

**MINUTES OF THE REGULAR MEETING
BARRINGTON HILLS POLICE PENSION BOARD
OCTOBER 29, 2012**

Call to Order. At 7:30 a.m., President Hammelmann reviewed the status of Trustees who were present for the meeting in the conference room of the Village Hall. A quorum of trustees was not physically present and President Hammelmann stated that he had been advised that an additional trustee was en route to the meeting, and accordingly the meeting time was temporarily postponed pending arrival of additional Trustees. President Hammelmann called the meeting of the Barrington Hills Police Pension Board to order at 8:20 a.m. in the conference room of the Village Hall.

Roll Call. Present – Trustees Borck, White, and President Hammelmann (3). Also present were Wes Levy of Lauterbach & Amen, attorney Nanci Rogers of Robbins, Schwartz, and Investment Advisor Bill Galgan of Wall and Associates.

Approval of Minutes. The Board reviewed a copy of the minutes from the July 23, 2012 regular meeting. Motion by White, seconded by Borck, to approve the minutes of the July 23, 2012 meeting.

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

Nays: None. Motion carried.

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

Robbins, Schwartz	\$ 2,366.48
Lauterbach & Amen	1,640.00
Wall & Associates	2,870.99
NCPERS	225.00
Mesirow Insurance	2,572.00
Gary Hammelmann	86.99
(Reimbursement for costs to mail audit materials to IDOI)	

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

Nays: None. Motion carried.

Board Attorney Report. Attorney Rogers advised the Board that on September 3, 2012, the Board received written notice from the Illinois Department of Insurance (IDOI) that the IDOI was undertaking a compliance audit of the Police Pension Fund. Rogers advised the Board that this was a standard procedure for the IDOI to perform compliance audits on an occasional basis. In this case the IDOI is conducting a “desk audit” by requesting a schedule of specified records to be sent to the IDOI for review, in lieu of an on-site visit. A desk audit is generally performed for smaller police pension funds with less than 25 members. On receipt of the audit notice, Rogers had called the IDOI and obtained an extension of time to submit the records, which President Hammelmann submitted by mail on or about September 28, 2012. To date, the Board

has not received any additional request for records. It is expected that the Board will receive a written report when the compliance audit has been completed.

Rogers further advised the Board that the Board's fiduciary liability insurance was up for renewal as of October 1, 2012. The policy is issued by State National Insurance Company, and the renewal for the same policy, terms, limits, and coverage was offered with no change in the annual premium rate of \$2,572. After conferring with and receiving authorization from President Hammelmann and Secretary Borck, Rogers arranged for the policy renewal which has been issued.

Rogers advised the Board of the need to provide the Village Board with the Pension Board's request for an annual levy for the pension fund prior to the Village Board acting to approve its 2012 levy. The request needs to include an actuarial valuation based on an assessment of current liabilities and the amount of funding needed to bring the fund up to 90% funding by the end of FY 2040. The Pension Board may provide a report of an independent actuary, or the actuarial report provided by the IDOI. Last year the Board obtained an independent report from actuary Tim Sharpe because the IDOI failed to provide a report last year for all pension funds. However, the IDOI will resume providing reports this year. Rogers will check with the IDOI on the time frame for issuance of the annual report, which should be issued prior to the date for the Village Board's levy adoption. In the meantime, the Board authorized issuing a letter to the Village Board requesting funding in the same dollar amount as last year.

Rogers reminded the Board that the proposed amendment to the Illinois Constitution, HJRCA49, will appear on the ballot at the general election in November 2012. If approved by the voters, the Illinois Constitution will be amended to require a 3/5 supermajority vote to pass any legislation that would increase pension benefits. This includes local government bodies which have authority over local pension benefits. Rogers distributed a copy of the proposed amendment question as it will appear on the November 6th ballot, and also information prepared by the State of Illinois regarding the amendment.

Rogers also reminded the Trustees about the statutory requirement that they complete 16 hours of annual Trustee training no later than February 13, 2013, the deadline for completion including the applicable grace period.

Rogers noted that the Illinois legislature will return for the Fall veto session scheduled for November 27-29 and December 4-6.

Accountant Report. Wes Levy distributed a monthly financial report for the month ended September 30, 2012 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, 2012, and the related statement of changes in plan net assets for the nine months ending September 30, 2012. As of September 30, 2012, plan net assets held in trust were \$5,880,705. Plan net assets increased by \$743,301 for nine months ending September 30, 2012. Total member contributions to the pension fund for the nine months ending September 30, 2012 were \$125,843, and employer contributions were \$617,458. Net investment income for the nine month

period was \$341,379. Total additions to plan net assets for the nine month period was \$900,631. Benefits paid and administrative expenses for the nine months ending September 30, 2012 totaled \$184,049. Total plan net assets as of September 30, 2012 were \$5,822,987.

