

**MINUTES OF THE ALGONQUIN POLICE PENSION BOARD
SPECIAL MEETING
WEDNESDAY, MAY 4, 2011**

CALL TO ORDER:

President Helgerson called the meeting to order at 4:05 p.m. at the Village of Algonquin Village Hall, 2200 Harnish Drive, Algonquin, Illinois.

ROLL CALL:

Present: President Stan Helgerson, Vice-President Jeff Martynowicz, Assistant Secretary Dennis Walker, and Trustee Art Weber. Secretary Andrew Doles was absent as he is in training at the FBI Academy. A quorum was present. Attorney Carolyn Welch Clifford, Village Treasurer Jack Walde, Assistant Finance Director Susan Skillman, and Recording Secretary Laura Donohue were also present. Mary Tomanek of Smith Barney arrived at 4:06pm.

ADOPT AGENDA:

A motion was made by Weber and seconded by Walker to adopt the agenda as presented. Clifford suggested adding a Public Comment section to the agenda going forward. Voice vote: unanimous ayes - motion carried.

APPROVAL OF MINUTES:

The minutes of the regular meeting held January 26, 2011 were presented. There were no questions or changes to the minutes.

A motion was made by Weber and seconded by Martynowicz to approve the minutes of the January 26, 2011 meeting. Voice vote: unanimous ayes - motion carried.

The minutes of the regular meeting held March 2, 2011 were presented. There were no questions or changes to the minutes.

A motion was made by Weber and seconded by Martynowicz to approve the minutes of the March 2, 2011 meeting. Voice vote: unanimous ayes - motion carried.

CONSULTANT REPORT:

Policy/Corporate Bonds

Contract/Money Manager

Mary Tomanek of Smith Barney provided the Investment Reports for the Quarter Ending March 31, 2011 and reported to the Board on the following:

Quarterly Overview – Solid quarter in equity sector; positive strong earnings owing to many mergers and acquisitions by strong companies. Overall, feeling optimistic. The problems with the price of oil will slow growth versus an increase in inflation. Have lowered expectations for international equities. Becker's performance helped the quarter minimally. Tomanek discussed the reallocation letter that was received from Walde authorizing the rebalancing of the portfolio

from equities to fixed income. The letter is dated April 14, 2011 and authorizes various transfers within the portfolio. The letter is attached to these minutes.

Tomanek provided the board a revised asset allocation chart with draft targets and proposed strategies. Helgerson suggested a pause for any questions. He asked if the board was comfortable reducing its current defensive strategic investments. Tomanek suggested preparing possible reallocation ideas. She continued by commenting that many boards look to broaden the diversification of their asset allocation. All present looked over the Index Analysis to understand the volatility of investments of all sectors. Additionally, she pointed out High Yield bonds as an alternative to stocks for growth. They are less volatile with less of a downside risk. The choices would be based on high quality; noting that corporate bonds are not government issued.

Helgerson continued the questions with whether the current portfolio had too much in the defensive category. Suggesting that perhaps the board would like to just move a small portion of the portfolio. At present the portfolio contains a major defensive position in Gateway. Tomanek reminded all that the market is always a moving target and it makes sense to always have multiple layers of diversification. The level of risk that you take on the equity side will determine the path you take with High Yield bonds. Overall, Tomanek believes that the defensive strategy should be reduced.

Fixed Income/Corporate Bonds – Tomanek provided a Review and Analysis of the Fixed Income Portfolio; Characteristics; Return vs Risk Historically; and Calendar Year Returns. At present, by State Statute the Fixed Income Manager has the leeway to invest in Investment Grade bonds. Segall overall is a conservative manager. State Statute also gives the manager the responsibility to monitor the credit and quality of all corporate bonds. Walker questioned how often ratings change? Helgerson responded that it happens at a fast pace with very short notice. The fund cannot possibly work at that fast of a pace – that is the manager's responsibility. Walde noted that the most movement to date happened in 2008 and 2009. Martynowicz commented on the possible potential for default in bonds and whether or not the board is comfortable with that risk. Helgerson stated that this is the reason for the discussion – in order to determine the board's tolerance. Martynowicz suggested a "wait and see" position over the next couple of months. Helgerson agreed that a "wait and see" policy appears to be the way to go. He does not want to handcuff the managers and suggests perhaps working with the restrictions of bond ratings.

Investment Policy – The changes to the Investment Policy have been updated and the revised policy is included as an attachment to these minutes. All updates mirror the current State Statutes.

A motion was made by Walker and seconded by Weber to approve the new Investment Policy. Martynowicz would like to state that he is overall conservative in nature but understands the attempt listed in the policy to gain strength. Voice vote: unanimous ayes - motion carried.

The approved policy will be submitted to the Illinois Department of Insurance as well as the Fixed Income Manager.

