

**BATAVIA POLICE PENSION BOARD
MEETING MINUTES
FEBRUARY 17, 2016**

NOTE: These minutes are not a word-for-word transcription of the statements made at the meeting, nor intended to be a comprehensive review of all discussions. They are intended to make an official record of the actions taken by the Board and to include some description of discussion points as understood by the minute-taker. They may not reference some of the individual attendee's comments, nor the complete comments if referenced.

President O'Brien called a Regular Meeting of the Batavia Police Pension Board to order at 8:02 a.m.

ROLL CALL

Members Present: Tim O'Brien, President; Dan Soliz, Trustee; Ralph Beck, Vice President; Eric Blowers, Secretary;

Members Absent: Dennis Thomas, Trustee

Guests: Robert Vaughn, UBS; Jeff Goodloe and Puchalski Goodloe Marzullo (PGM)

APPROVE PREVIOUS MEETING MINUTES

Motion: To accept the minutes of the November 18, 2015 Regular Meeting as presented.

Maker: Beck

Second: Soliz

Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in Favor. Motion Carried.

INVESTMENT ACTIVITIES

Vaughn gave a brief overview of the status of the portfolio. Discussion was held on the status of the international market with a special emphasis on China as well as current politics all of which affect the market trends. For the 4Q15, the portfolio's beginning market value was \$25,679,720 and ended at \$25,546,214. Vaughn reviewed the portfolio's current asset class allocation. The Board will need to review its asset class allocations this year. Discussion was held on Lazard Emerging Market Funds to make a determination if they should be placed on the watch list. Will review their status at the next meeting to for possible replacement. Vaughn noted that the portfolio is still capturing more of the up market and less of the down market. Discussion continued on the results of the money managers to include standard deviations, alpha, risk, hurdle rate, capture ratio trends, etc.

Motion: To rebalance the portfolio as per the rebalancing worksheet dated 02/11/2016.

Maker: Beck

Second: Soliz

Roll Call: Beck – Aye, Soliz – Aye, Blowers – Aye, O'Brien – Aye. 4 Ayes, 0 Nays, 1 Absent. All in Favor. Motion Carried.

O'Brien commented that he is very happy how the portfolio has reduced its risk and yet still kept its performance in line. In the last quarter, the portfolio's risk was substantially reduced. The portfolio is

currently keeping between a 4-5 standard deviation rate, which will keep the portfolio from experiencing huge ups and downs in returns. Although the members did indicate they want to take some risk, they also have a fiduciary responsibility to protect the fund. This portfolio is built to outlive the current members and provide a sustainable fund for future members. The Board will be analyzing its current asset class allocations at the next meeting to determine if the portfolio should take more risk, less risk, which money managers should be changed, etc. Discussion continued on how much risk is happening, how risk effects how a manager meets or beats its benchmark, where should more risk be taken, etc. O'Brien stated that Blackrock will be doing a review of the portfolio for a risk assessment.

OLD BUSINESS

A. 2016 COLA's – The Board reviewed the 2016 Cost of Living increases.

Motion: To approve 2016 Cost of Living increases as presented by Lauterbach & Amen.

Maker: O'Brien

Second: Blowers

Roll Call: Beck – Aye, Soliz – Aye, Blowers – Aye, O'Brien – Aye. 4 Ayes, 0 Nays, 1 Absent. All in Favor. Motion Carried.

B. Transfer of Creditable Service - Thrun – O'Brien reported that Officer William G. Thrun has requested to transfer creditable service of 2 years, 1 month, 22 days from the Warrenville Police Pension Fund to the Batavia Police Pension Fund. The cost was neutral to Officer Thrun. The City of Warrenville did submit a check in the amount of \$29,494.40, which represents Officer Thrun's contributions into the Warrenville Police Pension Fund (\$13,646.66) plus 6% interest. Officer Thrun's original Batavia Police Pension Fund Date of Hire is August 24, 2015. This adjusts that date to July 2, 2013.

Motion: To acknowledge receipt of \$29,494.40 from the Warrenville Police Pension Fund to complete the creditable service transfer of William G. Thrun for 2 years, 1 month, 22 days and to adjust his hire date from August 24, 2015 to July 2, 2013.

Maker: Beck

Second: O'Brien

Roll Call: Beck – Aye, Soliz – Aye, Blowers – Aye, O'Brien – Aye. 4 Ayes, 0 Nays, 1 Absent. All in Favor. Motion Carried.

O'Brien reported that Officer Richard Hall had requested a creditable service transfer from Huntley in 2009; however, there was no record of receipt of a check from Huntley. A check from the Huntley Police Pension Fund was reissued and Officer Hall owed the difference. Officer Hall elected to cover this difference through payroll deductions from March 2009 through February 2010. Unfortunately, this information wasn't transferred to Lauterbach & Amen. The transfer of funds was confirmed by the City of Batavia. This issue will be discussed at the May 18, 2016 Board meeting.

ACCOUNTANT'S REPORT/PRESENTATION & APPROVAL OF BILLS FOR DISBURSEMENT

Motion: To accept and approve the Monthly Financial Reports of October 2015 as presented.

Maker: Beck

Second: Soliz

Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in Favor. Motion Carried.

Motion: To accept and approve the Monthly Financial Reports of November 2015 as presented.
Maker: Beck
Second: Soliz
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in Favor. Motion Carried.

Motion: To accept and approve the Monthly Financial Reports of December 2015 as presented.
Maker: Beck
Second: Soliz
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in Favor. Motion Carried.

