

[DRAFT]

**MINUTES OF THE REGULAR MEETING  
BARRINGTON HILLS POLICE PENSION BOARD  
July 26, 2010**

**Call to Order.** President Hammelmann called the meeting of the Barrington Hills Police Pension Board to order at 7:30 a.m. in the conference room of the Village Hall.

**Roll Call.** Present - Trustees Borck, Fernandez, White and President Hammelmann (4). Also present were Investment Advisor Dave Wall and Board attorney Nanci Rogers. Nathan Gaskill and Wes Levy of Lauterbach & Amen entered the meeting at 7:50 a.m.

**Approval of Minutes.** The Board reviewed a copy of the minutes from the April 26, 2010 meeting. Motion by White, seconded by Borck, to approve the minutes of the April 26, 2010 meeting.

Ayes: President Hammelmann, Trustees Borck, Fernandez and White (4).

Nays: None. Motion carried.

**Discussion of Renewal of Board's Fiduciary Liability Insurance Policy.** The Board's fiduciary liability insurance policy is up for renewal as of October 1, 2010. The Board has submitted its application for renewal but has not yet received confirmation of the premium amount for the annual renewal. The insurance broker has advised attorney Rogers that he expects the premium to remain the same as last year, or possibly be reduced slightly. The Board authorized President Hammelmann to sign the insurance contract renewal when it is received, and will vote to ratify the contract at the next Board meeting.

**Payment of Bills.** Motion by Hammelmann, seconded by Borck, to pay the following bills:

Robbins Schwartz	\$ 1,731.05
Lauterbach & Amen	\$ 1,480.00
Wall & Associates	\$ 2,698.51
Timothy W. Sharpe	\$ 1,500.00

Ayes: President Hammelmann, Trustees White, Fernandez and Borck (4).

Nays: None. Motion carried.

**Receipt of IME for Officer Fernandez.** As required by statute, Officer Fernandez recently underwent an annual Independent Medical Examination (IME) in connection with his receipt of disability pension benefits. Dr. Kevin Tu conducted the IME and submitted his written medical opinion and report finding that Officer Fernandez remains unable to return to his duties as a police officer. Motion by Borck, seconded by White to accept the IME report of Dr. Tu.

Ayes: President Hammelmann, Trustees Borck and White (3).

Nays: None.

Not voting: Trustee Fernandez.

Motion carried.

### **Board Attorney Report.**

PA96-1143 Attorney Rogers reported that HB5149 was signed by the Governor on July 21, 2010 and has been enacted as PA96-1143. This amends Section 3-108.3 of the Illinois Pension Code to include in the definition of "Beneficiary" a special needs trust that has been established for a disabled adult child so that such trust may stand in lieu of the disabled adult child as a beneficiary for purposes of this Article of the Pension Code.

Attorney Rogers reported on pending legislation that if enacted would affect the pension fund and the Board's obligations as follows. Attorney Rogers will keep the Board updated on the status of any of these bills that become law.

HB 5483 Would amend the Illinois Open Meetings Act to provide that a public body approve minutes of its open meeting within 30 days after the meeting or at its second subsequent regular meeting, whichever is later. This bill has passed both Houses and has been sent to the Governor for signature.

SB 3022 Would amend the Pension Code to allow police officers to establish creditable service for up to 2 years of military service before employment. Requires payment of employee and employer contribution plus interest. This bill has passed both Houses and was sent to the Governor for signature.

The followings bills dealing with pension finance reform are pending assignment when the legislative session re-opens.

SB 2574 Would amend the Downstate Police and Firefighter Article of the Pension Code to provide that for taxable years 2010 and 2011, the municipality would be required to levy at a rate that would produce an amount for the 2 year period that is the lesser of (i) the amount levied for 2009 multiplied by 1.1 or (ii) an amount that would equal the annual actuarial requirements of the pension fund.

