

URBANA POLICE PENSION FUND

308 SOUTH VINE STREET
URBANA, ILLINOIS 61801



URBANA POLICE PENSION FUND

January 9, 1998

***** NEXT MEETING – MAY 29, 1998, 9:30 AM, CITY BUILDING CONFERENCE ROOM*****

Present: Elmo Denniston, President
Jim Wuersch, Secretary
Steve Royal, Asst. Secretary
Ron Eldridge, City Comptroller
Greg Foster, Board Member

Others Present:

Dennis Belcher, Smith Barney
Jim Dobrovolny, Attorney for the Board

E. Denniston called the meeting to order. Motion by S. Royal to approve the Minutes of the last meeting (November 13, 1997), with the exception of the following amendment regarding Laurel Capital: the Fund will proceed with them as their equities manager. Motion with amendment seconded by J. Wuersch; motion passed.

Mel Schwartz: E. Denniston presented a plaque to M. Schwartz for his years of service to the Board.

IPPFA's Automatic Withdrawal of Fees : J. Dobrovolny met with the Department of Insurance in December regarding the IRS. R. Eldridge suggested setting-up a separate account, depositing \$1 in it for the Department of Insurance transfer. As soon as they notify us of the amount, the Fund can put the funds in the account; this accomplishes the goal of the Department of Insurance. (No action taken at this time.)

IPPFA Dues: Discussion of the \$600 annual dues; S. Royal stated that the Board should renew the dues to the Association; J. Dobrovolny stated that if the dues are paid, the Board can attend any of the meetings at the annual conference (10/98) at no additional cost. Motion by R. Eldridge, seconded by S. Royal to pay the dues; motion carried.

Joint Testing: J. Wuersch met with R. Gremore (Personnel) regarding joint physicals. They will meet with Carle and Dr. Campion (psychological testing). Their psychological tests are about the same; physicals could be split 50/50. The Pension Fund would pay for additional tests they may request. This joint testing would affect new hires; the Fund should see a cost savings; this also alleviates the applicant of going through two physicals.

R. Eldridge stated that the Fund uses Dr. File; J. Wuersch stated that the Fund is willing to be flexible on doctors. He further stated when the appointment is made, Personnel can request Dr. File. J. Dobrovolny stated that Dr. File has been sensitive to the Pension Fund's concern of probability of disability in the future.

McKee & Madison: D. Belcher sent to the Board members information regarding the manager research profile and their costs. Madison has reduced their fees; McKee will not reduce their fees unless the Fund gets to \$6.5 million.

Pension Portability: J. Wuersch stated that the Fund needs to provide members information on pension portability. R. Eldridge stated the costs will be very expensive; further stating that it is not something easily understood because there are a lot of calculations involved (actuarial calculation of past and new fund; whether the member is fully funded or not fully funded, etc.). He stated the three parties involved (Eldridge, Colbert, and Wuersch) should all be in agreement on the figures; figuring should be done independently by these three individuals.

R. Eldridge stated other choices: the Department of Insurance (actuarial basis) or finance officer guide/formula. He stated that he doesn't believe it will affect our cash flow; he's willing to determine, best he can, the effect, with a disclaimer. E. Denniston suggested the IPPFA may have booklets regarding rules of eligibility.

R. Eldridge will prepare a summary benefit sheet for each officer's contribution/retirement, etc. to be passed out to each officer, as of December '97.

Actuarial Valuation Report: R. Eldridge discussed the actuarial study, prepared by Timothy W. Sharpe of Homewood, IL. Sharpe's report included a summary of results, actuarial valuation of assets, asset changes during the prior year, normal cost, accrued liability, tax levy requirements, summaries of plan participants and provisions, actuarial methods, assumptions.

R. Eldridge, noted a substantial increase, on the City's part, over the previous year (\$873,170 v. \$678,500). R. Eldridge anticipates the City will increase the levy more next year. Discussion of portability of pension, actuary differences, and the Department of Insurance.

