

**MINUTES OF THE POLICE PENSION BOARD  
RESCHEDULED MEETING  
TUESDAY, NOVEMBER 4, 2008**

**CALL TO ORDER:**

President Helgersen called the meeting to order at 5:32 pm.

**ROLL CALL:**

Present: President Stan Helgersen, Vice-President David Comstock, Secretary Andrew Doles, Assistant Secretary Dennis Walker and Trustee Ken Azarela. A quorum was present. Also in attendance: Money Managers Scott Herrick and Keene Satchwell of Becker Capital Management and Mary Tomanek of Smith Barney (Arrival at 6:00 pm). Village Treasurer Jack Walde, Attorney Cary Collins (arrival at 5:41 pm) and Recording Secretary Laura Donohue were also present.

**ADOPT AGENDA:**

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

**PRESENTATION BY MONEY MANAGERS:**

**Becker Capital**

Herrick and Satchwell reviewed the specifics of Becker Capital: The company is located in Portland, Oregon with \$1.9 Billion under management with 50% being institutional assets. There are 28 employees and 15 shareowners. There has been no change in management. Performance of the fund is up over the benchmarks after commissions. Herrick and Satchwell continued stating that these are extraordinary times with indicators present as far back as February, 2007. They continued by stating that historical indicators show future trends. There presently is an overweighting of agency paper and the maturities are conservative thus providing a measure of the funds' risk. They provided an investment update including graphs, descriptions of the agency paper, mortgages and corporate yield spreads.

Comstock questioned makeup of fixed income investments. Becker Capital does hold corporate positions; however, all are investment grade and they do not hold any junk bonds. Discussion continued regarding a move to 2/3 agency paper. With prices moving opposite of yield it is important that when looking for liquidity that short term paper is considered; no more that two years and more likely one year or even in the range of six months or less. Becker has purchased TIPS (Treasury Inflation Protection Securities) but they were not purchased at the top of the market. Overall, Herrick and Satchwell are looking to rebalance and continue the ride. The bottom line is that when equities do poorly, fixed income does well.

**Smith Barney**

Tomanek states that relative to other funds, the Algonquin board's position is good, relative being the key word. Tomanek continued by stating that there is no place to hide at present except for treasuries. There are no manager issues to be concerned about and she is continuing to recommend defensive strategies. The end of 2009 is being seen as the predictive recovery time provided signs of economic stabilization are present. All investment managers are looking for a sustainable economy. Tomanek presented fourteen items that will serve as precursors to economic recovery. While not every one of the steps must occur, the stabilization of the mortgage market is a must and we are already seeing lower inflation numbers with less money being spent on food and energy. Her recommendation is that no net new dollars will be placed in equities.

As for the TRAK investments she is looking for a switch to enable purchases into Gateway. Helgerson questioned Gateway choices. Tomanek explained that the Gateway strategy will be a defensive approach and as with all investments there are just no guarantees. Helgerson continued the discussion of defensive investment strategy with the suggestion of a general look to the future. Comstock questioned the suggestion of recognizing since there has been no rebalancing and the board has already reduced its equity stake. Helgerson explained that all new money has been placed in fixed income in recent dates. Comstock feels conflicted because waiting allows you a big miss on the upswing from a down market. Tomanek continued with stating that all of this market is new territory the likes of which have never been seen before.

Helgerson made a motion to move \$350,000 into Gateway which would result from a move of \$125,000 from Cambria's Large Cap fund and \$225,000 from Voyager's Large Cap Growth Fund as well as investing new money of \$250,000 in Gateway and \$500,000 in Becker Capital's fixed income investments.

The motion was followed by continued discussion. Tomanek stated that this is being looked into on a temporary basis. Walker questioned a reasonable timeline for the liquidation.

The motion was seconded by Comstock. Doles questioned the amounts which were stated as above. Azarela questioned where the new money came from which is the employer contribution. Voice vote: unanimous ayes - motion carried.

Helgerson stated that there have been concerns with money market funds that may hold bad paper such as possible risk with Lehman Brother dollars.

A motion was made by Helgerson and seconded by Comstock to confirm the use of Dreyfus Government Series of Funds which are backed by government paper. Voice vote: unanimous ayes – motion carried.

