

RECORD OF PROCEEDINGS
of the
RETIREMENT BOARD (the "BOARD") of the
PARK EMPLOYEES' ANNUITY and BENEFIT FUND (the "FUND")
SCHEDULED REGULAR BOARD MEETING
THURSDAY, DECEMBER 15, 2011

The 55 East Monroe Building
55 East Monroe Street, Suite 2720
Chicago, Illinois 60603

President MUNIZZI called the meeting to order at 9:30 A.M.

ROLL CALL

Trustees reported present:

PAMELA A. MUNIZZI, President	JOSEPH M. FRATTO, Trustee
JOHN J. SHOSTACK, Vice President	ROBERT GERAGHTY, Trustee
EDWARD L. AFFOLTER, Secretary	FRANK C. HODOROWICZ, Trustee

Also Present:

DEAN J. NIEDOSPIAL, Executive Director
JAIME L. MCCABE, Comptroller
BRETT CHRISTENSON & MIKE SPYCHALSKI, Marquette Associates
SANDOR GOLDSTEIN, Goldstein & Associates
JOSEPH M. BURNS, Jacobs, Burns, Orlove & Hernandez

Absent:

MELINDA M. GILDART, Trustee

MINUTES OF THE LAST MEETING

A motion was made by Trustee FRATTO to approve the minutes of the scheduled Board meeting held on Thursday, November 17, 2011. Trustee GERAGHTY seconded the motion.

Motion carried by the following roll call:

YEAS: AFFOLTER, FRATTO, GERAGHTY,
HODOROWICZ, MUNIZZI, SHOSTACK

NAYS: None

READING OF COMMUNICATIONS

Correspondence from Anna DePozo - The Executive Director presented a MEMO from Anna DePozo. Ms. DePozo made a refund repayment on February 24, 2011. At its April 2011 meeting, the Board lowered the interest rate on refund repayments to 4% effective July 1, 2011. Ms. DePozo requested that the Board consider returning her refund repayment to her so that she could repay it at the lower rate or return the difference between the rate at the time of her repayment and the lower rate.

A motion was made by Trustee MUNIZZI to deny the request of Anna DePozo. Trustee SHOSTACK seconded the motion.

Motion carried by the following roll call:

YEAS: AFFOLTER, FRATTO, GERAGHTY,
HODOROWICZ, MUNIZZI, SHOSTACK

NAYS: None

Recent FOIA requests received from:

- 1) Kirti Mistry
- 2) Jay Stone

REPORT OF THE COMMITTEES

None

REPORT OF THE SECRETARY

Expenditure Approvals

Bills for the current General accounts, as listed in Section IV (A) of the Report of the Secretary, were presented to the Board for approval.

Trustee HODOROWICZ moved the Expenditure Approvals to the Omnibus.

Summary of Investment Fees, Administrative and General Expenses

Administrative Expenses for the preceding month, as listed in Section IV (B) of the Report of the Secretary, dated October 31, 2011, were presented to the Board for approval.

Trustee AFFOLTER moved the approval of the Summary of Investment Fees, Administrative and General Expenses to the Omnibus.

Annuities Granted

Applications for Service and Employee's Spousal Annuities dated December 15, 2011, as listed in Section IV (C) of the Report of the Secretary, were presented to the Board with the recommendation for approval based upon the report of the President relative to the eligibility of the applicants and the correctness of the amounts of annuities and benefits indicated.

Trustee HODOROWICZ moved the approval of the Applications for Service and Employee's Spousal Annuities to the Omnibus.

Disabilities Granted

Applications for Ordinary and Duty Disability Benefits as listed in Section IV (D) of the Report of the Secretary, dated November 30, 2011, were presented to the Board for approval.

Trustee HODOROWICZ moved the approval for Ordinary and Duty Disability Benefits to the Omnibus.

Annuities in Force

The Secretary asked the Trustees to consider the statement of annuity benefit requirements for the month of November in accordance with Section IV (E) of the Report of the Secretary, and asked for formal confirmation of the net requirements in the amount of \$5,179,634.91.

Trustee HODOROWICZ moved the approval of the required funds from the Northern Trust Annuity Account in the amount of \$5,179,634.91 to the Omnibus.