HB 5873 Would amend the Pension Code to provide that pension funds shall provide certain reports on the pension fund to the Department of Insurance upon issuing such reports to the municipality. Also requires the Department to compile these reports on an annual basis into a comprehensive report and make the report available to the General Assembly and the Governor. Further, Senate Amendment 3 to the bill

would modify the benefit structure for new police hires beginning service on or after January 1, 2011 to raise full retirement age from 50 to 55 years, recompute the Final Rate of Earnings (FRE) to include the highest 48 consecutive months of the last 120 months, reduce the maximum pension to 72% of FRE at 30 years, and compute annual increases as the lesser of 3% simple or CPIU, rather than 3% compounded, among with provisions. The Amendment also would mandate that municipalities contribute no less than the employer contribution amount determined by the DOI, if funding falls below 50%, and would implement a penalty provision providing that pension fund trustees could take a municipality's LGDF revenue, sales tax and other state collected revenue to enforce compliance beginning in 2015.

**Accountant Report.** Nathan Gaskill distributed a monthly financial report for the month ending June 30, 2010 prepared by Lauterbach & Amen LLP. The report depicted the statement of plan net assets for the Fund as of June 30, 2010, and the related statement of changes in plan net assets for the one month and six months ending June 30, 2010. As of June 30, 2010, plan net assets held in trust were \$3,743,273.70. Plan net assets increased by \$342,500.09 for the six months ending June 30, 2010. Gaskill also reviewed supplementary financial information contained in the report including a summary of cash and investments and Fund asset allocations as of June 30, 2010, and a detailed report of Fund revenues and expenses. The asset allocation as of June 30, 2010 showed approximately 24% of funds invested in the equity markets. A copy of the report is attached to these minutes. Gaskill also referenced the Fund's Annual Report that has now been filed with the State and will email a copy of the report to the Trustees.

Trustee White asked about the liability recorded as "Due to the Municipality" of \$18,359.00 on the Statement of Plan Net Assets as of June 30, 2010. Gaskill stated that this represents an amount recorded by the Village representing the difference between property tax collections versus actual disbursements to the Village. Gaskill is continuing to work with the Village to ensure that the Village's monthly trial balances comply with the auditor's statements and procedures.

**Investment Report and Recommendations.** Investment Advisor Dave Wall distributed a report showing the status of the Fund's investment portfolio as of the second quarter of 2010. A copy of the report is attached to these minutes.

As of June 30, 2010, the Fund portfolio was invested 18% in equities, 7% in cash, and 75% in fixed income securities. Wall reviewed the performance of the Fund's investments for the first quarter noting that the Fund experienced an investment loss of approximately \$22,000 during the quarter, with plan assets valued at approximately \$3.8 million as of June 30, 2010. The Fund's overall rate of return for the year to date was approximately 1%. Wall reported that the Fund's fixed income portfolio had a gain over the past year, but lagged behind the benchmark index. Overall, the Fund's equity portfolio experienced a healthy gain in April, but then gave back that gain in May and

June and was down approximately 8<sup>3</sup>/<sub>4</sub>% year to date. However, the Fund's equity's are up close to 19% since June 30, 2009, slightly ahead of the benchmark index.

Wall noted that the outlook remains more optimistic for stocks than bonds. Wall recommended that the additional cash in the Illinois Funds account be invested in equities. Wall stated that he remains cautiously optimistic about the economy, but that the major challenges are slower than expected growth in employment and continued sluggish performance of the housing sector.

**Guest Speakers.** None.

**Further Matters for Discussion.** President Hammelmann advised the Board that Mayor Abboud has not yet made an appointment to fill the open seat on the Board.

The Board received the Actuarial Valuation Report on the Pension Fund for the year beginning January 1, 2010 and ending December 31, 2010. The Trustees were provided with copies. Actuary Tim Sharpe was not present. Nathan Gaskill pointed out some of the highlights of the report. Since the last actuarial valuation in 2008, the Tax Levy Requirement has increased 9.7% and the Percent Funded increased from 25.7% in 2008 to 35.7% in 2010. Gaskill pointed out that two primary actuarial assumptions are a 7% investment rate of return and 5.5% salary increases.

**Next Meeting.** It was announced that the next regular Board meeting will be October 25, 2010 at 7:30 a.m. at the Village Hall in the Village of Barrington Hills.

**Adjournment.** On motion by Trustee Fernandez, second by President Hammelmann, and unanimously carried by voice vote, the meeting was adjourned at 8:33 a.m.

APPROVED:

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President Hammelmann

\_\_\_\_\_, 2010