Motion: To approve Invoice #9824 from Puchalski Goodloe Marzullo (PGM) in the amount of \$951.62 for legal services.
Maker: O'Brien
Second: Blowers
Roll Call: Blowers – Aye, Beck – Aye, Soliz – Aye, O'Brien – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Trustee Training Expenses – Trustee training for Dennis Thomas. Table to the next meeting.

APPLICATIONS FOR MEMBERSHIP

None.

APPLICATIONS FOR BENEFITS

Fauble Disability Application – Goodloe reported that the last of the IME's on Fauble were received on October 29, 2015. These reports were forwarded to Fauble's attorney. Goodloe then contacted Fauble's attorney to determine if Fauble wished to move forward with a disability hearing. If Fauble wishes to withdraw his application, the Board would need something in writing stating this fact. In December, Goodloe received notice that Fauble requested that the hearing be held off, at this time. A letter, dated January 26, 2016, was sent notifying Fauble and his attorney that they need to make a decision on whether or not to move forward with a disability hearing. Fauble requested a hearing date in April. Discussion continued on potential hearing dates. Hearing date set for April 28, 2016 at 9 a.m.

ATTORNEY'S REPORT

The Governor's task force on local government consolidation mandates issued its final report. One of the recommendations is the consolidation of Article 3 & 4 pension funds under one (1) investment authority. The legislature has to ultimately vote to approve any of the recommendations and the current legislature doesn't appear to want to assist the Governor with whatever the Governor's agenda is. Consolidation of the funds is discussed all the time. In reviewing the Governor's proposal, the pension boards would still exist, they would just lose their ability to invest the money. The Governor proposes that all the monies would go to the Illinois Municipal Retirement Fund (IMRF). There is also talk about creating one big Article 3 or Article 4 fund. Will continue to monitor the situation.

The Supreme Court had a recent case, Jones vs. The Municipal Retirement Fund of the City of Chicago regarding pension reform. An opinion is expected within the next couple months. Foresee that they will find that the pension reform law for the City of Chicago is also unconstitutional because it reduces and impairs pension benefits. The argument from the City of Chicago is that you cannot diminish or impair pension benefits because it violates Article 13 Section 5 of the constitution, however, by reducing people's pension benefits, you thereby are going to preserve the financial integrity of the system and, ultimately, not reduce people's pension benefits in the future. Will continue to monitor this situation.

Another case, Swoboda vs. The Sugar Grove Police Pension Fund, states that Swoboda was participating in a required fitness for duty test (bench press) and while lifting a little more weight than he was use to, he injured his shoulder. Swoboda applied for a line-of-duty disability pension claiming that his disability resulted from or was incurred in the performance of an act of duty. An act of duty is an active police duty inheritably involving special risk not ordinarily assumed by a citizen in the ordinary walks of life. Simply being on duty and in uniform or doing something that's assigned doesn't necessarily mean that a person is entitled to a line-of-duty disability pension if injured. The pension board denied the application for a line-of-duty disability pension and awarded a non-duty disability pension. Both the trial court and appeal court agreed with the pension board.

Discussion was held on Tim Sharpe (actuary) and legal issues surrounding him. It was noted that the City of Batavia is no longer using his actuarial services and has since hired a new firm, Lauterbach & Amen.

NEW BUSINESS

Fiduciary Insurance - Blowers inquired about the Board purchasing fiduciary liability insurance. Currently, the Board and members of the Board are not covered under the City umbrella for this type of insurance. The Fire Pension Board has obtained their own insurance and Blowers would like the Police Pension Board to do the same. Discussion continued on the pros and cons of this type of insurance. It was noted that Board members, without this insurance, run the risk of being personally liable. Will research options and report back at the next meeting.

Motion: To authorize search for fiduciary liability insurance vendors.
Maker: Blowers
Second: Beck
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in Favor. Motion Carried.

QUILDRO – Documentation has been received reference a QUILDRO for Officer Gary LaBarbera. All paperwork and monies have been received.

Motion: To accept the QUILDRO 14D1441 for Officer Gary LaBarbera.
Maker: O'Brien
Second: Blowers
Roll Call: Blowers – Aye, Beck – Aye, Soliz – Aye, O'Brien – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Trustee Elections & Appointments – O'Brien reported that there are no elections to be conducted this year. Trustee Soliz is due for reappointment. Election for Officers will be held at the May meeting.

Statement of Economic Interest Forms – All Board members must complete a Statement of Economic Interest Form with Kane County. Forms have been sent out and they are due by May 1, 2016. This form may also be completed on-line.

Issuance of Tax Forms – Lauterbach & Amen handles this for the Board. Informational to make sure it is being done.

O'Brien reported that back on January 7, 2016, Lauterbach & Amen submitted a 3-year term contract for services. Copies of the contract were distributed to all members. This contract will be addressed at the May meeting.

MATTERS FROM THE PUBLIC

None

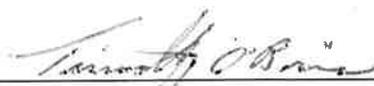
ADJOURNMENT

There being no further business, a motion was made by President O'Brien to adjourn the meeting at 9:20 a.m. Seconded by VP Beck. All in favor. Motion carried.

Ayes 4 Nays 0 Absent 1

The meeting was adjourned at 9:20 a.m. The next meeting will be held on May 18, 2016

Respectfully submitted,



President



Secretary