Membership Statistics (informational only)

	12/15/11	06/30/11	06/30/10
Current active participants	2,979	2,795	2,816
Retired employees	2,085	2,096	2,125
Surviving spouses	801	803	817
Children	14	14	14
Retirements during the year – FYTD	35	78	62
Deaths among retirees – FYTD	33	109	104
New Members – FYTD	246	188	174
Withdrawals with refund – FYTD	70	115	133

REPORT OF THE OTHER OFFICERS**Report on Death Claims**

The following report, Section V (A) was submitted for payment as indicated:

<u>Name of Decedent</u>	<u>Date of Death</u>	<u>Amount Payable</u>		<u>To Whom Payable</u>
Steven Kaliski Floral Culturist Employee, 6-0292	10/29/11	\$ 10,000.00 1,545.21 <u>45,519.16</u> <u>\$ 57,064.37</u>	Death Benefit Ordinary Disability Refund of Employee Contributions	Loretta Kaliski, Designated Beneficiary
Frances Fowler Art Craft Instructor Annuitant, 6-6050	10/16/11	\$ 3,000.00 <u> </u>	Death Benefit	Cremation Society of IL Designated Beneficiary
Total amount of death claims submitted for approval		<u>\$ 60,064.37</u>		

The information in the files supporting these claims and the facts relative thereto have been gathered in the office of the Retirement Board. Based on this information, the Executive Director certifies to the correctness and validity of the above claims.

Trustee AFFOLTER moved the approval of the Report on Death Claims to the Omnibus.

Applications for Refunds - over \$5,000.00

Applications for refund of pension contributions, Section V (B), involving payment in excess of \$5,000.00 were received from the following former employees of the Chicago Park District and presented to the Board by the Secretary:

<u>Name and Occupation</u>	<u>Amount</u>	<u>Age</u>	<u>Years of Service</u>
Natalina Bierod , Life Guard	\$ 9,148.22	27	5.25
Anne Burke , Physical Instructor	12,748.23	68	6.75
Angela Burks-Curry , Natatorium Instructor	13,097.48	42	6.00
Antonio Davila , Natatorium Instructor	13,586.52	24	6.00
Ya'ree Gage , Physical Instructor	9,936.77	29	4.75
Edward Hardaway , Security Guard	22,819.31	58	9.75
Brandon Kemp , Activities Instructor	14,629.63	28	8.50
Tanika McClendon , Recreation Leader	7,721.58	28	6.75
Terrance Gillespie , Physical Instructor	8,513.67	27	4.50
Janine Moore , Park Supervisor of Recreation	12,904.74	34	3.25
Miluska Novota , Deputy General Counsel	31,047.71	42	4.25
Brigitte Ramirez , Life Guard	6,012.15	23	3.50
Veronica Rogers , Recreation Leader	<u>6,530.39</u>	31	7.50
Total refunds submitted for approval	<u>\$168,696.40</u>		

The preceding individuals were duly informed regarding the effect of their refunds on their rights in the Fund, and were given full explanation to the credit they would be forfeiting by acceptance of the refunds.

Trustee HODOROWICZ moved the approval of the Applications for Refunds over \$5,000.00 to the Omnibus.

Refunds of Spouse's Annuity Deductions - over \$5,000.00

Application for refunds of the following spousal annuity deduction is submitted for approval of the Trustees. These employees are unmarried at the date of their retirement and are entitled to these refunds.

Donald L. Johnson	\$ 7,716.03
Ronald J. Szachowicz	<u>6,216.95</u>
Total	<u>\$13,932.98</u>

Trustee SHOSTACK moved the approval of the Refunds of Spouse's Annuity Deductions over \$5,000.00 to the Omnibus.

INVESTMENTS

The Chairman informed the Board of the following Reports for October 2011, are presented in Section VI (A) for approval:

Northern Trust Company investment manager performance snapshot	VI (A)1
Market Value of Investments Owned	VI (A)2
Fixed Income	VI (A)3
Equity Advisors	VI (A)4
Alternative Investments	VI (A)5
Real Estate Accounts	VI (A)6

Official copies of the preceding have been placed on file and made a part of the "Minutes" of this meeting.

Important/significant activity in the Equity Accounts:

Great Lakes Advisors, Inc.	(none)
Wellington Trust Company	(none)
Ariel Capital Management	(none)
RBC Global Asset Management	(none)
William Blair & Company, LLC	(none)

Important/significant activity in Index Fund Accounts:

Northern Trust Quantitative Advisors	(none)
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Important/significant activity in Fixed Income Accounts:

Chicago Equity Partners	(none)
MacKay Shields	(none)
LM Capital Group	(none)
Ullico-Separate Account W1	(none)

Important/significant activity in Private Equity Accounts:

HarbourVest Partners	(none)
Mesirow Financial	(none)
Pine Bridge Investments	(none)
New York Life Capital Partners	(none)

Important/significant activity in Hedge Fund Accounts:

Entrust Capital, Inc.	(none)
K2 Advisors	(none)

Important/significant activity in Real Estate Accounts:

UBS Realty Investors, LLC	(none)
Principal Global Investors	(none)

Trustee FRATTO moved the approval of investment reports and important/and or significant activities in the investment accounts to the Omnibus.

