

**MINUTES OF THE ALGONQUIN POLICE PENSION BOARD
SPECIAL MEETING
WEDNESDAY, AUGUST 3, 2011**

CALL TO ORDER:

President Helgerson called the Police Pension Board meeting to order at 5:02 p.m. at the Algonquin Village Hall, 2200 Harnish Drive, Algonquin, Illinois.

ROLL CALL:

Present: President Stan Helgerson, Vice-President Jeff Martynowicz, Secretary Andrew Doles, Assistant Secretary Dennis Walker and Trustee Art Weber. A quorum was present. Village Treasurer Jack Walde, Assistant Finance Director Susan Skillman, and Mary Tomanek were also present.

ADOPT AGENDA:

A motion was made by Doles and seconded by Walker to adopt the agenda.
Voice Vote; unanimous ayes – motion carried.

PUBLIC COMMENTS:

There was no request for public comments.

APPROVAL OF MINUTES:

Minutes of the Special Police Pension Board meeting held on May 4, 2011 were presented. Walde advised the draft minutes were revised to identify the meeting as that of the Algonquin Police Pension Board and to state the location of the meeting.

A motion was made by Weber and seconded by Martynowicz to approve the minutes as presented. Voice Vote; unanimous ayes - motion carried.

CONSULTANT REPORT:

Graystone Contract Amendment:

Tomanek provided an amendment to the contract and explained that Graystone Consulting wants to have all contracts updated to name Graystone as a fiduciary. Helgerson explained that this does not affect fees; it just cleans up the balance of the contracts.

Walde questioned page 3, item 3 of the forms: Client acknowledges receipt of a copy of a descriptive brochure. Tomanek advised the brochure would be sent to the fund.

A motion was made by Doles and seconded by Walker to approve the amendment to the contract with Graystone Consulting. Voice Vote; unanimous ayes – motion carried.

Second Quarter Performance Review - June 30, 2011: Tomanek indicated that the Second Quarter turned out to be very good for bonds. The board had previously hired Segall Bryant & Hamill as the new fixed income manager. In May, 2011, the board voted to add corporate bonds and Segall is now investing in corporate bonds and slightly longer term bonds. The yield on the

bonds is approximately 2-1/4%. 17% of the fixed income assets are in corporate bonds and bond quality is 88% in AAA. Overall it is a very high quality portfolio due to the addition of corporate bonds and the investment actions of Segall Bryant & Hamill.

The Second Quarter found a shift from growth oriented stocks to sectors such as Healthcare, Utilities, Consumer Staples and Discretionary.

Equities underperformed for the quarter by about a point due to IT and technology weighting in Atlanta, energy weighting in Cambiar, and to a lesser extent, IT weighting in Congress. This pulled equities in the wrong direction. The small cap allocation was good. Europacific turned out pretty good. Financials suffered because of market concerns with the growth of the economy and banks not making as much money going forward.

Blackrock Global allocation was pretty close to the market, trailing the S&P a bit due to the bond component. It has historically done very well in a down market. Many of the Gateway funds act more like a bond but has equities in it. Columbia is a dividend income fund. First Eagle Global is doing quite well.

Martynowicz asked the reason why the funds were trailing the benchmark. Tomanek advised that there were a variety of reasons, but one of which, is that conservative funds did much more poorly than the benchmark as well as international. You have a benchmark of the S&P 500 and you had international stocks under-performing that benchmark. And you are currently 13% in international.

Helgerson advised that the fund has \$700,000 of new money for investment and that a strategy is needed. Helgerson explained that Tomanek has researched some other funds to further diversify. Tomanek explained that the equity portfolio was roughly 45% in the pension fund's asset allocation. Tomanek discussed reallocation of the portfolio and handed out targets to overweight the large cap. The current equity investments have a good exposure to the small cap. Tomanek suggested lowering the pure international and adding more to the "other" and diversify. The board had previously discussed increasing equities to 50%. The board might consider doing it with greater diversification.

Tomanek provided an Asset Allocation Analysis dated June 3, 2011 for the board's review. Graystone used search criteria to find these accounts.

High Yield Accounts: The accounts listed move up and down, but stay to the left of the benchmark. They are also far less volatile than stocks. By doing a mutual funds format you have the pooling effective of multiple bonds, so you have less exposure. Helgerson advised that if we added anything, it would be in small allocations of 1 and 2%.

