

MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE POLICE PENSION FUND OF THE VILLAGE OF WILLOWBROOK HELD ON JULY 26, 2011, AT THE VILLAGE HALL, 7760 QUINCY STREET, WILLOWBROOK, DUPAGE COUNTY, ILLINOIS

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1. CALL TO ORDER

The meeting was called to order at the hour of 3:00 p.m. by President Umberto Davi.

2. ROLL CALL

Those present at roll call were Trustees Tim Kobler and Joseph Pec, and President Davi. Also present were Terese Krafchek and Ted Kirpach from MB Financial Bank; Carrie Dittman, Interim Finance Director; and Commander Mike Kurinec. ABSENT: Trustee Scott Eisenbeis.

3. ELECTION OF OFFICERS OF THE WILLOWBROOK POLICE PENSION FUND

After a brief discussion by the Board, the following motion was made:

MOTION: Made by Trustee Kobler, seconded by Trustee Pec, to re-elect Umberto Davi as President; Made by Trustee Pec, seconded by President Davi to re-elect Tim Kobler as Vice President; Made by President Davi, seconded by Trustee Kobler to elect Scott Eisenbeis as Secretary; Made by Trustee Kobler, seconded by President Davi to elect Joe Pec Assistant Secretary. The Board decided to table the appointment of the Treasurer until the the next pension meeting.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

4. APPROVAL OF MINUTES OF REGULAR MEETING - 04/27/11

After a brief discussion by the Board, the following motion was made:

MOTION: Made by Trustee Kobler, seconded by Trustee Pec, to approve the minutes of the regular meeting of the Police Pension Fund Board of Trustees held on April 27, 2011.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

5. APPROVAL OF EXPENSES INCURRED APRIL THRU JUNE, 2011

President Davi summarized the expenses of the Pension Fund as follows: 1) Pension Benefits-Foley-\$19,288.44; 2) Pension Benefits-Kleven (Widow)-\$9,628.11; 3) Pension Benefits-Konstanty-\$22,762.41; 4) Pension Benefits-Pec-\$19,672.20; 5) Disability Benefits-Dusek-\$7,914.27; 6) Disability Benefits-McCarthy-\$4,862.01; 7) Financial Management Fees-\$6,037.60; 8) Division of Insurance/State Filing Fee-\$2,491.46; 9) Wolf & Company/Audit-\$2,100.00; 10) IPPFA/Trustee Program-Pec-\$750.00; 11) John Broihier/Legal Fees-\$399.00; 12) IPPFA/NIU/On-Line Training-Eisenbeis-\$350.00. The total expenditures for the Pension Fund for April thru June 2011 were \$96,255.53.

After a brief discussion by the Board, the following motion was made:

MOTION: Made by Trustee Pec, seconded by Trustee Kobler, to approve the expenditures in the amount of \$96,255.53 incurred by the Police Pension Fund for April thru June 2011.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

6. APPROVAL OF INVESTMENTS MADE APRIL THRU JUNE 2011 - QUARTERLY INVESTMENT REPORT - MB FINANCIAL BANK

Terese Krafchek, representing MB Financial Bank, summarized the quarterly investment report for the Pension Fund Board.

Ms. Krafchek introduced Ted Kirpach as the new portfolio manager assigned to the Willowbrook Police Pension Fund.

Ms. Krafchek stated that all aspects of the fund did well. The total fund was up 1.19% for the second quarter of the year. The fund began the quarter at \$13,862,799 and after additions and changes due to investments, ended at \$14,022,990.

Mr. Kirpach summarized the portfolio allocations with 41.86% in equities, 3.21% in cash/cash equivalents, 1.10% in Mutual Funds, 2.16% in Commodities, and 51.66% of the portfolio in fixed income securities. The 41.86% equity was invested 67.03% in large cap U.S. stocks, 5.11% in mid cap U.S. stocks, 10.43% in small cap U.S. stocks, and 17.43% in international stocks; and the 51.66% fixed income was invested in 10.77% U.S. Treasuries, 68.0% in U.S. Agencies, 18.69% in Municipal Bonds, 1.15% in U.S. Mortgage Backed Securities, and 1.41% in Certificates of Deposit.

