

**MINUTES OF THE REGULAR MEETING  
BARRINGTON HILLS POLICE PENSION BOARD  
OCTOBER 24, 2011**

**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, White, Fernandez and President Hammelmann (4). Also present were Investment Advisor Dave Wall, Wes Levy of Lauterbach & Amen and attorney Nanci Rogers of Robbins, Schwartz, et al.

**Approval of Minutes.** The Board reviewed a copy of the minutes from the July 25, 2011 regular meeting. Motion by Borck, seconded by White, to approve the minutes of the July 25, 2011 meeting.

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

Nays: None. Motion carried.

**Investment Report and Recommendations.** President Hammelmann announced that the investment report agenda item was being moved up because Mr. Wall would have to leave the meeting early. There was no objection to the agenda change. Investment Adviser Dave Wall distributed a report showing the status of the Fund's investment portfolio as of the third quarter of 2011. A copy of the report is attached to these minutes.

As of September 30, 2011, the Fund portfolio was invested approximately 25% in equity mutual funds, holding approximately 11.7% in cash, with the balance in fixed income securities. Wall reviewed in detail the performance of the Fund's investments for the third quarter noting that the Fund experienced a loss after management fees of \$280,430 during the quarter, with plan assets valued at approximately \$4,532,863 as of September 30, 2011. The Fund's portfolio had \$421,031 in additions and \$243,890 in withdrawals during the third quarter, with approximately \$195,000 in realized losses, and approximately \$105,000 in unrealized losses at the end of the quarter. Overall, the portfolio was down about \$280,000 in the third quarter, with a 5.6% negative rate of return. Year to date, the portfolio is down by about 3.5%, with a positive 3.0% rate of return since December 2008.

As of September 30, 2011, the fixed income portfolio was invested 85% in U.S. government bonds, and 15% in mortgage backed securities. The current yield on the fixed income portfolio is approximately 3.3%. Wall noted that the Fund has remained somewhat conservative in the bond fund. The equities portfolio is currently invested 53% in domestic stocks and 37% in non-domestic stocks. Wall noted that it has been a difficult year for equities markets and that mutual funds are struggling and lagging behind the applicable benchmarks.

Trustee White asked Wall for his recommendation regarding the Fund's cash position. Wall stated that he remains cautious about equities both for the rest of 2011 and perhaps into 2012 as there are many mixed signals in the market and the economy.

Wall recommended that if the Fund reduces its cash position, that it moves into fixed income securities, at the short end of the yield curve, and not into equities.

Wall asked the Trustees their opinion about the use of ETF (exchange traded funds) instead of mutual funds when the Fund reaches the \$5,000,000 level. The Trustees agreed that this should be considered, but the Fund is not yet at that level.

Mr. Wall left the meeting at 8:02 a.m.

**Payment of Bills.** Motion by White, seconded by Fernandez, to pay the following bills:

Robbins, Schwartz	\$ 1,560.00
Lauterbach & Amen	1,095.00
Wall & Associates	3,486.99
Mesirow Insurance Services	2,572.00
NCPERS (2012 dues)	225.00

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

Nays: None. Motion carried.

**Board Attorney Report.** Attorney Rogers advised the Board that the Fund's fiduciary liability insurance policy renewed on October 1, 2011. It is the same policy and coverage and the annual premium dropped to \$2,572.00 primarily because the Fund had no claims in the past year. Rogers advised the Trustees that the Illinois Open Meetings Act ("Act") has been amended, effective 1/1/12, and will now require all trustees, appointed and elected, to annually complete training on the Act. Previously only the Board's Open Meetings Act "designee" was required to complete annual training. Current Trustees will have until January 1, 2013 to complete the training and the Public Access Counselor ("PAC") may be developing separate on-line training for this purpose. Rogers will keep the Trustees apprised of further training options. Any trustee appointed or elected on or after January 1, 2012 must complete the training within 90 days of becoming a trustee.

Rogers also apprised the Trustees of certain amendments to the Freedom of Information Act ("FOIA"), including elimination of the need for pre-authorization from the PAC to claim exemptions for information based on personal privacy or preliminary draft, and certain protections from requests by "recurrent requestors." Rogers will work directly with the Board's FOIA officer when the Board receives a FOIA request as to any applicable exemptions.

Rogers briefly reviewed the amendments made to Article 3 of the Illinois Pension Code, effective January 1, 2011, that created a "second tier" of benefits for members new to downstate pension funds on or after January 1, 2011. The reform included an increased minimum retirement age, a new method for calculating final average salary and revised cost of living adjustments for annuitants. Rogers advised the Board about proposed legislation (SB 512) that would create a third tier of benefits for many state pension funds. The initial proposed legislation included police and fire pension funds in the changes, but the legislation currently pending does not include these funds. SB 512

failed to pass; however legislative leaders have stated that they would work on another version of additional pension reform which could be presented during the Fall veto session scheduled for October 25, 26, 27 and November 8, 9, 10.

**Accountant Report.** Wes Levy distributed a monthly financial report for the month ended September 30, 2011 prepared by Lauterbach & Amen, LLP. A copy of the report is attached to these minutes. The report depicted the statement of plan net assets for the Fund as of September 30, 2011, and the related statement of changes in plan net assets for the nine months ending September 30, 2011. As of September 30, 2011, plan net assets held in trust were \$4,612,859. Plan net assets increased by \$402,953 for the nine months ending September 30, 2011. Total member contributions to the pension fund for the nine months ending September 30, 2011 were \$123,258, employer contributions were \$640,582, for an increase in total contributions of \$763,840. Levy also reviewed supplementary financial information contained in the report. Investment income for the period was a \$179,499 loss. Levy provided a draft Municipal Compliance Report for the year ended December 31, 2010. At this time not all information was available for the fiscal year.

Mr. Levy also provided the forms for the Board to sign that are necessary in order to convert to the Lauterbach & Amen Pay 2Day Program, as was discussed at the July 2011 Board meeting, and to authorize ACH payments of the Board's bills. Motion by Borck, Seconded by Fernandez to authorize the change and ACH payment through Lauterbach & Amen. Motion unanimously carried by voice vote.

**Vacant Board Seat.** President Hammelmann reported that the Mayor has not yet made an appointment to fill the vacant Board seat, but has indicated that he may have a new appointed Trustee in place by the January 2012 Board meeting. President Hammelmann will follow up with the Mayor.

**Guest Speakers.** None.

**Fernandez Annual IME.** 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 Hammelmann, seconded by Borck to accept the IME report of Dr. Tu.

**Further Matters for Discussion.** Trustee Fernandez advised the Board that there is a Trustee ethics training session available from the IPPFA to be held at Judson College on November 4, 2011.

There were no other matters for discussion.

**Next Meeting.** It was announced that the next regular Board meeting will be January 23, 2012 at 7:30 a.m. at the Village Hall in the Village of Barrington Hills.

**Adjournment.** On motion by Fernandez, seconded by White, and unanimously carried by voice vote, the meeting was adjourned at 8:40 a.m.

APPROVED:

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President Hammelmann

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