

**MINUTES OF THE POLICE PENSION BOARD
RESCHEDULED MEETING
THURSDAY, FEBRUARY 19, 2009**

CALL TO ORDER:

President Helgerson called the meeting to order at 5:30 pm.

ROLL CALL:

Present: President Stan Helgerson, Vice-President David Comstock, Assistant Secretary Dennis Walker and Trustee Ken Azarela. Secretary Andrew Doles was absent. A quorum was present. Mary Tomanek of Smith Barney, Village Treasurer Jack Walde, and Recording Secretary Laura Donohue were also present.

ADOPT AGENDA:

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

MONEY MANAGER REPORT:

Smith Barney

Tomanek began by handing out the Quarterly Performance Review which is included for the permanent records. Board members present examined the packet as Tomanek reviewed key points. Looking over the combined portfolio, Tomanek pointed out that Becker has shortened up their maturities. In a general sense, in this present market, there is no where to hide except in treasuries. The Gateway purchase in November 2008 does perform well in down and neutral markets.

Helgerson questioned the timeline for the fund's benchmarks. He is looking for the go sign on a move from the government backed (fixed income) securities back into the equity market. Tomanek provided an updated hand out designating the Signs of Economic Stabilization (also attached for the records file). Although a few areas are stable or even improved, the recovery is not complete.

Helgerson suggested the fund wants back into the market as early as possible. In this regard, we may need to invest/act between board meetings which will require communication between Smith Barney and the Pension Board for new investments and reallocation. Tomanek suggested a look into dollar cost averaging. Comstock questioned the makeup of the present allocation. It was suggested that the board might review the defined portfolio mix and broaden the range indicated in the Investment Policy. This may involve amending the Investment Policy. Comstock questioned Becker's ability to buy corporate bonds with FDIC insurance which has been reviewed and approved by the Pension Division. No portfolio managers are leaving or changing strategies. Tomanek suggested leaving as is and riding it out. There were no further questions.

Tomanek will forward information regarding the 4th Quarter 2008 Manager Research. Walde will then forward to the Board. For comparison purposes, it was stated that the IMRF portfolio

lost 25% of its portfolio. This highlights the beauty of pension restrictions. Tomanek welcomes all feedback as the fund continues into uncharted territory.

Note to the board – look at the Investment Policy in regard to asset allocation.

Lastly, Smith Barney is in the midst of a merger-joint venture with Morgan Stanley that will be in place in the next two to three months. There will be layoffs with the overlay of job positions. Tomanek plans on keeping in touch with loyal clients and is not anticipating any changes in the relationship with the Village of Algonquin's Police Pension Board.

APPROVAL OF MINUTES:

The minutes of the regular meeting held November 4, 2008 were presented. There were no questions or changes to the minutes.

A motion was made by Azarela and seconded by Walker to approve the minutes of the November 4, 2008 meeting. Voice vote: unanimous ayes - motion carried.

TREASURER'S REPORT:

Financial Statements for the Period Ending December 31, 2008

Balance Sheet:

The total book value of assets reported was \$8,580,585.21. The December equity market value adjustment that was recorded was positive at \$76,680.44. The unrealized year-to-date market adjustment in the fixed income portfolio was also positive at \$273,495.05.

Income Statement:

Total revenues through 12/31/2008 were -\$186,239.25 or -11.2% of budget. Of this amount, employer contributions were \$668,416.52 or 98.8% of budget. The employee contributions were \$243,577.33 or 66.7% of budget. Investment income was a loss of \$1,098,233.10 which includes the referenced equity market value adjustments.

Expenditures through 12/31/2008 were \$201,621.62 or 67.7% of budget. Benefit payments were \$159,078.71 and reflect previously approved pension payments to Schinkel, Stone, Azarela, Weber, Frasier and Miller. Administrative expenses were \$42,542.91 or 60.8% of budget. Investment management fees amounted to \$37,588.14 and legal services and other administrative expenses were \$4,954.77.