D. Belcher distributed his information to the Board and discussed the following:

Quarterly Investment Review (Ending 12/97):

- Tab I: One, Two, Three Year Rolling Monthly Return – S&P 500 (Past 20 Years - 1977)
Two year spread of returns as money is switched from bonds to equities (Past 20 years)
Funding Scenarios – Lump Sum v. Dollar Cost Averaging (Market 15% up, down)
- Tab II: Market in Review (Quarter and Trailing Year)
Capital Markets Overview (4th Quarter 1997) US Economy, US Stock Market, US Bond Market, and Overseas Markets.
- Tab III: Combined Account (Returns v Goals)
Fund Objective, Specific Investment Goal, Performance/Risk
Asset Allocation pie chart
C. S. McKee (performance compared to Index)
Madison Investment Advisors (goals, performance, and risk)
Lincoln Value Equity (goals, performance, and risk)
Lincoln Medium Capital Equity (goals, performance, and risk)
International Equities (goals, performance, and risk)

Equity Fund: Discussion by the Board; motion by Steve Royal as follows:

Stage 1: Withdraw \$500,000 from Lincoln Value, move remainder of Value to Lincoln International.

Stage 2: Move \$500,000 from Lincoln to Laurel, move \$250,000 from McKee to Laurel, move \$250,000 from Madison to Laurel.

Stage 3: Monthly for 12 months, beginning February 15, 1998, move \$125,000 to Laurel from Madison and McKee, equally.

Motion passed unanimously.


Local CDs: R. Eldridge would like to use CDs for cash flow, v. using savings; this may reduce the number of CDs. R. Eldridge will bring a plan before the Board in the next few months.

Department of Insurance – Full Disclosure: D. Belcher and J. Dobrovlny discussed fiduciary responsibility and fiduciary service fees.


Money Managers: D. Belcher discussed money managers. Fully invested was recommended by R. Eldridge, S. Royal and G. Foster were in agreement. (tape ended).

There being no further business before the Board, the meeting adjourned.

Respectfully submitted,


Karen Snyder
Recording Secretary

Approved this 18th day of April, 1998.


Jim Wuersch
Secretary

URBANA POLICE PENSION FUND

308 SOUTH VINE STREET
URBANA, ILLINOIS 61801



URBANA POLICE PENSION FUND Disability Hearing & Board Appointment April 8, 1998

Present: Elmo Denniston, President
Jim Wuersch, Secretary
Steve Royal, Asst. Secretary
Ron Eldridge, City Comptroller
Greg Foster, Board Member

Others Present:
Jim Dobrovlny, Attorney for the Board
Christina Schweighart, Police officer

Disability Hearing:

E. Denniston called the meeting to order. J. Dobrovlny referenced a letter from C. Schweighart (dated 3/29/98) and a letter from Dr. Fay (3/20/98) regarding C. Schweighart's pregnancy. J. Dobrovlny stated due to her pregnancy, he didn't see the need to get an opinion of three physicians to verify her condition. C. Schweighart is seeking a temporary disability. Dr. Fay's letter states C. Schweighart be off from work for the duration of her pregnancy and the six weeks post-partum (expected due date May 9, 1998).

J. Dobrovlny suggests to the Board that in awarding the disability, commencing the date she requested (March 19, 1998) until such time as she returns to work or six weeks, whichever is sooner. Her benefits ran out March 18, 1998. J. Dobrovlny questioned the date of her written request and the lag time between the last date of compensation and the date of her request. J. Wuersch stated that he had been communicating with C. Schweighart regarding her disability; her application was submitted prior to her benefits. That being clarified, J. Dobrovlny didn't see a problem with compensating her, beginning March 19, 1998.

Motion by J. Wuersch to put C. Schweighart on temporary disability, commencing on last date of her compensation and six weeks post-partum, with her being able to return to work sooner, if she wants to, after the delivery of the child. E. Denniston questioned the term of disability; J. Dobrovlny cited the statute. G. Foster seconded the temporary disability. Motion passed unanimously. J. Dobrovlny will draft a certificate of payment, to reflect the Board's decision.

