

**BOARD OF TRUSTEES**  
**DOWNERS GROVE FIREFIGHTERS PENSION FUND MEETING**  
**Downers Grove Fire Department Station 2, 5420 Main, Training Room**  
**February 12, 2016, 1630 hrs.**

**Members Present**

Trustee Matt Campbell, Trustee Scott Cavenaile, Trustee Jeff Kuchta, Trustee Thomas Carroll, Trustee Robert Lang, and Non-voting Downers Grove Finance Director Judy Buttny

**Members Absent:**

None

**Guests**

Doug Oest, Financial Consultant – MarquetteAssociates  
Dave Warnke, Financial Consultant – MarquetteAssociates  
J. Weber, Acct. - Lauterbach & Amen, LLP  
Eric Endriukaitis, Acct. – Lauterbach & Amen, LLP  
Tom Schred, Actuary – Lauterbach & Amen, LLP  
Tim Bowen, Senior VP – Mesirow Financial  
Richard Reimer, Attorney of Reimer & Karlson LLC  
FF Michael Cipra

Trustee Campbell called the meeting to order at 1630 hrs. in the Training Room of the Downers Grove Fire Department Station 2, 5420 Main, Downers Grove, IL.

**MINUTES**

**MOTION:** A motion was made by Trustee Cavenaile and seconded by Trustee Kuchta to approve the November 18, 2015 Quarterly Meeting Minutes with minor changes made by Trustee Cavenaile.

**Motion carried by a vote of 5-0.**

**Report from MarquetteAssociates**

**Handout**

MarquetteAssociates DGF Pension Fund  
December 31, 2015 Quarterly Executive Summary Booklet

D. Oest presented his report beginning with a market update. Markets were down in 2015 and this fund was up around 1%, with the average public fund down .4%. Reviewed the near term outlook for markets and rates.

D. Warnke reviewed MarquetteAssociates' Executive Summary Booklet of the various funds managed for the Pension Fund answering various questions from the Board.

D. Warnke advised that for the next few months they had to raise the benefits about \$900,000 and those monies will come from the CS McKee portfolio (due to the current market, taking money from the fixed income is more advisable). Monies due to be coming out on 2/23/16 to cover benefits.

**MOTION:** A motion was made by Trustee Kuchta to ratify the transaction of transferring \$900,000 from CS McKee to cash to cover benefits. Trustee Cavenaile seconded the motion.

**Roll call was taken:**

Trustee Campbell	Aye
Trustee Cavenaile	Aye
Trustee Kuchta	Aye
Trustee Carroll	Aye
Trustee Lang	Aye

D. Warnke reviewed the various investment managers and in particular investments in emerging markets. He gave insight into the thinking regarding investments in the various markets.

D. Warnke reviewed investment manager Harbor International and due to poor performance (over the past three years) recommended placing them on Alert (from Notice) for the balance of the year. He will follow up in the second half of 2016 with further scrutiny.

D. Oest advised he feels that the Fund will be a little overweight in real estate but would advise no rebalancing or changes at this point as they are on target for assets and allocations.

**MOTION:** A motion was made by Trustee Campbell to accept the report from MarquetteAssociates. Seconded by Trustee Carrol.

**Motion carried by a vote of 5-0**

**Report from Lauterbach & Amen, LLP**

**ATTACHMENT I**  
Monthly Financial Report  
For the Month Ended December 31, 2015

Mr. Weber of Lauterbach & Amen reviewed the Monthly Financial Report ending December 31, 2015. He reviewed each statement regarding expenses, contributions and payments.

On page 11-1 was the three month rolling Vendor Checks Report with all expense checks noted from August 1 through December 31, 2015.

**MOTION:** A motion was made by Trustee Cavenaile to approve the Monthly Financial Report. Seconded by Trustee Lang.

**Motion carried by a vote of 5-0**

## NEW BUSINESS

### Agenda Item 7 – B - Fiduciary Liability Policy

### ATTACHMENT II Mesirow Financial – Report

Tim Bowan, Senior Vice President from Mesirow Financial, introduced himself as the insurance broker for the Board of Trustees for the first time this year. The insurance broker's job is to go out to the various insurance carriers, secure quotes from those carriers, and then come to this meeting to present annual fiduciary liability insurance options. He has put together four different options which are stated in his report.

He advised at this time in Illinois it is difficult to receive even one quote for an organization but this Fund is in such excellent shape that it has received four quotes. Mr. Bowan went through each insurance carrier that he contacted on the Fund's behalf, all of which were rated A-15 or better. He reviewed the Traveler's policy currently in force and up for renewal the middle of April.