#### **APPROVAL OF MINUTES:**

The minutes of the regular meeting held July 30, 2008 and the executive session held July 30, 2008 were presented. There were no questions or changes to the minutes.

A motion was made by Doles and seconded by Walker to approve the minutes of the July 30, 2008 meeting and the executive session held July 30, 2008 meeting. Voice vote: unanimous ayes - motion carried.

#### **ACTUARIAL REPORT:**

Walde explained the actuarial assumption of salary increases vs. the actual increase and the effects on the fund. Doles questioned the clustering of officers and positioning for future retirement. Walde explained the actuarial report takes the cluster into account. The Employer Contribution from the Actuarial Report takes into account actual results versus assumptions. As a result, the movement is toward full funding as we approach the year 2033.

A motion was made by Azarela and seconded by Walker to approve the Tax Levy Requirement of \$768,620.00 for the Employer Contribution to the Police Pension Fund as well as payment of the \$2,500.00 fee to Sharpe Actuarial with a 50/50 allocation between the Village and the Pension Fund. Voice vote; unanimous ayes – motion carried.

## **TREASURER'S REPORT:**

### **Financial Statements for the Period Ending September 30, 2008**

#### **Balance Sheet:**

The total book value of assets reported was \$9,148,755.66. The September equity market value adjustments that were recorded were negative at \$271,978.11. The unrealized year-to-date market adjustment in the fixed income portfolio was also negative at \$22,240.89.

#### **Income Statement:**

Total revenues through 09/30/2008 were \$313,153.67 or 18.8% of budget. Of this amount, employer contributions were \$635,444.65 or 93.9% of budget. The employee contributions were \$151,355.95 or 41.5% of budget. Investment income was a loss of \$473,646.93 which includes the referenced equity market value adjustments.

Expenditures through 09/30/2008 were \$132,844.09 or 44.6% of budget. Benefit payments were \$102,553.47 and reflect previously approved pension payments to Schinkel, Stone, Azarela, Weber, Frasier and Miller. Administrative expenses were \$30,290.62 or 43.3% of budget. Investment management fees amounted to \$26,643.25 and legal services were \$1,590.00.

Distributed with the financial reports for the period ending 09/30/2008 was the Third Quarter 2008 Check Register, 3<sup>rd</sup> Quarter Bank Statements, 3<sup>rd</sup> Quarter Money Market Statements and Investment Confirmations for trade activity during the 3<sup>rd</sup> Quarter, Smith Barney's Quarterly Performance Review dated 09/30/2008, the Illinois Public Pension Fund Association's Pension Trustee Newsletter, and correspondence from the money managers.

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

A motion was made by Doles and seconded by Walker to accept the Treasurer's Report and to ratify the money manager's transactions, wire transfers, ACH transfers and the check register through September 30, 2008. Voice vote; unanimous ayes - motion carried.

#### **APPROVE BILLS FOR PAYMENT:**

There are no outstanding bills for payment.

#### **REQUEST FOR BENEFITS:**

There are no requests for benefits.

#### **RECESS TO EXECUTIVE SESSION:**

There is no need to recess to an executive session.

#### **NEW BUSINESS:**

Helgerson explained possible IRS regulations regarding pension funds needing to be considered a qualified plan. All of this is currently under review by IPPFA, the Department of Insurance, IGFOA and IMTA. This is in the early stages and much discussion will be had along the way. Everything will need a clean paper trail and everything will need to be transparent. Criteria will be examined every five years.

#### **OLD BUSINESS:**

##### **Miller Disability**

Officer Miller is expected to return to work this week. The child was delivered via a C-section which was noted by her doctor's recommendation required a two week extension to her disability.

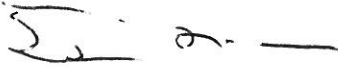
**NEXT QUARTERLY MEETING:**

The next regular Police Pension Board meeting will be held on Wednesday, January 28, 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 Walker and seconded by Doles to adjourn.  
Voice vote: unanimous ayes – motion carried.

The meeting adjourned at 6:50 p.m.

A handwritten signature in black ink, appearing to read 'Dennis Walker', followed by a horizontal line.

Dennis Walker  
Assistant Secretary