Helgerson asked if the board wants to increase the equity position from 45% to 50%. Tomanek stated that she is seeing boards make the move. Algonquin's demographics still provide many years of growth potential. Time is on the side of this board. High Yield bonds and Real Estate will provide opportunities as well. She suggests moving to 50% while still diversifying and keeping the defensive strategy as well. The managers are still conservative. Walker questioned how long the board is locked into current positions. The answer is quarterly. Weber commented that the board continues to learn as they go. Martynowicz is willing to test the waters. Helgerson states that he is comfortable moving to the 50% equity position. It is suggested that the fund go to the 50% position with a review to be scheduled at the July meeting.

Contract/Money Manager – Segall has been approved as the Fixed Income Manager. Helgerson, Walde, Tomanek, and Clifford have worked with Segall for a final contract.

A motion was made by Walker and seconded by Weber to send Becker Capital their termination notice. Voice vote: unanimous ayes - motion carried.

A motion was made by Martynowicz and seconded by Weber to have Helgerson and Walde sign and send the completed contract to Segall through Tomanek. Voice vote: unanimous ayes – motion carried.

ATTORNEY:

Rules and Regulations: Carolyn Welch Clifford

Helgerson would like the permanent record to reflect that Clifford has been involved with the final contract negotiations with Segall.

Clifford handed out a draft for the Village of Algonquin from a completed copy of Rules and Regulations prepared for the Evanston Police Pension Fund. Items reviewed included the Board of Trustees; Membership; Application for Benefits; and Expenditures & Investments. The Appendix included is for the forms that far exceed the scope of the basic rules and regulations.

Helgerson states in summary that State Statute is what becomes personalized through a formalized Rules and Regulations packet. Clifford offered the entire packet for a flat fee of \$1,200.00. Further customized updates would be billed separately. Walker commented that he appreciates the structure of the packet. Weber commented that he likes having a manual format. Martynowicz is comfortable with the State Statutes but is certainly fine with a majority rule of the board's choices. Helgerson feels the same but does value the availability of the forms that are included.

Overall Clifford states that the Rules and Regulations packet is vanilla in nature. During a disability process there may need to be more customization. Helgerson echoed that Clifford will drive any future disability processes. Walde remarked that he likes the rules and it will be a good reference for current statutes. Helgerson and Walde will mark up the forms and work with Clifford for the final packet.

A motion was made by Walker and seconded by Weber to direct Clifford to provide the board with a set of Rules and Regulations customized for the Village of Algonquin Police Pension Fund. Voice vote: unanimous ayes – motion carried.

Clifford further provided a Timeline of Requirements for Police Pension Funds which was provided at no charge. It will be updated yearly.

IDOI AUDIT RESPONSE:

The following is a Summary of the Findings of the IDOI Audit and the Police Pension Board Response:

1. Finding: The treasurer is not a required signer on the fund's account.

Response: Signature cards for the fund's accounts have been prepared indicating two signatures are required and the Treasurer must be one of them. The changes have been made.

2. Finding: Investment holdings as of April 30, 2010, exceed the 45% limitation.

Response: The Investment Policy has been revised to require quarterly reviews and rebalancing at least annually using the market value of the portfolio. The portfolio was rebalanced on April 20, 2011 using market values.

3. Finding: Applications to join the fund, required under the code, were not on file for several members.

Response: Membership files for each officer were reviewed with the officers. The officers were instructed to provide a copy of their application for membership, birth certificate, marriage license and/or divorce decree if any of these documents were missing from the file. Following the due date, the officer will be advised that they cannot receive a benefit unless we have those documents. We will pursue all missing forms until received.

4. Finding: Corporate Records: The following were found not to be documented in the minutes of board meetings: 1) Terms of board of trustees, and , 2) The appointments/reappointments of the "civilian" board trustees and their respective terms of office.

Response: The Board will read the above information into the minutes of the next Board meeting and will include this in the minutes of future meetings as appointments and elections occur.

A motion was made by Walker and seconded by Weber to formally accept the Department of Insurance findings and move to correct all of the findings as stated in the audit. Voice vote: unanimous ayes – motion carried.

VILLAGE TREASURER'S REPORT:

Financial Statements for the Period Ending March 31, 2011

Balance Sheet:

The total book value of assets was \$12,725,182.39. The equity market value adjustment was negative at \$12,013.18. The unrealized market value difference in the fixed income portfolio declined again and is negative at \$16,945.86. The fixed income mark to market adjustment will be recorded at fiscal year-end. The allocation of investments at market value is as follows: Cash .6%, Fixed Income Portfolio 51.9%, and Equity Portfolio 47.5%.

Income Statement:

Total year-to-date revenues are positive at \$2,121,248.22. Of this amount, employer contributions were \$916,348.59 or 99.9% of budget. The distribution of property taxes by the County Treasurers is now complete. Employee contributions (including Dykstra's contribution for the pension credit for military service) were \$378,056.38 or 95.7% of budget. Investment income was a gain of \$826,843.25 which includes the equity market value adjustments.