Mr. Bowan pointed out that two of the carriers (Travelers and Euclid) offering quotes do not currently offer insurance coverage for funding and/or funded related issues. Meaning, if the Fund was to breach their fiduciary duty, alleging in some way that the trustees were responsible of a loss of plan assets, therefore in the Plan only being 60% funded. As an insurance broker, he usually does not recommend taking an insurance policy that does not cover funding issues, especially when other options do offer that coverage.

Mr. Bowan brought forward policy provisions that he would like to be on record about regardless of the insurance carrier chosen by this Fund today.

He advised that every policy presented today is "claims made coverage" with "full prior acts coverage". Meaning, regardless of when a wrongful act occurred, all that matters is that when you receive a lawsuit or breach of fiduciary duty, the current insurance carrier, whoever that is, is responsible for defending that claim even if the wrongful act claimed occurred 3, 4 or 5 years ago either when you didn't have insurance or when you were with a different insurance carrier. In Illinois especially, all of these policies include your defense costs, the majority of the claims will only be defense costs. Usually if a Fund receives an allegation, it is defended; they are relieved of all wrong doing; and then, all the Fund is left with is attorney's fees. The attorney's fees are included within the limit of liability.

Mr. Bowan advised past, present and future trustees are automatically covered along with added trustees, and a trustee who leaves the board. The coverage follows (if you were to be named in a law-suit 3 years after leaving board) you are still covered in your capacity as a trustee. New trustees do not need to notify Mesirow Financial.

Two carriers allow you to choose your own defense council. Ulico and Uclid allow choice of council; always have.

Travelers and Chubb do not allow choice of council and they never have. They have a pre-approved list of attorneys and if you have a claim you are required to choose an attorney from that list.

Trustee Campbell asked Atty. Reimer if he was on any of the lists. Atty. Reimer replied that he was not. Mr. Bowdan did advise that he could always present Atty. Reimer's resume and request that he be used as the attorney for a claim.

Atty. Reimer at this point advised that his recommendation to the Board is that before the Traveler's policy expires, the Board should submit the Reiter claim to Traveler's for coverage. The Board does not know what the court will do but worst case scenario is that it will save the Board attorney's fees if it is covered.

Mr. Bowdan advised by submitting the claim now it would still be within the window of the "claims reporting guidelines". Even moving insurance carriers, the claim would still be within expiration and Travelers would be responsible for that claim. When the Board submits the claim with a copy of the complaint the Board may request to assign non-panel council. The information can be sent to Mr. Bowdan's email and he will submit the claim to the insurance carrier.

Mr. Bowdan reviewed various points for the record, regarding coverage differences - the "consent to settle clause". Not as affable as choice of council. Consent to settle clause basically means that if the Board was ever to have a breach of fiduciary duty and the plaintiffs come to the Board of Trustees and say they are willing to settle the claim for x amount of dollars every insurance carrier has a certain position on a consent to settle or lack thereof. Elico and Uclid do not have one. If the Board was offered a \$100,000 settlement from the plaintiffs, and the Board does not want to settle, no insurance carrier will advise that you must settle. But, some insurance carriers will only pay a certain percentage above and beyond what you could have settled for. Chub and Travelers have always had one and have a provision that they will pay 70% above and beyond what they could have settled for. Ulico and Uclid do not. It is better to not have one. This only applies to a settlement that was offered to the Board and only applies if the settlement is rejected. In theory, there is a potential for the Board of Trustees and for the Pension Fund to be responsible for a portion above and beyond if the settlement is rejected.

Exclusions: all are identical in providing defense against illegal acts. Important to note is to be sure that the insurance contract chosen will defend the Board for "allegations of illegal acts". Not every insurance carrier will do that.

Traveler's currently has a specific exclusion that if the Fund was to invest in any fixed income instrument issued by Illinois municipality (either State or local level) for "allegation of imprudent investments". Allegation would not be covered because of its risk.

Euclid or Traveler's do not cover "allegations of funded or lack of funded status of the plan". Ulicole as well as Chubb do not exclude funding issues.

Mr. Boden did a review of page 6 – Premiums. He reviewed all four insurance companies giving commentary regarding cost vs. benefit to each insurance carrier. His final recommendation was Chubb or Ulicole due to benefits vs. cost.

Heavy discussion with questions and answers between Mr. Bowen and the Board ensued regarding all choices with benefits, costs and drawbacks with each.

