

MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE POLICE PENSION FUND OF THE VILLAGE OF WILLOWBROOK HELD ON OCTOBER 23, 2008, AT THE VILLAGE HALL, 7760 QUINCY STREET, WILLOWBROOK, DUPAGE COUNTY, ILLINOIS

1. CALL TO ORDER

The meeting was called to order at the hour of 4:10 p.m. by President Umberto Davi.

2. ROLL CALL

Those present at roll call were Trustees Joseph Dusek, Scott Eisenbeis, Tim Kobler, and Sue Stanish, and President Davi. Also present were Terese Krafchek, Dave Harrington, and Doug Briles from MB Financial Bank; and Tom Kelly from HUB International.

3. APPROVAL OF MINUTES OF REGULAR MEETING - 07/30/08

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

MOTION: Made by Trustee Kobler, seconded by Trustee Stanish, to approve the minutes of the regular meeting of the Police Pension Fund Board of Trustees held on July 30, 2008.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

4. INFORMATION - FIDUCIARY LIABILITY INSURANCE

Mr. Thomas Kelly from HUB International gave a presentation on fiduciary liability insurance. HUB International is a risk management insurance brokerage firm. Mr. Kelly stated that as police pension trustees you have fiduciary responsibilities. A fiduciary liability policy will protect trustees from errors and omissions in the administration of the plan that would basically end up in a financial loss to someone. This could be from any type of clerical error, any error in judgments and opinion, and also in the selection of banks for investments, hiring attorneys or actuaries. Exposure is reduced to a degree by hiring professionals, but you can still be liable if there is a financial loss and/or a lawsuit is filed.

Mr. Kelly stated that fiduciary insurance policies range in price from \$1,500.00 to \$3,000.00 in annual premiums for a \$1 million limit of liability. They typically have no deductibles. The issue that determines the pricing is the financial stability and what the contribution levels of the fund are.

Trustee Kobler attended a seminar during the IPPFA Conference on fiduciary insurance and had several questions:

- a. ***Would coverage cover for administrative errors as well as fiduciary errors?*** Mr. Kelly stated that it is an overall policy.
- b. ***Does it cover prior acts and/or prior board members?*** Mr. Kelly stated that once you have the policy in place it would pick up claims that are brought in since the policy inception.
- c. ***Do we control our own defense counsel or are we allowed to select our own defense?*** Mr. Kelly stated that typically the board is not. The insurance company picks the counsel. If the board does have a counsel that the board wants, that counsel can present their qualifications to the insurance carrier.
- d. ***Do we pay the insurance claims deductible ourselves?*** Mr. Kelly stated that there may or may not be a deductible. In most the claims, there are none. If the pension fund's funding levels are not adequate, then there may be a deductible.
- e. ***If a claim was filed, when would we be reimbursed?*** Mr. Kelly stated that typically the insurance company would pick the counsel and the insurance company would be paying for the defense costs. The pension board would be paying the deductible if there was one. If there was a judgment, the insurance company would be paying that out. There would not really be any payouts by the pension board.
- f. ***Do claims cover the Department of Labor audits, etc.?*** Mr. Kelly stated that they would not pay for an audit, fines, or penalties. The intent of the policy is to pay for the defense of the board's alleged negligence, error, or omission in the administration of the plan.

- g. **What kind of penalty coverage is there for 502C and HIPPA violations?** Mr. Kelly stated that this does extend to the health insurance and employee benefit plans, besides the police pension. Mr. Kelly stated that he would get back to the board with more information.
- h. **Do we require anything extra because of real estate investments?** Mr. Kelly stated no. It would be part of the underwriting process.
- i. **How often is the policy reevaluated?** Mr. Kelly stated that the policy is annual.
- j. **Is there a severability clause of the application to protect innocent trustees from one bad trustee?** Mr. Kelly stated that when the board signs the application, it's assumed that it was signed in good faith. Mr. Kelly stated the pension plan would be the named insured so all of the trustees would be covered.

Mr. Kelly stated that exclusions to coverage of the policy would include willful and criminal acts.

President Davi questioned on the procedures that would be needed to obtain a quote. Mr. Kelly stated that he would need a copy of the actuarial report, financial statements, and an application. Mr. Kelly stated that there is no fee to obtain a quote and the turnaround time for the quote would be a couple days after receiving the application.

