



Urbana Police Pension Fund

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URBANA POLICE PENSION FUND

Thursday, July 17, 2014, @ 1:00 PM.

**** Next Board Meeting: Friday, November 7, 2014, @ 1:00 PM ****

**** City Building - Police Conference Room ****

Present: Steve Royal, President (Term expires 5/31/16)
Dave Smysor, Secretary (Term expires 5/14/15)
Earl Hamilton, (Term expires 6/30/15-Mayoral Appointee)
Rich Hentschel, Treasurer, Mayoral Appointment (Term expires 12/15)

Others

Present: Jim Dobrovolny, Attorney for the Board
Patrick Donnelly, Greystone Consulting, a division of Morgan Stanley
Ron Eldridge

Member

Absent: Doug Pipkins, Assistant Secretary (Term expires 5/31/16)

The meeting was called to order at 1:05 PM by S. Royal. Motion by S. Royal to approve the Minutes of April 25, 2014, seconded by D. Smysor, R. Hentschel abstained, E. Hamilton (aye), motion carried.

The amended Minutes from January 24, 2014 were distributed.

Old Business:

Pensioner Annual Checks – Woodlake: D. Smysor stated he has enlisted Woodlake to follow-up with the pensioner disabilities for those under 50 years of age that are required to have an annual physical, certifying they are disabled. D. Winn Mauer is set for next week; A. Carpenter's appointment is in September. S. Scharf is still under the care of his physician for treatment of his shoulder; he can probably get his physician to approve/write a letter to document his condition. J. Dobrovolny said it's up to the Board to accept his Dr.'s note. S. Royal thinks S. Scharf's Dr. note is fine, knowing his history and all that he's recently been through, with his

artificial shoulder replacement. D. Smysor concurs as his Dr. was one of the three reports used for his disability.

D. Smysor said he told Woodlake he'd like to keep the appointments in Champaign County. D. Smysor stated Dr. Fletcher's bill @ Safeworks increased substantially; however, Woodlake was able to negotiate w/ them, so the fee of \$2,700, per IME, was negotiated down \$900, which includes the fee Woodlake is charging for making the arrangements

New Business:

Public Participation: None

Board Election: J. Dobrovolny explained the Board consists of 2 active duty officers, 2 mayoral appointees, and one from non-active duty. There was a retired trustee and active duty position open on the Pension Board. This election is for a 2 year appointment, with the expiration date of 05/31/16. J. Dobrovolny summarized the election, stating the two nominating individuals from the retired and active pensioners are S. Royal and D. Pipkins. These two individuals are the only ones interested in running for the Board; therefore, the Board can declare them trustees by acclamation since no one is interested in running.

Motion by E. Hamilton to declare S. Royal and D. Pipkins the winners of the election; motion seconded by D. Smysor; a voice vote followed: S. Royal (aye), E. Hamilton (aye), and R. Hentschel (aye); motion carried.

Auditor RFP: At the last Board meeting, there was discussion for R. Eldridge and the Board President to solicit for an auditor for the Fund. The Board would have the auditor compile their own report, with a letter to the Board. In the past, the City and the Fund used the same auditing firm. This year the Board has their own auditing firm.

R. Hentschel was asked if he has all the info he needed for the City. He'll advise later what's needed for the City.

Non-Paid Time-off for Active Pensioners-Medical Leave: D. Smysor brought up a current officer: J. Difanis, who is on medical leave. R. Eldridge stated the dates for her time off need to be clarified so it can be noted at the next quarterly meeting. J. Difanis is on FMLA, and if she wants to maintain that period of time w/ the Pension Fund, she needs to reimburse the Fund.

Non-Paid Time-off for Active Pensioner –Disciplinary Leave: As an aside, up to 30 days of disciplinary leave can be purchased back. In the past, one day of time off was not tracked. The Board members are not normally in the loop of disciplinary issues, so they are unaware of non-paid time off.

Agenda for next meeting – Resignation of Officer D. Bailey: D. Bailey will be leaving the Department after 12 years of service (last date of service: 080814). D. Bailey inquired about his pension:

- Is the pension distribution taxed or not taxed (answer: The City taxes the contribution that goes into the Fund). Since those contributions are taxed before they go in, he'll get his contributions back in a lump sum and that is what is reimbursed to him.
- Sick Leave: Buy back is not a pension issue.
- Salary: His pension would be based on his salary now, not when he starts to draw.
- Vested: Once vested, he would be a pensioner at age 60, as long as he keeps the funds in that long.
- If he defers his pension, he gets his pension at age 60. If he dies, does it transfer (yes). Does his spouse get the pension when he would have turned 60 (unsure, while this sounds logical, J. Dobrovlny would have to double check).
- Would his pension transfer to his spouse and/or children? His estate would have a right and that pension would be in his estate; J. Dobrovlny thinks when he turns 60 is when we would pay out and he's married to that person. At age 58, both die, his contributions would be a lump sum in his estate. If he had minor children under 18, then they would get the funds; if it's a child that's permanently disabled, that may go on for a while too.

J. Dobrovlny recommended D. Bailey should talk to a tax person; discussion for him to leave the pension in, but that's his decision if he wants to be a deferred pensioner.

IPPFA: Annual training requirements can be met by attending the IPPFA annual conference, which is in Lake Geneva, WI. R. Hentschel will review the info; D. Smysor will make the arrangements. The conference is Tuesday – Friday (3 days, 9/30-10/3/14). R. Eldridge will advise the Board if he decides to go, as well as E. Hamilton.