**MOTION:** A motion was made by Trustee Campbell to have Mesirow Financial facilitate a contract with Chubb Insurance for Fiduciary Liability Policy to cover the DGF Pension Fund. Seconded by Trustee Cavenaile.

**Motion carried by a vote of 5-0.**

**Roll call was taken:**

Trustee Campbell	Aye
Trustee Cavenaile	Aye
Trustee Carroll	Aye
Trustee Kuchta	Aye
Trustee Lang	Aye

#### Agenda Item 7 – C – Approve Actuary

Trustee Lang reviewed the action taken by the sub-committee consisting of D. Burke (Trustee – Police Pension Fund), J. Buttny, and himself who evaluated the bidders on the Actuary study. One of the important considerations was that the Actuary would attend quarterly meetings (free of charge). Lauterbach & Amen LLP meet all criteria. The sub-committee members reviewed all bidders and felt Lauterbach was well qualified, with best fees, are local, and would attend quarterly meetings at no additional expense.

**MOTION:** A motion was made by Trustee Lang to approve a 5 year engagement letter with Lauterbach & Amen as Actuary for the DGF Pension Board. Seconded by Trustee Cavenaile.

**Motion carried by a vote of 5-0.**

**Roll call was taken:**

Trustee Campbell	Aye
Trustee Cavenaile	Aye
Trustee Carroll	Aye
Trustee Kuchta	Aye
Trustee Lang	Aye

Trustee Kuchta inquired as to the scenario and timeline for when Lauterbach takes over from Tim Sharpe. What is the first thing the Board will see from Lauterbach? Lauterbach advised that the transition will consist of matching old data, then do an assumption study – actually completing next week. For next quarterly meeting they will have a draft report ready. Having a draft report will allow

for the transition from old to new report, actuarial data, and being able to be sure that the audit of all accounts has been completed. Looking for approval at the third quarterly meeting.

**TREASURER’S REPORT**

**ATTACHMENT III**

Lauterbach & Amen, LLP Monthly Financial Report

December 31, 2015

Vendor Checks Report – Page 11-1

J. Buttny asked for approval of the account payable invoices advised that she has \$21,204.33 per the attached listing showing the normal fees that the Board has previously approved. (Everything on Page 11-1 prior to 10-31-15 was approved for payment at the last meeting.)

**MOTION:** A motion was made by Trustee Lang was to pay the currently listed bills in the amount of \$21,204.33 and seconded by Trustee Campbell.

**Motion carried by a vote of 5-0.**

**Roll call was taken:**

Trustee Campbell	Aye
Trustee Cavenaile	Aye
Trustee Carroll	Aye
Trustee Kuchta	Aye
Trustee Lang	Aye

Ms. Buttny advised that there are two retirements

Jackie Johnson retirement effective date was January 31, 2016 with a total of 23 years and 10 months of creditable service and is entitled to 59.58% with the final salary for pension purposes is \$93,592.00 and the amount of the originally granted monthly pension is \$4,379.78. Lauterbach & Ammen has confirmed the amounts with the Department of Insurance and the Pension Board confirmed the salary and years of service.

**MOTION:** A motion was made by Trustee Cavenaile to grant to Jacqueline Johnson a retirement pension as stated. Seconded by Trustee Lang.

**Motion carried by a vote of 5-0.**

**Roll call was taken:**

Trustee Campbell	Aye
Trustee Cavenaile	Aye
Trustee Carroll	Aye
Trustee Kuchta	Aye
Trustee Lang	Aye

William Joy retirement effective date will be February 20, 2016. He will have a total of 22 years 11 months of creditable service and is entitled to 57.29% with the final salary for pension purposes is \$93,592.00 and the amount of the originally granted monthly pension is \$4,468.37

**MOTION:** A motion was made by Trustee Campbell to grant to William Joy a retirement pension as stated. Seconded by Trustee Carrol.

**Motion carried by a vote of 5-0.**

**Roll call was taken:**

Trustee Campbell	Aye
Trustee Cavenaile	Aye
Trustee Kuchta	Aye
Trustee Carroll	Aye
Trustee Lang	Aye

Trustee Campbell reported that there are two new firefighter applications to present to the Board this quarter.

- Nathan Beck with a date of hire of November 2, 2015 and will be a Tier 2 pensioner.
- Scott Kurczewski with a date of hire of November 2, 2015 and will be a Tier 2 pensioner.
- Daniel Pingel with a date of hire of January 18, 2016 and will be a Tier 2 pensioner.