Levy also reviewed supplementary financial information contained in the report. As of September 30, 2012, the Fund's assets were invested 42% in equities and 49% in fixed income securities. Nine (9) percent of the Fund's assets were invested in demand deposits and money market mutual funds, which count as fixed income investments. Levy reviewed the cash analysis report for the twelve months ending September 30, 2012 which shows a positive cash flow with net plan assets continuing to increase on a monthly basis, with the only month experiencing a negative cash flow, August, 2012, when property taxes were not received by the Fund. Total Fund revenue increased \$1,091,089 during the nine month period ending September 30, 2012 and total Fund expenditures were \$190,458 during the same period.

Levy also provided a copy of the Pension Fund Municipal Compliance Report for the Fiscal Year ended December 31, 2011. Levy noted that much of the information in the report reflects the last actuarial report prepared by Tim Sharpe in October 2012, which was based on final financial information for the year ended December 31, 2010. Levy will forward the Sharpe report electronically to all Trustees. The Municipal Compliance Reports shows the estimated amount required to pay all pensions and other obligations for the next succeeding fiscal year at \$306,400, and that the recommended municipal contribution last calculated was \$579,127. Levy reported that the funded ratio for the current fiscal year was 40.02%, which is up over 4% from the prior fiscal year.

The Board is required to provide the Municipal Compliance Report to the Village Board, and to state the amount requested for the Village levy for the Fund for the coming year. The Trustees reached a consensus to keep the requested levy amount the same as last year, based on review of the report and other financial information. Attorney Rogers will send a letter to the Village Board on behalf of the pension Board with the request and enclosing a copy of the Municipal Compliance Report.

Investment Report and Recommendations. Investment Adviser Bill Galgan distributed a report showing the status of the Fund's investment portfolio as of the third quarter of 2012. A copy of the report is attached to these minutes.

As of September 30, 2012, the Fund portfolio was invested approximately 30% in equity mutual funds (23.7% in U.S. Stocks and 6.3% in non-U.S. stocks), approximately 8.9% in cash, with the balance in fixed income securities. Galgan reviewed in detail the performance of the Fund's investments for the third quarter. The market value of the Fund's portfolio was \$5,356,395 at the beginning of the third quarter and \$5,744,023 as of September 30, 2012. The Fund experienced a gain after management fees of \$132,591 during the quarter for an overall rate of return of 2.5% for the quarter. On a year-to-date basis, the Fund is up approximately 4%, in large part due to the growth in the stock portfolio. Mr. Galgan discussed the performance of the Fund's bonds against the benchmarks. The fixed income portfolio gained \$47,705 before management fees during the third quarter to a market value of \$3,847,476 for a 1.28% rate of return. This exceeded the applicable benchmark by nearly 0.75%. Galgan pointed out the transfer of

\$125,000 from the fixed income account to equities during the quarter, in line with the Board's direction at the prior meeting. Galgan reported that Dave Wall was recommending a continued gradual move into equities, and to pare down holdings of Ginnie Maes. Galgan also recommended keeping PIMCO as that also reflects the corporate bond exposure, and noted that the investment options can be reconsidered when the Fund reaches the \$10 million level. On the equities side, the Fund made a gain of a 5.4% rate of return during the third quarter, which trailed the applicable benchmark by about 1%, primarily due to an intentional move for the Fund to take a slightly more defensive position. The Board considered whether the Fund should have a target to cautiously move the investment in equities closer to 45%, and there was a consensus to move in that direction. In general, this will involve a further move out of Ginnie Maes and into equities, with a conservative approach.

Brief Discussion on Audit, and Approval of Mailing Costs: President Hammelmann reported that the materials requested by the Illinois Department of Insurance in order to complete the compliance audit were mailed to the IDOI in September, 2012. The cost for mailing the requested materials and records was \$86.99. Motion by Hammelmann, seconded by Borck to approve the expenditure of \$86.99 for the mailing of audit materials to IDOI.

Ayes: President Hammelmann, Trustees White and Borck (3)
Nays: None. Motion Carried.

Guest Speakers. None.

Further Matters for Discussion; Vacant Board Seat.

There were no other matters for discussion. No discussion of vacant Board seat.

Next Meeting. It was announced that the next regular Board meeting will be January 28, 2013 at 7:30 a.m. at the Village Hall in the Village of Barrington Hills.

Adjournment. On motion by Hammelmann, seconded by White, and unanimously carried by voice vote, the meeting was adjourned at 9:05 a.m.

APPROVED:

President Hammelmann

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