

# **MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES DES PLAINES FIREFIGHTERS' PENSION FUND**

**August 6, 2013**

A regular meeting of the Board of Trustees of the Des Plaines Firefighters' Pension Fund was held on Tuesday, August 6, 2013 at 8:30 a.m., at City Hall located at 1420 Miner Street in Room 101, pursuant to notice, to conduct regular business.

## **CALL TO ORDER BY PRESIDING OFFICER**

President Bill Rice called the meeting to order at 8:38 a.m.

## **ROLL CALL**

Upon roll call the following answered:

Present: President Bill Rice, Trustee Susan Pekoe, Trustee Nick Chiaro and Trustee Paul Birger

Absent: Secretary Jeff Vallee

Also Present: Board Attorney Camille Cribaro-Mello of Sanchez Daniels & Hoffman LLP; Treasurer Dorothy Wisniewski; Becky Davis of Lauterbach & Amen, LLP (L&A); retired Des Plaines Police Officer Wendall Whitted; Thomas McShane of Graystone/MSSB; and Dominic Pappalardo of McDonnell Investment Mgmt., LLC

**PUBLIC COMMENT** – There was no public comment made.

## **APPROVAL OF PRIOR MEETING MINUTES**

The Board reviewed the prior meeting minutes presented in the board meeting packet. A motion was made by Trustee Chiaro and seconded by Trustee Birger to approve the May 7, 2013 regular meeting minutes as written. Motion carried by unanimous voice vote.

The Board distributed and reviewed the May 7, 2013 closed session minutes and noted that Trustee Birger was not present during the closed session, as stated. A motion was made by Trustee Birger and seconded by Trustee Pekoe to approve the amended May 7, 2013 closed session minutes, as discussed. Motion carried by unanimous voice vote.

The Board attorney reviewed the closed session minutes and advised the Board to keep the 11/03/2009 and 11/06/2012 closed session minutes confidential due to ongoing litigation.

## **INVESTMENT REPORT**

Mr. Pappalardo was introduced to the Board and distributed the McDonnell investment report for the period ending 06/30/2013. The Board discussed the current fixed income portfolio duration of 5.6 years and the manager's strategy to minimize the effect of higher interest rates. Mr. Pappalardo recommended slowly moving the duration to 4 years over a period of weeks, adjusting the sector weightings, management of the index to intermediate, and to keep the purchase of any new bonds at no longer than 10 years. A motion was made by Trustee Pekoe and seconded by Trustee Chiaro to move the fixed income portfolio benchmark from government credit to intermediate government credit and for Graystone Consulting/MSSB to implement the changes discussed immediately.

AYES: Trustees Rice, Pekoe, Birger and Chiaro

NAYS: None

ABSENT: Trustee Vallee

Mr. Pappalardo was excused and left the meeting at 9:16 a.m.

Mr. McShane distributed the quarterly investments report and reviewed it with the Board. Mr. McShane discussed the capital markets overview. As of June 30, 2013 the Fund was down 1.08% for the quarter, the custom benchmark was down 0.88%. The end of period market value was \$62,015,179. The total fund was up 3.05% year-to-date. Asset allocations for the period were: equities 58.74% and total fixed income 41.26%. Target allocations are currently equities 60% and fixed income 40%. The Board discussed the current cash flow

with Mr. McShane. A motion was made by Trustee Pekoe and seconded by Trustee Birger to move \$250,000 from McDonnell and \$250,000 from Spare fixed income accounts into the cash account.

AYES: Trustees Rice, Pekoe, Birger and Chiaro  
NAYS: None  
ABSENT: Trustee Vallee

Mr. McShane discussed the no fee, Chicago Clearing Corp. class action lawsuit recovery service with the Board, and will report back at the next meeting with more information and to provide Attorney Cribaro-Mello with a copy of their contract to review. After no further discussion, a motion was made by Trustee Pekoe and seconded by Trustee Birger to accept the investment report as presented. Motion carried by unanimous voice vote.