If C. Schweighart wishes to extend her disability after the six weeks, she will have to return to the Board with further medical documentation. At that point, the Board may then choose to request further medical documentation.

Other Board Business:

G. Foster accepted the position of Vice-President to the Board.

There being no further matters before the Board, the meeting adjourned.

Respectfully submitted,



Karen Snyder, Recording Secretary

Approved this 20th day of April, 1998.



Jim Wuersch, Secretary

URBANA POLICE PENSION FUND

May 29, 1998, 9:30 a.m.

**** Next Board Meeting – August 14, 1998 ****

Present: Elmo Denniston, President
Jim Wuersch, Secretary
Steve Royal, Asst. Secretary
Ron Eldridge, City Comptroller

Others Present:
Dennis Belcher, Smith Barney
Jim Dobrovlny, Attorney for the Board

Absent: Greg Foster, Vice President

President Denniston called the meeting to order. Board members present, with the exception of G. Foster. Motion by J. Wuersch to approve the January 9, 1998 Minutes; motion seconded by S. Royal, carried unanimously.

IPPFA/Department of Insurance: Reviewed letter from IPPFA to the Department of Insurance regarding opposing the compliance fee. Discussion on setting-up a separate account, depositing \$1 in it for the Department of Insurance transfer. When the Fund is notified of the amount due, the Fund can deposit the funds in the account; this accomplishes the goal of the Department of Insurance.

J. Dobrovlny further advised the Department of Insurance may assess penalties for non-compliance, to include penalties against trustees of the Fund, individually. R. Eldridge stated the city has set-up an account and is ready for June 15th and will transfer funds accordingly, when notified. Discussion on the Fund using the City's account.

Legislative Update: J. Dobrovlny stated there are two bills pending in the Rules Committee:

- House 2911: Increases the number of members on a police pension board from five to seven. Mayoral appointments would increase by 2. Currently, there is a 3-2 ratio; this proposal would be a 4-3 balance of appointees v. elected members. IPPFA is against this Bill.

- Creation of a Health Insurance Pool: J. Dobrovolny stated this is an interesting bill that may create more problems than anticipated and hard to implement. The proposal is 1/3 of an employee's contribution to get 20% of the Fund's annual investment earnings. When a pensioner retires, they would be able to receive \$150/month toward their health insurance, as long as they go on Medicare. Once on Medicare, they would be paid \$75/month. R. Eldridge stated it would be better for pensioners to go outside of the pension health insurance.
- In addition, this bill also mandates persons be reinstated when they are not disabled; requires a medical exam of disabled over 50 years of age; grants time off for time spent at board meetings for active participants.

Resignations: J. Wuersch advised the Board of the following resignations:

Justin Levingston	March 3, 1998	Refunded	\$2,272.30
Ricky Stroh	March 25, 1998	Refunded	\$5,611.93
Liam Dempsey	May 19, 1998	Refunded	\$9,189.83
Chris Schweighart	May 31, 1998	Refunded	\$9,522.45.

Question regarding reimbursement for C. Schweighart, as she was recently on a temporary disability. J. Dobrovolny checked the statutes and could find nothing to state the amount should be adjusted; she was refunded her entire contribution.

All of the above-referenced have been refunded their pension fund contributions, per their request.

New Officers: J. Wuersch stated the following officers physicals and psychologicals were no problem.

Kary Keleher	Effective January 8, 1998
Kerry Forsythe	Effective January 8, 1998
Robert Fitzgerald	Effective January 28, 1998
Harley Rutledge	Effective March 12, 1998.

Motion by J. Wuersch to accept to the Pension Fund; motion carried unanimously.

Department of Insurance – Taxability on Disability Pensions: The Fund received a letter stating disability pensions are not taxable. J. Wuersch will send a copy of this letter to current disability pensioners.