CURRENT FINANCIAL DATA**Cash Account - Reconciliation and Cash Flow Report**

The Trustees discussed maintaining the cash balance in the Northern Trust STIF account in accordance with the Fund's investment policy.

Trustee SHOSTACK moved the approval of the Reconciliation and Cash Flow Report to the Omnibus.

Statement of Cash Receipts and Disbursements

Statement of Cash Receipts and Disbursements, Section VII (B), through October 31, 2011 containing the following summary balances:

Adjusted balance at September 30, 2011	\$ 4,078,187.29
Receipts during October	72,386,516.13
Disbursements for October	<u>(76,505,356.83)</u>
Balance at October 31, 2011	<u>\$ 40,653.41</u>

Trustee SHOSTACK moved the Statement of Cash Receipts and Disbursements to the Omnibus.

Summary of the Trial Balance (unaudited)

Summary of the Trial Balance (unaudited), Section VII (C) as of October 31, 2011 shows the ending net assets of \$373,162,872.81.

Trustee SHOSTACK moved the approval of the Summary of the Trial Balance (unaudited) to the Omnibus.

MOTION TO APPROVE THE OMNIBUS

A motion was made by President MUNIZZI to approve the foregoing reports which were moved to the Omnibus. Trustee SHOSTACK seconded the motion.

Motion carried by the following roll call:

YEAS: AFFOLTER, FRATTO, GERAGHTY,
HODOROWICZ, MUNIZZI, SHOSTACK

NAYS: None

REPORT OF THE EXECUTIVE DIRECTOR**2012 Board Meeting Schedule**

The Executive Director distributed a proposed list of Board meeting dates for 2012 for approval by the Trustees and subsequent posting to the Fund's website. President MUNIZZI noted that Chicago will host the G8 and NATO summits in May 15-22, 2012 and as such the Fund should plan accordingly.

A motion was made by President MUNIZZI to approve the 2012 Board meeting schedule as presented. Trustee HODOROWICZ seconded the motion.

Motion carried by the following roll call:

YEAS: AFFOLTER, FRATTO, GERAGHTY,
HODOROWICZ, MUNIZZI, SHOSTACK

NAYS: None

The Northern Trust Custodial Fee

The Executive Director reminded the Trustees that he had successfully negotiated an additional one year \$50,000 guaranteed fee for custody services with The Northern Trust Company and requested that the Board authorize him to execute a one year extension of the Master Custody Agreement between the Retirement Board of the Park Employees' Annuity and Benefit Fund and The Northern Trust Company.

A motion was made by Trustee SHOSTACK to authorize the Executive Director to execute a one year extension of the Master Custody Agreement between the Retirement Board of the Park Employees' Annuity and Benefit Fund and The Northern Trust Company. Trustee FRATTO seconded the motion.

Motion carried by the following roll call:

YEAS: AFFOLTER, FRATTO, GERAGHTY,
HODOROWICZ, MUNIZZI, SHOSTACK

NAYS: None

Staff Development/Office Restructure and Review

The Executive Director reported that he, the Fund's Comptroller and the Office Manager are in the process of reviewing and updating staff job descriptions as well as conducting employee evaluations. In addition to the updated job descriptions, office policies and procedures are being reviewed by Fund counsel where appropriate. He also noted that he and staff are in the process of conducting reviews of the various operational systems within the Fund including the Accounting, Administration, Benefits and Information Technology areas with the goals of creating greater efficiency and improving the quality of service to participants. As such, the Fund's Comptroller is in the process of reviewing procedures in the Accounting area including implementation of a new Chart of Accounts. He pointed out that the Information Systems Department at the Fund's auditor, Bansley & Kiener, had assisted the Fund in its search for a Backup/Disaster Recovery solution at no charge to the Fund in 2010. Bansley & Kiener, by virtue of being the Fund's auditor, is particularly familiar with the Fund's Information Technology area and would be able to provide an additional more in-depth review at a cost effective price. As part of his on-going review of systems within the Fund, the Executive Director requested Board approval to engage Bansley & Kiener to conduct an additional review of the Fund's Information Technology area at a cost not to exceed \$2,500.