### **ACCOUNTANT'S REPORT**

The Board distributed the 12/31/2012 Illinois Department of Insurance (IDOI) Annual Statement for the Board to retain for their records (binder Tab 12). The annual statement was filed with the IDOI on 5/22/2013 and the Treasurer, President and Secretary executed the Certification Form on 05/28/2013, mailing it to the IDOI per the instructions given by L&A.

The Board reviewed the financial summary presented in the board meeting packet. For the six months ended June 30, 2013, the net position held in trust for pension benefits was \$61,951,368.47. A motion was made by Trustee Pekoe and seconded by Trustee Birger to accept the June 30, 2013 financial report as presented. Motion carried by unanimous voice vote.

The Board reviewed the 2013 Warrant List #3 presented in the board meeting packet. A motion was made by Trustee Birger and seconded by Trustee Pekoe to approve 2013 Warrant List #3 stating the expenses paid for the quarter totaled \$40,114.24 (see attached).

AYES: Trustees Rice, Pekoe, Birger and Chiaro  
NAYS: None  
ABSENT: Trustee Vallee

The Board reviewed and discussed the Coalition for Qualified Plan Status presented in the board meeting packet. A motion was made by Trustee Pekoe and seconded by Trustee Chiaro to approve payment of a \$300 contribution to the Coalition for the 2014 – 2019 cycle.

AYES: Trustees Rice, Pekoe, Birger and Chiaro  
NAYS: None  
ABSENT: Trustee Vallee

### **INFORMATIONAL ITEMS OR UNFINISHED BUSINESS**

The Board reviewed the training opportunities for Board members who need to complete their 16 hours of continuing education.

Trustee Vallee will review the wording of the active member file update letters and follow up with Ms. Davis.

Ms. Davis reported to the Board that the annual affidavits are still being received and recorded, and that second notices have been needed for just a few pensioners. Ms. Davis will continue to follow up with pensioners with outstanding affidavits, and provide a final report to the Board at the next meeting.

The Board agreed to defer discussion regarding the review of the investment consultant responses to the Request for Information (RFI) until the Attorney's Report portion of the agenda.

The Board reviewed the surviving spouse benefit calculation for Joanne Pratt. A motion was made by Trustee Birger and seconded by Trustee Pekoe to approve the benefit calculation for Joanne Pratt, effective 04/18/2013, and a monthly benefit of \$8,219.35.

AYES: Trustees Rice, Pekoe, Birger and Chiaro  
NAYS: None  
ABSENT: Trustee Vallee

The Board discussed the contribution refunds that were paid. A motion was made by Trustee Chiaro and seconded by Trustee Birger to approve the following contribution refund amounts: Eric S. Willis was paid \$5,016.01 (pre-tax contributions) in a direct rollover; and Jeffrey J. Cielocha's total pre-tax contributions were \$4,830.42, of which \$3,864.34 was paid directly to him and \$966.08 was withheld for federal tax withholding.

AYES: Trustees Rice, Pekoe, Birger and Chiaro  
NAYS: None  
ABSENT: Trustee Vallee

The Board discussed an IRS notice that was received regarding tax returns and Social Security filings, and noted that this has been addressed by L&A. L&A immediately responded with a letter and supporting documents to respectfully disagree with the IRS. Any further communication regarding this issue will be discussed at the next meeting.

### **NEW BUSINESS**

The Board discussed the 12/31/2012 IDOI tax levy report that was just received, and the Village's actuarial valuation from Tim Sharpe. It was noted that the Tim Sharpe 12/31/2012 report stated a \$3,941,652 recommended tax levy amount, and that it is the City's goal have the Fund 100% funded by 2040. The Board stated that they are grateful for the City and the Treasurer's support. A motion was made by Trustee Birger and seconded by Trustee Pekoe to approve the IDOI 12/31/2012 tax levy recommendation of \$4,136,312 to the City of Des Plaines. Motion carried by unanimous voice vote.

