice from the fund attorney firm regarding the Schuett

QILDRO.

A motion was made by Doles and seconded by Walker to accept the check register from July 1, 2012 through September 30, 2012, and all the investment transactions during that time. Voice vote: unanimous ayes - motion carried.

REQUEST FOR BENEFITS:

Martynowicz advised there was a request for annuitant benefit changes for Schinkel and Weber. Walde stated these were monthly increases as statutory cola changes. Schinkel will go from \$3,820.25 to \$3,934.86, and Weber will go from \$7,655.15 to \$7,884.80, with both effective as of January 1, 2013.

A motion was made by Doles and seconded by Walker to accept the increases as cost of living adjustments effective January 1, 2013. Voice vote: unanimous ayes - motion carried.

Doles advised that Officer Nicholas Corso retired this week. Doles continued stating the officer has three and half to four years before he reaches age 50 to request his pension as he has twenty-one years of service. (See attached memo).

Doles also stated some officers had questions how to apply for their retirement and pension. Walde advised that Pension Rules Form #22, Application for Pension Benefits, is used by an officer for that purpose. It was suggested that there should be prior notice to the Police Department when someone plans to retire.

EXECUTIVE SESSION

No need for an executive session.

NEW BUSINESS:

Martynowicz spoke about the coalition that was formed to represent all of the Illinois police and fire pension funds effort to maintain their tax-exempt status. This will be an ongoing and periodic expense. Walde advised of continuing expenses with payment by the downstate police and fire pension boards, and ability for the Board to opt-in. The request is for \$275.00 according to Martynowicz. A motion was made by Martynowicz and seconded by Doles to approve a voluntary \$275.00 contribution to continue the coalition that represents the police pension funds to cover the IRS filing costs for 2013 and the annual reviews from 2014 through 2017. Voice vote: unanimous ayes - motion carried.

OLD BUSINESS:

None

TRAINING

Walde requested that the Board members continue using the training record form. Doles advised that he and Walker attended training in St. Charles on September 4 and 5, 2012. Martynowicz stated he attended the IPPFA conference in Lake Geneva October 3-5,

NEXT QUARTERLY MEETING:

The next Police Pension Board meeting is January 30, 2013, and the date will be reviewed for change depending on the availability of Helgerson, and would be established via email.

ADJOURNMENT:

There being no further business, a motion to adjourn was made by Martynowicz and seconded by Walker. Voice vote: unanimous ayes – motion carried.

The meeting adjourned at 6:25 p.m.

Respectfully submitted,



Andrew Doles, Secretary
Algonquin Police Pension Fund

Minutes prepared by Adam Carson, Recording Secretary

Approved by the Board of Trustees at the meeting held on January 30, 2013.