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LINCOLNSHIRE POLICE PENSION FUND MEETING

May 7, 2013

Called to order: 6:00 p.m.

Trustees present: Steven Lee, Adam Hyde, Mickey Herst, Patrick Quillinan, Jamie Watson

Guests present: Doug Krapf (Legacy), Michael Peterson (Finance Director), Brad Burke (Village Manager)

Absent: None

Reading and approval of minutes of last meeting:

Minutes of the Board meetings on January 29, 2013

Motion to accept as presented by Mr. Herst

Seconded by Mr. Watson

Passed unanimously

Reading of report of the treasurer:

Please reference the report as prepared by the Fund accounting firm, Lauterbach & Amen, LLP.

Review and act on Investment activity:

Mr. Krapf reported about the financial performance of the Fund during the 1st Quarter of 2013. The Fund had a 1st Quarter return of 4.30%. The Fund assets were reviewed and an Asset Allocation summary dated May 3, 2013 was presented to the Board. The fund had a balance of \$17,463,159 on that date.

Mr. Krapf provided the annual fee analysis, which provides an estimate of the total cost of all investment services (investment management, custodial, brokerage, trustee, and consulting) for both the current portfolio and the recommended portfolio. The estimated cost is expected to increase from .69% to .82%.

Page 2. Police Pension Fund Board meeting of May 7, 2013

Mr. Krapf discussed the watch status of Diamond Hill and recommended keeping them on watch to monitor their performance. He also advised monitoring the performance of Advisory Research during the upcoming months.

Mr. Krapf, Mr. Lee and Mr. Herst discussed concerns about the current asset allocation policy. Legacy applied the capital asset pricing model to evaluate the current and several alternative asset allocation models. They recommend a new allocation, which lies on the efficient frontier, which has a higher expected return and lower standard deviation. The new strategy is in compliance with Department of Insurance regulations and State Statute. The proposal is outlined below.

1. Liquidate \$400,000.00 from the Vanguard Growth Fund
2. Liquidate \$300,000.00 from the Blackrock Global Allocation Fund
3. Liquidate \$400,000.00 from the Diamond Hill Large Cap Fund
4. Liquidate \$1,450,000.00 from PNC Fixed Income
5. Exchange PIMCO All Asset Fund investment for the PIMCO All Asset All Authority Fund
6. Invest \$950,000.00 in the Mainstay Marketfield Fund
7. Invest \$400,000.00 in the Aberdeen Emerging Market Equity Fund
8. Invest \$400,000.00 in the First Eagle Global Fund
9. Invest \$400,000.00 in the Templeton Global Bond Fund
(Exchange Fund on October 1, 2013 for the Templeton Global Total Return Fund)
10. Invest \$400,000.00 in the PIMCO Unconstrained Bond Fund on July 1, 2013

Mr. Krapf then presented a new Investment Policy with the only changes pursuant to the investment strategy and asset allocation.

A motion to accept the updated Investment Policy, including the new asset allocation strategy was made by Mr. Hyde.

Seconded by Mr. Watson

Passed Unanimously

A motion was then made by Mr. Lee to accept the new asset allocations outlined above.

Seconded by Mr. Herst

Passed Unanimously-Roll Call Vote

Page 3. Police Pension Fund Board meeting of May 7, 2013

Presentation of bills and or disbursements:

The bills for payment were presented by Mr. Hyde

1. Lake Cook Orthopedics, Scott Alm IME, \$750.00
2. Department of Insurance, Compliance Fee, \$3,294.36

A motion to pay the bills as presented was made by Mr. Hyde

Seconded by Mr. Lee

Passed Unanimously

Old business:

Mr. Hyde discussed the Annual Report compiled by Lauterbach and Amen. The report will be filed after the meeting.

Mr. Lee advised he is still researching a Securities Litigation Firm and will provide an update at the next meeting.

Mr. Hyde advised member elections and beneficiary elections were held in April. Mr. Hyde, Mr. Watson and Mr. Quillinan were unopposed, thus were re-elected to the Board for a 2-year term.

Village Manager Brad Burke advised Mr. Lee has been reappointed by Mayor Blomberg. His appointment will be heard at the next Village Board Meeting on May 13, 2013.

Finance Director Michael Peterson advised the Village audit is being completed by Sikich and is on track. A copy of the audit will be provided upon completion.