Real Estate Accounts: In commercial real estate, banks and insurance companies are presently off-loading properties to get them off their balance sheets. As they off-load properties, it can be an opportunity for investors. So while the market is still depressed, purchases can be made at very low prices. The Calendar Year Returns to-date has been very strong. Graystone is not recommending a big allocation to this area due to volatility and timing.

Emerging Market Accounts: Graystone was able to find some accounts that had lower volatility than the benchmark but equal to the S&P, which is very unusual for emerging markets. All of the selected candidates outperformed the emerging markets benchmark but worse than the S&P.

Helgerson advised that he would allot \$100,000 increments for each style and not do all three styles at once. Doles inquired as to what they would pick. Metropolitan West, Invesco, Cohen & Steers Realty Shares were indicated based on the charts. Tomanek explained that 1% would be approximately \$55,000 and 2% would be the maximum exposure. The high yield could be treated as part of the equity fund. Tomanek stated that it categorically falls under the 50% maximum code. During discussion, Martynowicz stated that he was not in favor of the high yield. He doesn't like B grade bonds and being in that position. The other two funds he thinks is a good idea. He would like Tomanek to find an index fund in the Atalanta category, but we wouldn't do anything with it until the next meeting. Helgerson suggested that \$100,000 could go into Cohen & Steers Realty Shares, \$100,000 into Virtus Emerging Markets and the balance of new money, \$500,000, into fixed income.

A motion was made by Martynowicz and seconded by Doles to approve \$100,000 investment in Cohen & Steers Realty Shares, \$100,000 into Virtus Emerging Markets Opportunities Fund, and \$500,000 in fixed income. Voice Vote; unanimous ayes – motion carried.

VILLAGE TREASURER'S REPORT:

Financial Statements for the Period Ending June 30, 2011

Balance Sheet: The total book value of assets was \$13,341,933.20. The June equity market value adjustment was negative at \$83,247.41 and sales resulted in losses of \$15,180.09 for total negative investment income of \$71,744.74 for the month. The unrealized fixed income mark to market loss of \$19,597.51 will be recorded at fiscal year-end. The allocation of investments at market value is as follows: Cash 5.4%, Fixed Income Portfolio 51.9%, and Equity Portfolio 42.0%.

Income Statement: Total year-to-date revenues are \$434,093.94. Of this amount, employer contributions were \$456,629.56 or 48.9% of the budget. Employee contributions were \$140,328.93 or 34.5% of budget. The contributions from Laine and Filippini for pension service credit are included in this amount. Investment income was a loss of \$162,864.55 which includes the equity market value adjustment. Year-to-date expenditures were \$49,319.63. Benefit payments were \$36,885.88. Administrative expenses were \$12,433.75 including investment management fees of \$9,596.75. Helgerson commented that as the fund attorney is used, the police pension board is charged. A motion was made by Walker and seconded by Doles to accept the Treasurer's Report through 06/30/2011 and to ratify the money managers' transactions, wire transfers, ACH transfers and the check register through June 30, 2011. Voice Vote; unanimous ayes - motion carried.

IMET Money Market Account: IMET is a fund similar to Illinois Funds and put together by local government. It is used as a holding fund and earns a better rate of interest than Illinois Funds. A motion was made by Weber and seconded by Doles to approve and authorize

execution of IMET's first amended and restated declaration of trust. Voice Vote; unanimous ayes -motion carried.

BILLS FOR PAYMENT:

There were no additional bills for payment.

REQUEST FOR BENEFITS:

R. Laine requested a purchase of one (1) year of police pension creditable service for prior military service. The required documents were provided and a computation of the officer contribution had been provided to Laine. A check in the required amount of \$35,079.88 was submitted to the fund. A motion was made by Doles and seconded by Weber to approve Laine's request of one (1) year of police pension service credit. Voice Vote; unanimous ayes - motion carried.

C. Filippini requested a purchase of two years of police pension creditable service for prior military service. The required documents were provided and a computation of the officer contribution had been provided to Filippini. Two checks totaling \$37,720.42 were submitted to the fund to satisfy the officer's required contribution. A motion was made by Walker and seconded by Doles to approve Filippini's request for two (2) years of police pension service credit. Voice Vote; unanimous ayes – motion carried.

