

[DRAFT]

**MINUTES OF THE REGULAR MEETING  
BARRINGTON HILLS POLICE PENSION BOARD  
October 25, 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 Fernandez, White and President Hammelmann (3). Trustee Borck was absent. Also present were Investment Advisor Dave Wall, Board attorney Nanci Rogers, and Wes Levy of Lauterbach & Amen.

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

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

Nays: None. Motion carried.

The Board reviewed a copy of the minutes from the September 20, 2010 special meeting. Motion by Fernandez, seconded by Hammelmann, to approve the minutes of the September 20, 2010 special meeting.

Ayes: President Hammelmann, Trustees Fernandez. Trustee White abstained because he was not present at the September 20, 2010 meeting.

Nays: None. Motion carried.

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

Robbins Schwartz	\$ 2,861.80
Lauterbach & Amen	\$ 355.00
Wall & Associates	\$ 2,819.05
IPPFA (2010 & 2011 dues)	\$ 1,525.00

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

Nays: None. Motion carried.

**Ratify Fiduciary Liability Insurance Contract Renewal.** At the July meeting, the Board authorized President Hammelmann to execute renewal of the Board's fiduciary liability insurance policy. The insurance policy has been renewed through Ullico for an annual premium in the amount of \$2,576, a significant reduction from the prior year premium of \$3,000, with no reduction in coverage. Motion by Fernandez, seconded by White, to ratify the renewal of the fiduciary liability insurance policy. Motion carried by unanimous voice vote.

**IPPFA 2009 Dues.** President Hammelmann advised the Board that while payment for 2009 IPPFA dues previously had been approved by the Board, the check had been written but inadvertently not sent to the IPPFA. Accordingly, the check will be voided and reissued for the 2009 dues in the amount of \$750.

**Board Attorney Report.** Attorney Rogers reported on recently enacted legislation and pending legislation which if enacted would affect the pension fund and the Board's obligations. Attorney Rogers noted that there has not been much legislative activity on pension fund issues during the past few months and that the Illinois legislature will convene for its veto session on November 16, 2010.

The following bills that were discussed at the July Board meeting as pending enactment have now been signed into law by the Governor.

HB 5483 Signed into law on August 23, 2010. Amends the Illinois Open Meetings Act to provide that a public body approve minutes of its meetings within 30 days after the meeting or at its second subsequent regular meeting, whichever is later.

SB 3022 Signed into law on July 23, 2010. Amends 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.

The following bills dealing with pension finance reform are pending assignment when the legislative session re-opens. Attorney Rogers will keep the Board updated on the status of any of these bills.

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, along 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.

Attorney Rogers also reminded the Trustees that statutory requirements for pension fund trustee training requires that Trustees complete 16 hours of continuing education each year, with training requirements for the current year to be completed by August 13, 2010, with a grace period for completion by no later than February 13, 2011. (Reference 40 ILCS 5/1-109.3) Each Trustee was provided a certificate documenting the number of training hours he had earned based on attendance at specific Pension Board meetings over the past year that incorporated qualified trustee training.

**September 20, 2010 Special Board Meeting.** Attorney Rogers stated that a special board meeting was held on September 20, 2010 where the Board reviewed and approved the application of former Sgt. Montemayor for a refund of pension contributions. President Hammelmann reported that the application has been processed and the refund issued.

**Accountant Report.** Wes Levy distributed a monthly financial report for the month ending September 30, 2010 prepared by Lauterbach & Amen LLP. The report depicted the statement of plan net assets for the Fund as of September 30, 2010, and the related statement of changes in plan net assets for the one month and nine months ending September 30, 2010. As of September 30, 2010, plan net assets held in trust were \$3,956,447.40. Plan net assets increased by \$555,673.79 for the nine months ending September 30, 2010. Levy also reviewed supplementary financial information contained in the report including a summary of cash and investments and Fund asset allocations as of September 30, 2010, and a detailed report of Fund revenues and expenses. The asset allocation as of September 30, 2010 showed approximately 64% of funds invested in U.S. Government Securities and Agencies. A copy of the report is attached to these minutes.

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

As of September 30, 2010, the Fund portfolio was invested 20% in equity mutual funds, 11% in cash, and 69% in fixed income securities. Wall reviewed the performance of the Fund's investments for the third quarter noting that the Fund experienced an investment gain of \$127,554 during the quarter, with plan assets valued at approximately \$3.9 million as of September 30, 2010. The Fund's overall rate of return for the year to date was approximately 4.4%. Wall reported that the Fund's fixed income portfolio had a gain of approximately 1% during the third quarter. Overall, the Fund's equity portfolio

experienced about a \$100,000 gain during the third quarter of 2010, and is up approximately 10½% for the past year. The gain over the past twelve months exceeded the benchmark index by more than 2%.

Wall noted that there has been significant volatility in the markets and much uncertainty among investors in part due to uncertainty about future tax rates. Wall stated that he is not planning a significant change in mutual fund investments in the near term, but may do some rebalancing.

**Vacant Board Seat.** President Hammelmann stated that the Mayor has not yet appointed a Trustee to fill the vacancy on the Board.

**Guest Speakers.** None.

**Further Matters for Discussion.** The Board accountants, Lauterbach & Amen, have presented to the Board for review a new engagement letter to extend services for a three year period through December 31, 2013. Attorney Rogers will review the engagement letter and the Board will put discussion and approval of the letter on the January 2011 Board meeting agenda.

President Hammelmann advised the Trustees that the Board had received information from NCPERS with an invitation to join that organization. Discussion of this matter will be placed in the January 2011 Board meeting agenda.

**Next Meeting.** It was announced that the next regular Board meeting will be January 24, 2011 at 7:30 a.m. at the Village Hall in the Village of Barrington Hills.

**Adjournment.** On motion by Trustee Fernandez, second by Trustee White, and unanimously carried by voice vote, the meeting was adjourned at 8:15 a.m.

APPROVED:

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President Hammelmann

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