Trustee Eisenbeis questioned if the pension board purchased a million dollar policy, is that a total pool and claims would reduce that pool or is it a million dollar per incident policy. Mr. Kelly stated that it is an aggregate million dollar annual policy.

Trustee Kobler suggested that two additional quotes be obtained. He had one company from the IPPFA Conference and Terese Krafchek from MB Financial stated that she had another one and would get back to Trustee Stanish with the name.

Trustee Kobler stated that he would come up with a list of questions to send to each company along with the quote request. Trustee Stanish stated that she would forward the packet requests.

5. APPROVAL OF APPLICATION FOR RETIREMENT BENEFITS - COMMANDER JOSEPH PEC

Trustee Stanish indicated that Commander Pec has over 34 years of service and will receive 75% of his salary which includes his base salary plus longevity pay. Pension calculations were completed and placed into his pension file.

Trustee Stanish also indicated that all retirees have the ability, as public safety officials, to take \$3,000.00 tax free to purchase health insurance premiums.

Trustee Kobler stated that at the IPPFA Conference, attorneys suggested that anytime money is handled, it should be a "Roll Call" vote and not a "Voice" vote.

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

MOTION: Made by President Davi, seconded by Trustee Eisenbeis, to approve Commander Joseph Pec's application for a regular retirement effective 11/29/2008. Commander Pec's pension benefits will be based on a salary of \$94,515.20 plus longevity of \$1,500 for a total salary base for calculation purposes of \$96,015.20. Commander Pec will receive 75% of \$96,015.20 which totals \$72,011.40 (\$6,000.95 on a monthly basis).

ROLL CALL VOTE: AYES: Trustees Dusek, Eisenbeis, Kobler, Stanish, and President Davi; NAYS: None.

MOTION DECLARED CARRIED

6. APPROVAL OF EXPENSES INCURRED JULY THRU SEPTEMBER, 2008

Trustee Stanish summarized the expenses of the Pension Fund as follows: 1) Pension Benefits-Kleven-\$8,811.09; 2) Disability Benefits-Dusek-\$7,492.80; 3) Disability Benefits-McCarthy-\$4,862.01; 4) Tepfer Consulting Group, Ltd-Actuary Report-\$1,600.00; 5) Financial Management Fees-\$4,802.16; and 6) IPPFA Conference-Kobler/Davi-\$450.00. The total expenditures for the Pension Fund for July thru September 2008 were \$28,018.06.

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

MOTION: Made by Trustee Kobler, seconded by Trustee Eisenbeis, to approve the expenditures in the amount of \$28,018.06 incurred by the Police Pension Fund for July thru September 2008.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

7. APPROVAL OF INVESTMENTS MADE JULY THRU SEPTEMBER 2008 -
QUARTERLY INVESTMENT REPORT - MB FINANCIAL BANK

Terese Krafchek, representing MB Financial Bank, summarized the quarterly investment report for the Pension Fund Board. Ms. Krafchek noted that for the quarter that ended 09/30/08 the cash and cash equivalents return of the portfolio made a 0.62% return for the fund, the fixed income return was 1.55%, and the equity portion of the portfolio had a -10.83% return. The total return for the quarter was -3.78%. Ms. Krafchek stated that since inception, the annualized return was 6.29%.

Dave Harrington of MB Financial Bank summarized the portfolio allocations with 39% in equities, 3% in cash/cash equivalents and 58% of the portfolio in fixed income securities. The 3.0% cash equivalent was 100% in money markets; the 39% equity was invested 63% in large cap U.S. stocks, 16% in small cap U.S. stocks, 16% in international stocks, and 5% in REIT funds; and the 58% fixed income was invested in 22% U.S. Treasuries, 63% in U.S. Agencies, 13% in Municipal Bonds and 2% in U.S. Mortgage Backed Securities.

Mr. Harrington stated that they did make some changes in the large cap funds and international funds. In the large cap funds, T. Rowe Price was switched to Fidelity Advisor New Insights, and the Dodge & Cox fund was changed to American Beacon. In the international funds, Vanguard International Explorer was changed to T. Rowe Price International Discovery.

Mr. Harrington stated that the one highlight to the quarter was the real estate fund, which has the only positive YTD return.