The Board discussed converting the L&A Pension Services Administrator (PSA) billing from an hourly rate to a fixed monthly amount. The Board indicated that L&A averaged the cost over past years and proposed a reduced rate of \$850 per quarter for PSA services. A motion was made by Trustee Birger and seconded by Trustee Pekoe to convert the PSA billing to a fixed monthly amount of \$850 per quarter through 12/31/2014.

AYES: Trustees Rice, Pekoe, Birger and Chiaro  
NAYS: None  
ABSENT: Trustee Vallee

The Board discussed the two new firefighters hired on 07/01/2013. A motion was made by Trustee Birger and seconded by Trustee Pekoe to accept the new firefighters into the Fund, hired on 07/01/2013, as follows: Paul G. Miller, Jr. has Tier 1 status, and Thomas J. Bauer has Tier 2 status. Motion carried by unanimous voice vote.

The Board noted that new hire, Paul Miller, has requested reciprocity with his prior fund at Highwood Fire. L&A is currently waiting for information from Highwood Fire to finalize the figures. The Board will report any update regarding the progress of Mr. Miller's request at the next meeting.

The Board discussed the election for President and Secretary officer positions. A motion was made by Trustee Chiaro and seconded by Trustee Pekoe to maintain the same slate of Board Officers, as follows: President – William Rice, and Secretary – Jeff Vallee. Motion carried by unanimous voice vote.

### **ATTORNEY'S REPORT**

The Board discussed the annual medical evaluations for disabled members who are age 50 and under. The Board agreed that Michael Carey still qualifies for annual examinations. The Board directed the Attorney Cribaro-Mello to send the examination form to Mr. Carey, directing him to have his physician complete the examination by a specific date and return the form to the Fund, and that the cost of the examination should be first submitted to Mr. Carey's insurance, and then the Fund will pay for any balance not covered. Attorney Cribaro-Mello will report any update regarding Mr. Carey's annual medical examination at the next meeting.

Attorney Cribaro-Mello indicated that there were currently no legal updates regarding new court decisions or legislation.

The Board noted that Wayne Hoffman's disability case appeal is still in process, and that it is possible that there may not be a decision by the next meeting.

Mr. McShane was excused and left the meeting at 10:43 a.m.

Attorney Cribaro-Mello reviewed the information received in the response to the Investment Consultant Requests of Information (RFI), sent to the candidates selected by the Board, and returned by June 20, 2013. Three of the four candidates responded to the RFI questionnaire. The responses were reviewed and discussed based on the detailed summary provided. The Board evaluated the responses to each question contained in the RFI. Items and information that particularly distinguished the respondents included the number and size of other Article 3 and 4 funds represented, the amount of insurance maintained for purposes of fiduciary and professional liability, whether the firm could serve as a fund custodian, the investment consultant fees, and how investment manager fees were paid. Giving full consideration to all respondents, the Board discussed whether it would be prudent to make any changes with respect to investment consulting services at this time.

Having considered all of the responses, as required by 5/1-113.5(a-5), a motion was made by Trustee Chiaro and seconded by Trustee Birger that the Board should not make any changes to its investment consultant at this time.

AYES: Trustees Rice, Pekoe, Birger and Chiaro

NAYS: None

ABSENT: Trustee Vallee

Attorney Cribaro-Mello was directed to provide notice and thanks to the RFI respondents.

Attorney Cribaro-Mello briefly discussed the pending disability for Michael King. The Board agreed to the possible hearing dates of 09/05/2013 or 09/20/2013 and a possible timeframe of 10:00 a.m. to 2:00 p.m. Additional space will be considered in choosing a room for the hearing, due to the City's intervention.

**CLOSED SESSION** – the Board saw no reason to hold closed session.

The next regularly scheduled Board meeting is on Tuesday, November 5, 2013, at 8:30 a.m.

#### **ADJOURNMENT**

A motion was made by Trustee Chiaro and seconded by Trustee Pekoe to adjourn the meeting at 11:48 a.m. Motion carried by unanimous voice vote.

Respectfully submitted,

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William Rice, President

Date approved: \_\_\_\_\_