**MOTION:** A motion was made by Trustee Campbell to accept the three new applicants into the DGF Pension Fund as of their hire dates. Seconded by Trustee Cavenaile.

**Motion carried by a vote of 5-0.**

#### **NEW BUSINESS (continued)**

Agenda Item 7 – a – Approve COLA adjustments

#### **ATTACHMENT IV**

Mr. Endriukaitis advised that in January 2016 he had emailed the information regarding the COLA adjustments (attachment) for the Boards review.

As mandated by the Department of Insurance a vote needs to be taken on statutorily mandated cost of living increases.

**MOTION:** A motion by Trustee Kuchta was made to pay statutory cost of living increases. See attached. Seconded by Trustee Campbell.

**Motion carried by a vote of 5-0.**

Agenda Item 7 – d – Board Elections

Trustee Campbell advised that the election was to replace Retired Trustee Bob Lang due to his end of term. Board has received updated list of retirees and will send out notice of the upcoming vacancy looking for nominations for position, and will hold an election prior to the next meeting.

J. Buttny will identify with the Village Clerk and notify the DGF Pension Board if there are any other position's term open this year.

Agenda Item 7 – e – Medical exam for disability pensioners

Trustee Campbell reviewed the guidelines for the medical exam for disability pensioners stating anyone under fifty must be re-examined every year. The following were identified as retirees needing to be re-examined: B. Berlinquette. E. Lambert and J. Schultz.

**MOTION:** A motion was made by Trustee Campbell to have Atty. Reimer send a letter to all retirees under 50 to contact Dr. Mohsen's office within 30 days regarding required annual physicals for the DGF Pension Board. Seconded by Trustee Lang.

**Motion carried by a vote of 5-0.**

**Roll call was taken:**

Trustee Campbell	Aye
Trustee Cavenaile	Aye
Trustee Carroll	Aye
Trustee Kuchta	Aye
Trustee Lang	Aye

Trustee Campbell brought up that the Department of Insurance issued an opinion on the transfer of service. Atty. Reimer advised the following:

If a FF was a Tier 2, had a minimum one year, went to another Article 4 fund, and did reciprocity, the Dept. of Insurance's opinion was that that FF would become a Tier 1 based on the language of 4-109.3. Reason being there was no clear language for Tier 2 transfers.

Last Thursday the DOI came out with a clarification opinion that they rescind the October opinion letter that once you are Tier 2 you are always a Tier 2.

Discussion ensued. Atty. Reimer will investigate.

**OLD BUSINESS**

Carol Reiter pension benefit.

**MOTION:** A motion was made by Trustee Campbell at 6:43 p.m. to adjourn into Executive session, under Section 2C-11 of the Open Meetings Act, to discuss pending litigation in the matter of Reiter vs. Board of Trustees, Case #15 CH 1796 presently pending in the Circuit Court of DuPage County. Seconded by Trustee Cavenaile.

**Roll call was taken:**

Trustee Campbell	Aye
Trustee Cavenaile	Aye
Trustee Carroll	Aye
Trustee Kuchta	Aye
Trustee Lang	Aye

EXECUTIVE SESSION ended at 7:07 p.m.

**MOTION:** A motion was made by Trustee Campbell at 7:09 p.m. to return to the Public session,  
Seconded by Trustee Carroll.

**Roll call was taken:**

Trustee Campbell	Aye
Trustee Cavenaile	Aye
Trustee Carroll	Aye
Trustee Kuchta	Aye
Trustee Lang	Aye

Following discussion in Executive Session the Board made the following motion.

**MOTION:** A motion was made by Trustee Campbell to submit a claim under the Traveler's  
Fiduciary Liability insurance policy for the Reiter mater and a request that non-panel  
council be assigned. Seconded by Trustee Kuchta.

**Motion carried 5-0.**

**Roll call was taken:**

Trustee Campbell	Aye
Trustee Cavenaile	Aye
Trustee Carroll	Aye
Trustee Kuchta	Aye
Trustee Lang	Aye

**PUBLIC COMMENT**

None

**ADJOURN**

**MOTION:** Trustee Campbell made a motion to adjourn.  
Trustee Carroll seconded the motion.

**Motion carried 5-0.**

The meeting adjourned at 1910 hrs.

Respectfully submitted.

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Firefighter/Paramedic Scott Cavenaile, Secretary

SC:pp All Files/Pension/2015 – 2-18-16 Quarterly Meeting Minutes (3)