Mr. Hyde advised disabled beneficiary Scott Alm underwent his yearly evaluation. Dr. Cummins from Lake Cook Orthopedics reported Mr. Alm is still disabled for police duty.

New Business:

The Lake County Statement of Economic Interest Filings have been completed and submitted to the County by each trustee. Confirmation of submission was completed and a copy was given to be filed by: Mr. Lee, Mr. Hyde, Mr. Herst, Mr. Watson, Mr. Peterson (Village Finance Director) and Chris Curtis (Village Treasurer). Mr. Quillinan will provide his upon receipt.

The GASB Disclosure dated April 10, 2013 was submitted to the Village to aid in the audit. A copy was also provided to the Fund by Actuary Art Tepfer.

The Village contributed \$200,000 to the Fund. A check was received on April 1, 2013 and it was deposited at Wells Fargo.

Page 4. Police Pension Fund Board meeting of May 7, 2013

Mr. Hyde reported the petty cash that was held was deposited into Harris Bank on February 27, 2013. The total deposit was \$27.37.

Mr. Hyde reported a \$21.00 overpayment to Mesirow Financial for the Trustee Liability Insurance. A check was received and will be deposited into the Wells Fargo account.

Mr. Hyde discussed a meeting held with Mr. Watson and Steve Colaizzi, a Local Records Unit Field Representative at the Office of the Illinois State Archives. Mr. Colaizzi will be supplying a records destruction outline and order during the upcoming months, pursuant to State Statute.

Mr. Hyde advised the Board that during completion of the Annual Report Lauterbach and Amen discovered some variances in salary and contributions. Mr. Hyde worked with their office and learned the below details.

1. Chief Peter Kinsey's anniversary and evaluation date is December 6th each year. However, in 2012 he did not receive his annual salary increase until March 5, 2013. Therefore, his true year end 2012 salary should be \$130,471, which was paid retroactively in March 2013.
2. During 2012 Labor Negotiations between the Village and Patrol Officer's Union (Fraternal Order of Police), contract language was introduced to begin a post-employment health plan (a Voluntary Employees' Beneficiary Association Plan or VEBA). The plan took effect during the pay period ending July 8, 2012 (paid on July 13, 2012). Covered members contribute 1.5% of their salary into the VEBA.

During salary and contribution review, Mr. Hyde discovered members covered by the VEBA were not contributing the proper 9.91% to the Fund. Upon review with the Finance Department, Mr. Hyde learned the VEBA funds were being deducted as a line item before pension contributions. Therefore, they were reducing pensionable salaries. The error was corrected and proper contributions began being withdrawn during the pay period ending April 28, 2013.

The shortage in contributions from each individual member varies due to their anniversary and salary increase date. Mr. Hyde estimated the total contribution shortage to be approximately \$1,300.

Mr. Hyde consulted with Fund Legal Counsel, Mrs. Laura Goodloe about the shortage. Due to the minimal amount, Mrs. Goodloe advised Mr. Hyde to discuss the information with the Board and take appropriate action.

Therefore, due to the minimal contribution shortage and an extensive effort to collect the shortages from members, the Board discussed a resolution to properly collect

Page 5. Police Pension Fund Board meeting of May 7, 2013

contributions from this point forward. The Board also discussed ways to identify errors in a more timely manner in the future.

Mr. Quillian made a motion to accept the resolution.
Seconded by Mr. Herst
Passed Unanimously

Consider applications for membership:

No applications were received.

Consider applications for benefits:

No applications were received.

Trustee Continuing Education:

The Board is following a calendar year for the required training during a 12 month period. Below is a synopsis of training received at this time.

Mr. Lee – 0 hours
Mr. Hyde – 0 hours
Mr. Quillinan – 2 hours (OMA)
Mr. Herst – 0 hours
Mr. Watson – 2 hours (OMA)

Executive Session:

No Executive Session took place at the meeting.

Public Comment:

No public comment was presented at the meeting.

Page 6. Police Pension Fund Board meeting of May 7, 2013

Adjournment:

The meeting was adjourned at 8:05 p.m.

The next meeting date was scheduled for July 30, 2013 at 6 pm.

Motion to adjourn by Mr. Herst

Seconded by Mr. Lee

Passed unanimously

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'A. M. Hyde', written over a horizontal line.

Adam M. Hyde, Secretary

Accepted:

A handwritten signature in black ink, appearing to read 'Steven Lee', written over a horizontal line.

Mr. Steven Lee, President