Financial Report: R. Eldridge distributed a copy of a preliminary Audit Report (7/1/2013-6/30/14). P&L gained \$4.1 million (& upwards) from the gain in stock investments (60% of investments are now in stock); this report will be finalized at the next meeting.

He also distributed the Quarterly Financial Report: 60% of investments – capped at 65% so the Fund is in compliance; benefit changes were for K. Jepsen and M. Miller, reaching age 55; T. Costa's passing. R. Eldridge stated he used to list each corporate bond, he's listing now purchases/sales and an aggregate # of when they mature, which shortens the report; it still shows the activity of purchase/sales.

Investment Notations: Regarding collateral, FDIC – Busey Bank (not covered, not collateralized) US Treasuries are agencies; corporate bonds are not covered (FDIC-investment grade under the law), Money Market Accounts (not FDIC insured) \$250,000 per participant v. \$250,000 for the Fund; P Donnelly asked J. Dobrovolny and J. Dobrovolny said it was \$ of participants. R. Eldridge stated that may be right. J Dobrovolny does not have an official citation; however, the FDIC acknowledged (25 years ago) one of the S&L went under and was taken over; at that time, the Fund had \$9-10 million, the bank said they were going to pay 80%. It took a long time, but they eventually paid us out the full amount. R. Eldridge stated if its \$250,000 per participant, there's nothing that is not covered, other than those corporate bonds. P. Donnelly and J. Dobrovolny believe it's the number of participants and that it's still current. This would apply to Busey, and they are not sure about the money market (P. Donnelly stated it should be considered a bank account).

S. Royal motioned to accept the financial report, as presented by R. Eldridge, E. Hamilton seconded motion, motion carried 3-1. R. Hentschel opposed; he stated as R. Eldridge is aware, the City has asked R. Eldridge to cease any activity w/ the 2 pension funds and for that reason the City cannot accept any work product of R. Eldridge's so because of that, R. Hentschel has to vote no oppose. J. Dobrovolny stated as a Trustee on the Board, R. Hentschel is not representing the City; he's representing the Board and its members. J. Dobrovolny stated R. Hentschel has to wear one hat in one room, another hat in another room; hopefully, he's voting as a trustee and member of this Fund. R. Hentschel stated the Motion carries and as a trustee and based on what he knows, he still has to vote 'no'. Motion carried.

Investment Presentation

Fee Schedule: P. Donnelly will e-mail the outline of fees & associated info to the Board. The outline of fees 35 basis points went to 40 basis points because it's one unified contract (net savings of \$12,000). Manager fees are broken down by manager (used to be 47 basis points 2 years ago, now 29 basis points, all inclusive costs – trading, custody, accounting work, etc.) This is driven because added low cost indexes to the fund and he's got back to the managers and gotten the fees lowered and negotiating fees (ADD fee lowered) to 67 basis points (was 98 basis points in the past). Assets have gone from \$20 million to \$32 million; larger pool

drives down the cost, as well as the Board actively monitoring fees and trying to figure out how to get costs lower.

Cost Schedule per Manager: Updated signers on the account: R. Hentschel added as a signer to the account. R. Donnelly explained the personal info requested as a signer.

Investment Review: Great start to the year; equity performance in the US continued its upward climb (due to monetary stimulus by major central banks throughout the world). Discussion of the US economy, US Equity Markets, Global Equity Markets, and the US Bond Market, etc., as well as an asset allocation analysis, account executive summary of performance, manager risk & performance analysis.

Motion by S. Royal to invest the previously mentioned money (\$157,000) to go into the international account with available cash (#416-129084) divided into:

\$150,000 in the Thornburg International Equity account (TGVIX),
\$150,000 in Vanguard FTSE – Developed Markets Index Fund (VEA)

D. Smysor seconds; R. Hentschel (aye), and E. Hamilton (aye); motion carried.

The 2nd motion by S. Royal was to deposit funds and use proceeds plus, available cash (\$600,000), to purchase:

\$300,000 to Virtus EM – (HIEMX)
\$300,000 to Harding Loevner EM (HLEMX)

(Funds Received - 7/24/14 \$600,000 deposited into account #129084)
(Purchased 7/29/14: HIEMX - 28,011.204 shares AND HLEMX – 5585.55 shares.)

D. Smysor seconds the motion; E. Hamilton (aye), and R. Hentschel (aye); motion carried.

IMRF Portability: J. Dobrovolny stated the IMRF portability bill is probably going to be signed. Also, on the Governor's desk is another bill that provides if the Board discovers a mistake in their calculation in what they are paying the member, if it's uncovered within three years, then you can recoup it and reduce their payment. If it's an underpayment, you can make a lump sum payment. If it's over 3 years, you can't recoup the overpayment but reduce it to the correct amount. Regarding social Security, if municipalities want to, they may be able to participate. There are 35 days to correct your error/mistake, so this would make the window much larger.

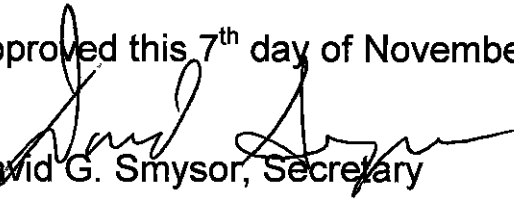
There being no further business before the Board, the meeting adjourned at 2:45.

Respectfully submitted,

Karen R. Snyder

Recording Secretary

Approved this 7th day of November, 2014.

A handwritten signature in black ink, appearing to read "David G. Smyser", written over the printed name.

David G. Smyser, Secretary