Mr. Kirpach stated that the William Blair International was removed and replaced with Scout International; and DFA Real Estate Fund, which solely invested within the United States, was removed and replaced with Invesco, which is an international real estate fund.

Trustee Kobler questioned on why there was no monetary additions sent to MB Financial. Ms. Krafchek advised that the former Finance Director would forward money when there was a build up in the checking account. Ms. Dittman questioned if this was something that was voted on by the Board. President Davi stated that it had never been voted on. President Davi stated that it was discretionary. The former Finance Director would keep enough on hand to pay out to the pensioners then forward money to MB Financial. President Davi stated that the Board needs to determine how money is transferred. Ms. Dittman stated that she will do an analysis of what the new cash flow will be and determine what will need to be done.

Ms. Krafchek questioned that with the increase in cash flow with the new pensioners, would the current contributions that are being received be enough to cover payments or does the bank need to take over pension payments. Ms. Krafchek stated that when MB Financial does the pension payments for a fund, they target to keep three (3) months of disbursements on hand in the Money Market Fund. President Davi stated that they would look into this issue.

President Davi questioned if what as the Pension Board take into consideration with the additional pensioners and if anything should be done with the financial advisors to ensure the value of the Fund. Ms. Krafchek stated that the retirements get factored into the Actuarial Report and has already been planned for in the overall actuary valuation. Ms. Krafchek stated that the actual hits to the funding level of a pension fund come from disability claims.

Ms. Krafchek suggested that some changes be made and advised that the State statute made changes in 2010. Since the fund is over \$10 million in size, the board should talk about changing the funding to 50% fixed income and 50% equities. The fund has been at the maximum of 45% equities since that was allowed and historically, equities have been the best performing class and best opportunity to meet the actuarial rate of return assumptions. The other change is to allow corporate bonds as municipal investments, which has a risk reduction effect on fixed income portfolio because the investments are spread among more types of investments.

After a discussion by the Board, the following motion was made:

MOTION: Made by Trustee Pec, seconded by Trustee Kobler, to approve the investments and recommendations made by MB Financial Bank on behalf of the Police Pension Fund from April thru June 2011.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

7. APPROVAL - INVESTMENT POLICY

Ms. Krafchek reviewed the updates to the Willowbrook Police Pension Fund Investment Policy.

Ms. Krafchek recommends maximizing the equity allocations, which can be done with by investment growth. Ms. Krafchek also recommends adding the corporate bonds to the portfolio.

Trustee Kobler questioned if the corporate bonds will be held to certain ratings. Ms. Krafchek confirmed that no junk bonds will be purchased and must be investment grade at the time of purchase.

President Davi questioned how percentages are determined. Ms. Krafchek stated that they would work to have the taxable municipal bonds down to 10-15% range and, over time, 18-24 months build up to 30% in corporate bonds, and allocations to government agencies would also be reduced over time as opportunities present themselves.

Ms. Krafchek stated that the new policy has changes to statute references that were updated, parameters in equities were changed due to the current size of the Pension fund, changes to the maximum allocation allowed. Other changes include the suggested allocations; adding a dedicated allocation for mid-size equities, foreign stocks, real estate, and alternatives. Changes were also made in the definitions to update names that were changed through mergers and acquisitions, and added more bench marks and indexes.