Quarterly Report: D. Colbert's quarterly report was distributed to the Board.

Following is the presentation by D. Belcher:

Tax Monies: Inquiry was made if the City received monies from taxes; R. Eldridge stated tax monies had been received and the cash flow would be good through September/October.

Investment Security. Discussion w/ tape off.

Tab III - Contradictory Issues:

- Sec. 1-113.10: States investment limitations are 35% of the Fund, plus 10% separate account, equaling 45% maximum equity exposure.
- Department of Insurance – Maximum is 35% and are unsure of the “no need to sell” language of this section.

Discussion ensued; motion by S. Royal to include in Policy Statement: 35% invested in U.S. stocks, 10% in international in a separate account, with reductions reviewed annually, based on the net increase of the Fund or subject to review by the Department of Insurance's interpretation of the law. Motion passed unanimously.

Tab I – Capital Markets Overview: The first quarter of 1998 was reviewed, discussing the economy, stock/bond/overseas markets, and an asset allocation strategy.

Tab II – Fund Profile/Performance: Discussed first quarter's performance. Motion by S. Royal to give D. Belcher the authority to cash Lincoln National Life – Medium Capital Equity Fund, when he deems best advisable to do so. Motion carried unanimously.

There being no further business, the Board adjourned.

Respectfully submitted,
1998.

Karen Snyder
Karen Snyder
Recording Secretary

Approved this 7th day of August,

Jim Wuersch
Jim Wuersch
Secretary

URBANA POLICE PENSION FUND

August 14, 1998, 9:30 a.m.

**** Next Board Meeting – November 20, 1998, 9:30 a.m. ****

Present: Elmo Denniston, President
Greg Foster, Vice President
Jim Wuersch, Secretary
Steve Royal, Asst. Secretary
Ron Eldridge, City Comptroller

Others Present:

Dennis Belcher, Smith Barney
Scott Maguire, Laurel Capital Advisors

Absent: Jim Dobrovolny, Attorney for the Board

E. Denniston called the Police Pension Board to order.

Presentation by S. Maguire, who distributed a report to Board members. In Maguire's presentation and materials, he provided background information on Laurel Capital, their investment objective and philosophy, investment risks, market timing, and importance of stock selection (computer system, drug and healthcare, integrated oil industries). In addition, he reviewed their stock selection process, selling discipline, and performance histories (enhanced and volatility comparisons). He reviewed the Pension Fund's second quarter in the Large Cap Equity.

Following Maguire's presentation, D. Belcher gave an investment review for the period ending June 30, 1998. His presentation included a 15 year review of best market performance (S&P, foreign & small stocks, t-bills, long government bonds, and small stocks). He also reviewed the second quarter's economy; stock market; U.S. equity, bond, and overseas markets' performance, and asset allocation strategy. A review of the Fund's performance, to include asset allocation¹: Laurel, Lincoln International, Lincoln Medium Capital, C.S. McKee, and Madison, as well as the Funds' profile, performance over time, net investment, and risks for all the accounts.

¹ *Laurel, McKee, and Madison make up 95.3% of the asset allocation of the Pension Fund.

Motion by S. Royal to double our current monthly contribution to stocks from \$125,000/month to \$250,000/month until we have reached the Fund's 35% level. Motion seconded by J. Wuersch and carried with a 'nay' by G. Foster. To attain this \$250,000 funding level, monies will be taken from Madison (\$190,000) and \$60,000 from McKee.


D. Belcher advised the Board Bill Vescio (McKee) has left for a marketing director position. D. Belcher had an exit interview with him and reported no problem on the bond side, there's a potential problem with equities.

R. Eldridge stated he was meeting quarterly with the CAO and Personnel regarding police and fire pensions, disabilities, contributions, hiring people with potential disabilities/ADA, etc.