Retiree Benefit Increases:

Walde informed the board of two (2) retiree benefit changes this fiscal year. As of 10/1/2011, Weber's pension benefit will increase from \$6,505.19 to \$7,432.18 since he has reached age 55. On 1/1/2012, Schinkel's pension benefit will increase from \$3,708.98 to \$3,820.25. Weber's pension benefit will increase on the same date from \$7,432.18 to \$7,655.15.

Designation of Beneficiary – Illinois Pension Code 40 ILCS 5/3-112:

Officer Filippini had previously asked the pension board if he can designate someone other than a surviving spouse or child as a beneficiary. The fund attorney advised that only a surviving spouse or child(ren) can be named as beneficiaries. It was decided that future legal questions would be the responsibility of the officer asking the question.

Helgerson provided handouts prepared by the fund attorney for pension board rules and sample forms, as well as a resolution to adopt the rules for review prior to the next meeting. Walker inquired as to giving out forms to officers to build their files. Walker to send Helgerson an email. Walde explained they will begin using resolution numbers. Doles and Helgerson to execute.

Segall asked that Barclay Capital Government index be added for investment benchmark comparison. Helgerson explained that this is the benchmark for investment return for corporate bonds. A motion was made by Martynowicz and seconded by Doles to approve Barclay Capital Government/credit index. Voice Vote; unanimous ayes - motion carried.

RECESS TO EXECUTIVE SESSION:

A motion was made by Doles and seconded by Martynowicz to recess to executive session to review Executive Session Minutes. Voice Vote; unanimous ayes - motion carried.

Adjourn 6:25 p.m.

RETURN TO REGULAR MEETING:

Call to order 6:28 p.m. Present: President Stan Helgerson, Vice-President Jeff Martynowicz, Secretary Andrew Doles, Assistant Secretary Dennis Walker and Trustee Art Weber. A quorum was present. Village Treasurer Jack Walde and Assistant Finance Director Susan Skillman were also present.

EXECUTIVE SESSION ACTION:

Walde explained that while in Executive Session the minutes of the January 26, 2011 executive session had been reviewed. A motion was made by Doles and seconded by Walker to approve the Executive Session Minutes for January 26, 2011 and to release the minutes for the same meeting. Voice Vote; unanimous ayes – motion carried.

NEW BUSINESS:

It was announced that the board needed to hold the annual election of officers. A motion was made by Walker and seconded by Doles to retain the following slate of officers: President - Stan Helgerson, Vice-President - Jeff Martynowicz, Secretary - Andrew Doles and Assistant Secretary - Dennis Walker. Voice Vote; unanimous ayes – motion carried.

Helgerson announced that Laura Donohue, the recording secretary, had resigned. There was discussion as to whether the secretarial services should be an independent contractor at \$100.00 per meeting or to have a regular village employee performs the duties at their regular/overtime salary rate. Walde advised that the board attorney had previously indicated it would not be a problem to have an employee doing the minutes and be treated as a contractual recording secretary for the pension board. Walde advised this is presently a gray area for the IRS and they are auditing payments of this nature. Walde would like to present the compensation matter to his CPA firm for clarification and advice.

OLD BUSINESS:

Helgerson stated that the fund received a response from DOI acknowledging receipt of our game plan draft minutes and signature page regarding the DOI audit.

TRAINING:

Helgerson advised that the board should go to the website to look for available training. There should be training available later this fall. Martynowicz provided two (2) hours of IGFOA training. Helgerson stated he has all his training.

NEXT QUARTERLY MEETING:


The next quarterly meeting is to be determined. It appears that the regularly scheduled meeting will not work for all trustees. Suggested dates for a special meeting will be emailed to the trustees for availability and comment.

ADJOURNMENT:

A motion was made by Martynowicz and seconded by Weber to adjourn. Voice Vote; unanimous ayes – motion carried.

The meeting adjourned at 6:40 p.m.

Respectfully submitted,



Andrew Doles, Secretary
Algonquin Police Pension Fund

Minutes prepared by Corinne Gerstmayr

Approved by the Board of Trustees at its meeting held on November 2, 2011