Distributed with the financial reports for the period ending 12/31/2008 was the Fourth Quarter 2008 Check Register, 4th Quarter Bank Statements, 4th Quarter Money Market Statements and Investment Confirmations for trade activity during the 4th Quarter, and correspondence from the money managers and the Cary Police Pension Fund..

There were no questions regarding the Village Treasurer's Report.

A motion was made by Walker and seconded by Azarela to accept the Treasurer's Report and to ratify the money manager's transactions, wire transfers, ACH transfers and the check register through December 31, 2008. Voice vote; unanimous ayes - motion carried.

APPROVE BILLS FOR PAYMENT:

There are no outstanding bills for payment.

REQUEST FOR BENEFITS:**Timothy Kelley**

Timothy Kelley worked for the Village of Algonquin Police Department as a sworn officer in the early 1990s for approximately 13 months. He resigned taking his pension contributions as a refund and was then employed by the Cary Police Department as a sworn officer. Pursuant to State of Illinois statutes, Officer Kelley has requested portable service credit for that period and has supplied his check for his original pension contributions and compounded interest payable to Algonquin's Pension Fund. With the approval of Algonquin's Police Pension Board, Kelley can receive credible service for his time here. A payment of \$13,717.42 would be required to be made to the Cary Police Pension Fund. This represents Kelley's periodic pension contributions with compounded interest through the date of application. A matching amount is required to be added to that calculation. A true cost calculation for his service credit would be made by the Cary Pension Fund to determine the impact of his additional service on that fund. This amount must be paid by the officer either in the form of a lump sum payment or through a payment plan.

The Village Treasurer is currently holding Kelley's check. We were informed that Officer Kelley must make a lump sum payment to the Cary Pension Fund for the true cost calculation.

A motion was made by Walker and seconded by Azarela to authorize the transfer of \$13,717.42 which represents Kelley's service credit calculation under the portability law. Voice vote: unanimous ayes - motion carried.

NEW BUSINESS:**Actuarial Report**

Authorization was requested to split cost of the next actuarial bill with the Village of Algonquin.

A motion was made by Comstock and seconded by Azarela to agree to split the cost of the actuarial bill equally with the Village of Algonquin. Voice vote: unanimous ayes - motion carried.

Budget FY 04/30/2010

Walde reviewed the Pension Fund FY 04/30/2010 budget for informational purposes. The significant point is employee contributions are expected to exceed expenditures which means that there is no need for the investment portfolio to provide cash for officer pensions at this time.

Economic Interest Statements

Walde advised the board that McHenry County will be mailing Economic Interest Statements to the Pension Board members which must be completed and returned. There are penalties involved if not completed and returned.

IRS Determination Letter

Illinois Article 3 and Article 4 pension funds must be compliant with federal tax law including changes as they are adopted. The IRS has raised concerns and has encouraged the funds to obtain qualified plan determination letters. A coalition of organizations including AFFI, IGFOA, ILFOP, IMTA, IPFA, IPPFA and MAP will work with the Illinois Department of Financial and Professional Regulation, Division of Insurance, Ice Miller LLP (a law firm) and Lauterbach & Amen, LLP (a CPA firm) to address compliance issues for the plans as a group. A contribution of \$400.00 has been requested from each pension plan to provide funding for the Coalition to pursue compliance as a group.

A motion was made by Comstock and seconded by Walker to join the Coalition for the efforts of compliance with qualified plan status and pay the \$400.00 fee. Voice vote: unanimous ayes - motion carried.

OLD BUSINESS:

None

NEXT QUARTERLY MEETING:

The next regular Police Pension Board meeting will be held on Wednesday, April 29, 2009 at 5:30 p.m. in the Police Department Conference Room of Village Hall.

ADJOURNMENT:

There being no further business, it was moved by Azarela and seconded by Walker to adjourn. Voice vote: unanimous ayes – motion carried.

The meeting adjourned at 6:15 p.m.

/s/Andrew Doles
Andrew Doles
Secretary