Year-to-date expenditures were \$271,084.79 or 81.0% of budget. Benefit payments were \$202,008.10 and reflect previously approved pension payments to Schinkel, Stone, Azarela, Weber, and Frasier. Administrative expenses were \$69,076.69 or 73.1% of budget. Investment management fees amounted to \$61,732.90 while training, compliance fee, legal and steno fees were \$7,343.79.

Distributed with the financial reports for the period ending 03/31/2011 was the 1st Quarter 2011 Check Register, 1st Quarter Composite Investment Monitor from Smith Barney, and an Investment Summary from Becker Capital Management.

A motion was made by Walker and seconded by Weber to accept the Treasurer's Report and to ratify the money manager's transactions, wire transfers, ACH transfers and the check register through March 31, 2011. Voice vote: unanimous ayes - motion carried.

APPROVE BILLS FOR PAYMENT:

There are no outstanding bills for payment.

REQUEST FOR BENEFITS:

There is no request for benefits.

NEW BUSINESS:

Appointments:

Helgerson reported that in Village Board action Village President John C. Schmitt, with the advice and consent of the Board of Trustees, made the following civilian appointments to the Algonquin Police Pension Board: Stan Helgerson was appointed to the Pension Board for the term May 11, 2011 to May 14, 2013. Jeff Martynowicz was appointed to the Pension Board for the term October 20, 2010 to May 7, 2012. Jack Walde was appointed as Village Treasurer of the Village of Algonquin for the term May 4, 2011 to May 1, 2012.

Freedom of Information Officer and Open Meetings Act Officer

It was noted by Clifford as well as the IDOI audit that the Police Pension Board needs to have a designated Freedom of Information Officer and an Open Meetings Act Officer. Due to Weber's role within the Village of Algonquin's Police Department, it is apparent that he would be able to accept this responsibility for the board.

A motion was made by Walker and seconded by Martynowicz to designate Weber as Freedom of Information Officer as well as Open Meetings Act Officer. Voice vote: unanimous ayes – motion carried.

OLD BUSINESS:

Portfolio Rebalance:

The rebalancing of the portfolio was covered during the Consultant's Report.

Budget:

Walde reviewed the Police Pension Fund's Revenues including Employee Contributions, Investment Income, and Employer Contributions. Fiscal Year 2011-2012 estimates have been evaluated and revenues will more than cover anticipated expenses.

TRUSTEE ELECTIONS:

Trustee Election - Active & Retired Officers - Two Year Term Beginning May 11, 2011 to May 14, 2013

The ballots of the election for trustees (active and retired) were collected and counted by Assistant Secretary Dennis Walker and Sergeant John Bucci on April 18, 2011. Walker had taken possession of the ballots and the votes were then certified by Deputy Chief Urban and Walde with the following election results:

Active Officers: 39 ballots were returned.

Andrew Doles - 39 votes

Dennis Walker - 38 votes

Robert Salazar - 1 vote

Retired Officers: 3 of the 5 retired officer ballots were returned.

Art Weber - 3 votes

The board is posting the results on Police Department bulletin boards on May 5, 2011 and any objections or challenges need to be made within 35 calendar days.

A motion was made by Martynowicz and seconded by Weber to accept the election of Doles, Walker and Weber. Voice vote; unanimous ayes – motion carried.

TRAINING:

New trustees are required to complete 32 hours of initial trustee certification training – 40 ILCS 5/1-109.3(a). After the first year as a trustee, all trustees are required to complete 16 hours of continuing education training – 40 ILCS 5/1-109.3(b). Eight hours of annual ethics training

required – 40 ILCS 5/1-113.18. Ethics training may be included as part of the 32 hours or 16 hours of training.

Martynowicz submitted his credits from two different training conferences: IGFOA's Understanding Illinois Public Pensions Seminar on March 3, 2011 and the Illinois Public Pensions Institute on April 20, 2011. Helgerson attended the IPPFA Spring Conference on April 28 and 29 as well as the Illinois Public Pensions Institute on April 20, 2011. Doles, Walker and Weber all attended the March 16, 2011 IPPFA Continuing Pension Fund Trustee Education in Rockford. Helgerson further explained that there is a fall conference planned in Lake Geneva that all members are eligible and welcome to attend.

NEXT QUARTERLY MEETING:

The next Police Pension Board meeting is tentatively scheduled for Wednesday, August 3, 2011 in the Police Department Conference Room of Village Hall.

ADJOURNMENT:

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

The meeting adjourned at 6:48 p.m.

Respectfully submitted,



Andrew Doles, Secretary
Algonquin Police Pension Fund

Minutes prepared by Laura K. Donohue

Approved by the Board of Trustees at its meeting held on August 3, 2011