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

MOTION: Made by Trustee Stanish, seconded by Trustee Eisenbeis, to approve the investments made by MB Financial Bank on behalf of the Police Pension Fund from July thru September 2008.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

8. APPROVAL - ACTUARIAL SERVICES

Trustee Stanish reviewed the Actuarial Valuation Report for the period beginning May 1, 2008 and ending April 30, 2009.

Trustee Stanish stated that Mr. Tepfer's report indicated that the fund continues to be well funded and is above state averages. The fund is 86.00% funded and has an actuarial value of over \$11.6 million.

Trustee Stanish stated that she had questioned Mr. Tepfer reference that the report had been completed at the end of April and with the current financial situation and assets in the fund. Mr. Tepfer stated that when he calculates the funding requirement he uses a five-year average smoothing so the impact of what is happening in the financial markets will be factored in over time.

The Board then had a discussion reference the funding recommendations listed in the report. Trustee Stanish again stated that the Village Board will follow state statute.

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

MOTION: Made by Trustee Kobler, seconded by President Davi that the Pension Board recommends the contribution based on Level Dollar funding amount of \$466,348 but the Pension Board understands that the Village Board will follow the state statute recommendation of \$420,551 contribution.

ROLL CALL VOTE: AYES: President Davi, Trustees Dusek, Eisenbeis, and Kobler; NAYS: Trustee Stanish.

MOTION DECLARED CARRIED

9. INFORMATION - 2008 ANNUAL REPORT - ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

Trustee Stanish reviewed the 2008 Annual Statement to the Illinois Department of Financial and Professional Regulation. Trustee Stanish stated that the report is required to be filed annually. Trustee Stanish stated that because this report is a public document, all social security numbers have been blacked out for privacy.

Trustee Eisenbeis requested clarity on the question "A04". The amount listed reflected the actuarial amount recommended by state statute. Trustee Eisenbeis stated that the amount requested is actually the higher amount based on level dollar spending. Trustee Stanish stated that she had always answered that question as to what is paid as the minimum requirement per state statute. Trustee Eisenbeis stated that it should reflect what the Board is asking for. Trustee Stanish stated that next year she will list it that way with an explanation about why there is a difference in the funding.

10. INFORMATION - 2008 AUDIT - ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

Trustee Stanish stated that the auditors had addressed a letter directly to the Pension Board. The audit results showed some minor omissions:

- a. Board trustees' appointments were not documented in the minutes. Trustee Stanish stated that they are probably referring to President Davi and Trustee Stanish's appointments when they are made by the Village Board. Trustee Stanish stated that it is reflected in the Village Board minutes but we haven't reflected that in the Pension Board minutes. Trustee Stanish stated that in the future these appointments will be made official in the Pension Board minutes.
- b. The Board had not been selecting officers. Trustee Stanish indicated that this error was corrected at the last Pension meeting when Vice President and Assistant Secretary were elected.
- c. The treasurer is not a required signer of the fund's account. Trustee Stanish stated that Trustee Kobler had been added as a co-signer on the account. Trustee Stanish stated that the auditors indicated that she should be required to countersign everything because she is the Treasurer and is bonded. New signature forms are being forwarded and will be completed.
- d. Minutes of Board meetings should be expanded to include corporate records such as appointment of the civilian board trustees and their terms of office, effective hire date of officers, effective termination date of officers, and the annual election of officers.

Trustee Stanish stated that these items were talked about but not properly documented in the minutes.

Trustee Stanish stated that she will forward a letter to the Illinois Department of Financial and Professional Regulation specifying how the Board has remedied the issues.

11. NEW BUSINESS

There was no new business.

12. OLD BUSINESS

a. Rules & Regulations

Trustee Eisenbeis pointed out some minor typographical errors.

Additional discussion of the Rules and Regulations Policy will remain on the agenda for future meetings.

13. COMMUNICATIONS

There were no communications.

14. ADJOURNMENT

MOTION: Made by President Davi, seconded by Trustee Eisenbeis to adjourn the meeting of the Board of Trustees of the Police Pension Fund at the hour of 5:55 p.m.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

PRESENTED, READ and APPROVED,

January 16 , 2009



President

Minutes transcribed by Cindy Stuchl.