

MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE POLICE PENSION FUND OF THE VILLAGE OF WILLOWBROOK HELD ON OCTOBER 31, 2011, 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 3:10 p.m. by President Umberto Davi.

2. ROLL CALL

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

3. APPROVAL - MINUTES OF REGULAR MEETING - 7/26/11

Trustee Kobler questioned Item #9, last paragraph should read that "Commander Bozek's last day of employment was August 1, 2011, with retirement commencing August 2, 2011".

Trustee Eisenbeis questioned Item #6, page 2, paragraph 3 regarding the Finance Director would keep enough money on hand to pay out the pensioners and then forward the remaining money to MB Financial. He asked if an analysis was conducted to see how much cash needed to be kept on hand. Ms. Krafcheck advised that MB Financial did receive a transfer in October.

Trustee Eisenbeis asked if this issue was something that needed to be voted on or will this be an automatic payout. Trustee Eisenbeis has a concern that money is just sitting in the account without being put into a fund to work for the Village and also he would like to see a regular schedule of transfers instead of periodic money transfers of overages. Ms. Krafcheck advised that they manage the account utilizing a three-month target to pay any expenses. She advised that this needs to be clarified with Ms. Dittman.

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 July 26, 2011.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

4. APPROVAL OF MINUTES OF SPECIAL MEETING - 08/08/11

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

MOTION: Made by Trustee Pec, seconded by Trustee Kobler, to approve the minutes of the special meeting of the Police Pension Fund Board of Trustees held on August 8, 2011.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

5. APPROVAL OF MINUTES OF SPECIAL MEETING - 08/24/11

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

MOTION: Made by Trustee Pec, seconded by Trustee Kobler, to approve the minutes of the special meeting of the Police Pension Fund Board of Trustees held on August 24, 2011.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

6. APPROVAL OF EXPENSES INCURRED JULY THRU AUGUST, 2011

President Davi summarized the expenses of the Pension Fund as follows: 1)Pension Benefits-Bozek-\$9,231.39; 2)Pension Benefits-Finlon-\$10,034.11; 3)Pension Benefits-Foley-\$19,288.47; 4) Pension Benefits-Kleven-(Widow)-\$9,628.11; 5)Pension Benefit-Konstanty-\$22,762.41; 6)Pension Benefit-Kurinec-\$11,238.21; 7) Pension Benefit-Pec-\$19,672.20; Disability Benefit-Dusek-\$7,914.27; 8)Disability Benefits-McCarthy-\$4,862.01; 9)MB Financial Management Fees-\$6,161.56; 10)John Broihier-Legal Fees-\$95.00; 11) IPPFA/Trustee Program-Davi/Kobler/Pec-\$825.00; The total expenditures for the Pension Fund for July thru September 2011 were \$121,712.74.

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 \$121,712.74 incurred by the Police Pension Fund for July thru September 2011.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

7. APPROVAL OF INVESTMENTS MADE JULY THRU SEPTEMBER 2011 -
QUARTERLY INVESTMENT REPORT - MB FINANCIAL BANK

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

Ms. Krafcheck advised the third quarter ended September 30, 2011 with \$13,221,618. Ms. Krafcheck summarized the portfolio allocations were up to 43.4% in equities, and cash/cash equivalents, and 56.6% in fixed income securities. The latest quarter the fund was -5.7%, which trailed the benchmark at -4.6%. The underperformance during the quarter came in the fixed income segment. The equity was down 15.5% vs. the broad benchmark which was down 15.95%. The fixed income was at 3.7%, which was a very strong return for fixed income however, it lagged the broad benchmark at 5.89%. The mutual fund real estate was -18%, where the benchmark was at -15% but our allocation for that mutual fund is not that heavy, where the underperformance came through with in the fixed income segment. Commodities were down -24% vs. the Dow Jones UBS benchmark down -11%. However when you get to the mutual fund characteristic page, this fund outperformed its peer group. Cash flow distribution was just under \$6,000 so the change due to investments was a -\$795,375 for the quarter, and fiscal calendar year for 9-months was -\$277,153. Ms. Krafcheck did look at current market value and it was an increase of \$550,000 through October 24 or 25, 2011.

Mr. Kirpach advised that most of the second quarter was bad for equities, however it has been only during the past week or so that the market has turned in a positive direction. We always need to focus on the long term since the markets change daily. The significant underperformance was the fixed income. It was a positive number which is good, but overall not as good as the benchmark. Most of the investments on the fixed income side will be in high quality US treasury agencies. MB Financial believes

that investitures will begin to look at US treasuries again by the end of the year or will move into other low-risk asset agencies. That is as long as no crisis happens again.