J. Wuersch reported new Police Officers: John C. Insalato (8/10/98), Andrew Campion (4/02/98), Shawn Cook (6/25/98), and Duane Smith (6/25/98) are new police officers. J. Wuersch made motions individually to accept them in the Fund. Steve Royal seconded J. Wuersch's motions; motion carried unanimously. In reference to Duane Smith, approval to the Fund was made; however recognition of medical issues with his application of pre-employment on his physical and psychological are so noted.

There being no further business before the Board, the meeting adjourned; seconded by S. Royal, and so carried.

Respectfully submitted,


Karen Snyder
Recording Secretary

Approved this 27th day of September, 1998.


Jim Wuersch
Secretary

URBANA POLICE PENSION FUND

November 20, 1998

NEXT MEETING : FEBRUARY 10, 1999 @ 9:30
POLICE CHIEF'S CONFERENCE ROOM

Present: Elmo Denniston, President
Jim Wuersch, Secretary
Steve Royal, Asst. Secretary
Ron Eldridge, City Comptroller
Greg Foster, Board Member

Others Present:
Dennis Belcher, Salomon Smith Barney

Absent:
Jim Dobrovolny, Attorney for the Board

E. Denniston called the meeting to order. Motion by J. Wuersch, seconded by S. Royal to approve the Minutes of the last meeting (081498). Motion passed unanimously.

Reimbursement – C. Schweighart: Chris Schweighart resigned effective 053198; a check was issued to her for her Fund contribution, in the amount of \$9,522.45.

New Officers: Derek Hagen & Leslie Cox: Physicals were submitted regarding Hagen and Cox for the Board to review. Motion by J. Wuersch, passed unanimously to admit to the Fund. (Hagen's doe/091598 and Cox's doe/091598).

FINANCIAL REPORT and AUDIT REPORT: R. Eldridge reviewed the Financial and Audit Report highlights. The Actuarial Valuation Report was compiled by Timothy W. Sharpe, Actuary and the Audit Report was compiled by Bray, Drake, Guthrie & Richardson LLP.

Actuarial Report: Sharpe's report included actuarial valuation of assets, asset changes, normal cost, accrued liability, tax levy requirements, plan participants, duration, projected pension payments, summary of plan provisions, actuarial method, actuarial assumptions, and GASB statements No. 25 & 27 Disclosure.

Financial Report: R. Eldridge stated the auditor's opinion letter is a "clean opinion" of accounting principles. Discussion followed regarding net assets, investment portfolio (income managers, investment return, historical review of returns), cost of benefit increases. Noteworthy: increase in the City's contribution next year. The City will meet the suggested amount. In addition, R. Eldridge stated local CDs interest rates were so low. For now, the Fund will not invest in CDs locally; discussion regarding a policy change. Consensus was no policy change was necessary, at present.

Discussion regarding confirmation of retired pensioners' widows; J. Wuersch will check into this. Statements were sent to active members re: pension figures, compiled by R. Eldridge.

Presentation by D. Belcher:

Department of Insurance: The Department of Insurance agrees with the Attorney General's opinion regarding investment in equities (35% v. 45% can be invested in the stock market, w/ 45% of the total fund); however, nothing is in writing. No opinion yet from the Department of Insurance regarding growth.

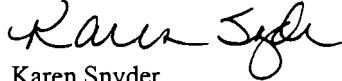
Investment Review: D. Belcher submitted a report on: return & risk evaluation, quarter and year to-date performance, capital market overview (U.S. economy, bond & stock market, overseas market third quarter performance. The Fund's performance (quarter ending 09/30/98) was discussed, to include Laurel Capital , C.S. McKee, Lincoln National Life, trend of treasury bonds, and Madison.

The Madison Report covered a summary/performance for period ending 09/30/98, portfolio characteristics, historical returns and asset growth, bond market balance sheet, treasury bond yields, international market, portfolio appraisal.

There being no further business before the Board, the meeting adjourned.

Respectfully submitted,

Approved this 19th day of February, 1999.



Karen Snyder
Recording Secretary

Jim Wuersch
Secretary