After a discussion by the Board, the following motion was made:

MOTION: Made by Trustee Pec, seconded by Trustee Kobler, to approve the Investment Policy as drafted by MB Financial.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

8. APPROVAL - POSSIBLE SUSPENSION OF PENSION BENEFITS - RUTH KLEVEN

Recording Secretary Stuchl advised that as of today's date, there was still no information received by Ruth Kleven. Ms. Dittman had suggested that the pension attorney be contacted to confirm that benefits can be suspended. Ms. Stuchl received an email from John Broihier, which stated:

"I know of no reason that would prevent you from holding back further payments if questions have arisen with respect to the recipient. You should check the rules of the pension board to see if they spell out the process to be followed in the event there is a lack of communication from a recipient. It is important to confirm the death of the pensioner and to make sure that his spouse is still alive and competent. Until the board receives the supporting documentation, it has no assurance that the funds are being received by the proper party. I am unaware of a specific form used to notify a recipient that the funds are being withheld, however, once the board makes its decision, a letter advising the spouse of the decision and advising her as to what she will need to do to continue to receive benefits would be appropriate."

Ms. Stuchl stated that she did review the Rules and Regulations and did not see any reference to suspending benefits. Ms. Stuchl also stated that she did confirm the death of Richard Kleven.

President Davi confirmed with the Board of the issues and reviewed the time line of correspondence. President Davi requested that the suspension letter be sent in the same certified manner and also by regular mail.

After a discussion by the Board, the following motion was made:

MOTION: Made by President Davi, seconded by Trustee Kobler, to suspend the benefits paid to Ms. Ruth Kleven until the proper documentation that was requested in the letters have been received by the Board.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

9. DISCUSSION - PENSION BUY BACK

Ms. Dittman stated that since the last Pension Board meeting, there have been several requests to buy back either military service time or IMRF service time. Two of the military times that were submitted in June, Daniel Polfliet and Andrew Pelliccioni. Information was sent to the Department of

Insurance and Actuary Art Tepfer to confirm calculations. Ms. Dittman stated that the calculations would need to be updated for August dates.

Ms. Dittman stated that the IMRF buy back had time limits and has expired.

Ms. Dittman stated that she received a military buy back from Commander William Bozek during the previous week. Commander Bozek's is complicated due to the fact that buy back has to be completed while you are still in active service. Commander Bozek's retirement will go into effect on August<sup>2x</sup>, 2011. Ms. <sup>as</sup> Dittman has contacted the Department of Insurance on how to implement buy back and is waiting for a response. Trustee Pec questioned on if Commander Bozek could set up a payment schedule. Ms. Krafchek stated that he would have to pay the full amount due in order to receive his full retirement benefit.

10. VISITOR BUSINESS

Commander Mike Kurinec questioned when the Pension Board will hold the meeting to approve the retirement pensions.

After discussion by the Board members, a Special Meeting to approve the retirement pensions was scheduled for August 8, 2011 at 3:00 p.m.

11. NEW BUSINESS

The trustees discussed the IPPFA Conference that will be held in October and who would be attending. President Davi, Trustee Kobler, and Trustee Pec stated they would go.

12. OLD BUSINESS

There was no old business.

13. COMMUNICATIONS

Ms. Dittman stated she received a letter from Village Administrator Tim Halik from Rust Consulting, Inc. reference the possible past purchases of municipal derivatives and a proposed settlement in a class action law suit by Morgan Stanley and other companies. Ms. Dittman stated that the time frame is

anywhere from January 1, 1992 to present. Mr. Kirpach stated that MB Financial has not made any purchases of municipal derivatives.

The Board agreed that they will not take part in the class action suit.

14. ADJOURNMENT

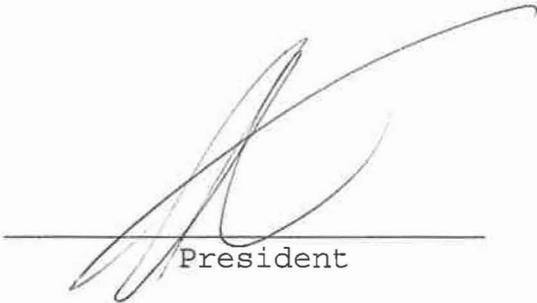
MOTION: Made by Trustee Kobler, seconded by Trustee Pec to adjourn the meeting of the Board of Trustees of the Police Pension Fund at the hour of 4:22 p.m.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

PRESENTED, READ and APPROVED,

October 31, 2011



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President

Minutes transcribed by Cindy Stuchl.