Mr. Kirpach stated most of the assets on the equity side are invested in the large company stock funds. The large stock caps were down but less than the international mid and small cap. They believe better market days are ahead and feel large cap will out-perform the mid to low cap funds.

Fixed income is continually being looked at. Taxed municipal bonds have done very well this year and we may move into US Corporate bonds as opportunities present themselves. Mr. Kirpach believes the Village should remain on the defensive in their investments. Even though it did not work this quarter, he believes in the future it will work.

Mr. Kirpach summarized the in-flow of money over the year and the village's portfolio. He advised market value and invested capital has been going up, however since 1999, net contributions have been approximately \$3,000,000 and gains for investments is a little over \$4,000,000. He feels the year will end on a positive note.

Ms. Krafcheck advised that a colleague has produced a bi-weekly news brief called entitled "Getting Better All the Time" and will be available to board members; just let Ms. Krafcheck know if you're interested.

President Davi asked if the funds are making enough money to keep up with the monthly pay-outs. Ms. Krafcheck stated that the coupon in-flows will be short but she is not sure what the cash in-flows are and how that will affect the funds. She would be able to give the Board a rough projection if the Board can get the cash flow figures together. The Pension Board will request Ms. Dittman to provide MB Financial with those figures.

President Davi and Trustee Kobler asked if the retirements get factored into the Actuarial Report and has it already been planned for in the overall actuary valuation. Ms. Krafcheck stated that the actual hits to the funding level of a pension fund come from disability claims.

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 July thru September 2011.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

8. APPROVAL - ACTUARY REPORT - FISCAL YEAR 2011

Trustee Eisenbeis inquired on why the Village would take the 100% funded by 2040. Ms. Krafcheck advised that with the new legislation, they changed the funding method to the PUC method, from 90% funding from 100% funding, so the figure would be less than the amount shown, since it was figured at the higher funding method.

Trustee Pec asked why the GASB number does not match the number in the Annual Report. Trustee Kobler advised that this GASB uses different assumptions to get their numbers. In the report it states the results of the valuation and the recommended contribution and statutory minimum from the Village for the next tax season.

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

MOTION: Made by Trustee Pec, seconded by Trustee Kobler, to approve the Actuarial Report for fiscal year 2011.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

9. APPROVAL - ANNUAL REPORT - FISCAL YEAR 2011

Trustee Pec asked if the timing of this report is set by statute. It is based on the state statute and the Village of Willowbrook is one of the few municipalities that do not levy a property tax and they need to have this number prior to December.

The signatory on the report needs to be changed from President to Vice President.

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

MOTION: Made by Trustee Pec, seconded by Trustee Kobler, to approve the Annual Report for fiscal year 2011, as amended.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

10. INFORMATION - DEPARTMENT OF INSURANCE REPORT

Ms. Stuchl advised that all social security numbers have been automatically blanked out, with the new system.

Trustee Kobler asked if all the signatures could be obtained today and the report submitted. Ms. Stuchl advised that it has already been done.

Trustee Pec asked if the Revenue statement was accurate, that the Village contributed \$552,000. It was confirmed that it is correct.

President Davi inquired on what were the \$2,200 travel expenses for. They were for conference fees from the St. Louis conference and Trustee Pec's certification. The Board would like Ms. Dittman to move items from line item "travel" to "conference and seminars" or "education", in the future.

11. INFORMATION - 2011 AUDITED FINANCIAL STATEMENTS & MANAGEMENT LETTER

The Pension Board reviewed the 2011 Audited Financial Statements and Management Letter.

Trustee Pec advised that the fund was over in the investment allocation by 1.27% or \$181,000.

Ms. Krafcheck advised it is just stating that we were over weighted in fixed income by 1.27% however the target range are 55% x 45% and the Village is not in violation of the state statute, as of April 2011.

12. VISITOR BUSINESS

None presented.

13. NEW BUSINESS

None presented.

14. OLD BUSINESS

Trustee Pec advised he needs to complete 8 more hours for his certification.

Ms. Krafcheck asked if the Board could review and place on the January 2012 agenda the Updated Investment Management Agreement. There are no changes in the fees. Any changes are just due to legal or regulatory changes since 1998.

15. COMMUNICATIONS

None presented.

16. ADJOURNMENT

MOTION: Made by Trustee Kobler, seconded by Trustee Eisenbeis to adjourn the meeting of the Board of Trustees of the Police Pension Fund at the hour of 4:28 p.m.

UNANIMOUS VOICE VOTE

MOTION DECLARED CARRIED

PRESENTED, READ and APPROVED,

January 27, 2012

President

Minutes transcribed by Debbie Hahn.