A motion was made by Trustee FRATTO to authorize the Executive Director to engage Bansley & Kiener, to conduct an additional review of the Fund's Information Technology area at a cost not to exceed \$2,500. Trustee HODOROWICZ seconded the motion.

Motion carried by the following roll call:

YEAS: AFFOLTER, FRATTO, GERAGHTY,
HODOROWICZ, MUNIZZI, SHOSTACK

NAYS: None

Fiduciary Liability Insurance

The Executive Director distributed a schedule of estimated insurance premiums for fiduciary liability insurance and noted that they are very rough estimates. The Trustees and Fund counsel discussed the advantages and disadvantages of securing this type of coverage. The Trustees instructed the Executive Director to monitor whether or not other local retirement systems are securing this type of coverage and what their claim history is and to report to the Board when appropriate.

Other

Investment Consultant RFP - The Executive Director reported that he would be working with Fund Counsel to develop an Investment Consultant RFP, consistent with Public Act 96-006, and timetable for the RFP process and will be reporting on progress in subsequent Board meetings.

Senate Hearings - The Executive Director reported that he presented a report to the Illinois State Senate Pensions and Investments Committee's annual subject matter hearing on minority and female investments on Tuesday, December 6, 2011. The Trustees discussed the importance of continuing to support minority and female investment managers and brokers.

Statement of Economic Interest - The Executive Director reminded the Trustees that their Statements of Economic Interest are due May 1, 2012 and must be filed on-line.

Continuing Education - The Executive Director reminded the Trustees to complete and submit continuing education forms for all qualified conferences and sessions that they attended during the past year as they will be filed soon.

Conferences - The Executive Director distributed an updated 2011/2012 Conference Schedule to the Trustees. He also noted a few conferences and client conferences which may be of particular interest to the Trustees.

Meeting with Chicago Park District Staff - The Executive Director reported that he had scheduled a meeting with Superintendent and Chief Executive Officer, Michael P. Kelly and Chief Financial Officer Steve Hughes of the Chicago Park District and, at the suggestion of the Trustees, James Brosnahan, the Fund's lobbyist, for January 17, 2012 to discuss alternative pension reform and funding scenarios.

GFOA Report/audit - The Executive Director reported that the audit of the financial statements as of the June 30, 2011 fiscal year-end is nearly complete and that the Fund is in the final stages of preparing its Comprehensive Annual Financial Report for submission to the GFOA.

Actuarial Valuation as of June 30, 2011 - The Executive Director distributed a letter from the Fund's actuary, Goldstein & Associates, regarding the Fund's Actuarial Valuation as of June 30, 2011 including Exhibit 6 to be discussed during the Report of the Actuary.

A motion was made by Trustee SHOSTACK to accept the Report of the Executive Director. Trustee FRATTO seconded the motion.

Motion carried by the following roll call:

YEAS: AFFOLTER, FRATTO, GERAGHTY,
 HODOROWICZ, MUNIZZI, SHOSTACK

NAYS: None

REPORT OF THE ACTUARY

Mr. Sandor Goldstein of Goldstein & Associates, the Fund's actuary, reviewed in detail a letter regarding the Fund's Actuarial Valuation as of June 30, 2011 including Exhibit 6. He noted that the entire final report will be available in early January 2012. At the conclusion of Mr. Goldstein's report and a lengthy discussion with the Trustees, President MUNIZZI thanked Mr. Goldstein.

A motion was made by Trustee HODOROWICZ to approve the Report of the Actuary. Trustee FRATTO seconded the motion.

Motion carried by the following roll call:

YEAS: AFFOLTER, FRATTO, GERAGHTY,
 HODOROWICZ, MUNIZZI, SHOSTACK

NAYS: None

REPORT OF THE ATTORNEY

None

PRESENTATIONS**Marquette Associates**

Mr. Brett Christenson of Marquette Associates distributed the Preliminary Monthly Update report featuring investment performance, market highlights, asset allocation and individual investment manager performance as of November 30, 2011. The report was reviewed and discussed with the Trustees. President MUNIZZI thanked Mr. Christenson.

OLD BUSINESS

None

NEW BUSINESS

None

ADJOURNMENT

There being no further business, Trustee SHOSTACK moved to adjourn the meeting. Trustee GERAGHTY seconded the motion. Motion prevailed and the meeting was adjourned.

The next regular meeting of the Retirement Board will be on **Thursday, January 19, 2012** at 9:30 A.M. in the Judith A. Flaherty Conference Room on the 27th floor of the 55 East Monroe Street Building, Suite 2720, Chicago, Illinois, 60603.

Respectfully submitted,

Edward L. Affolter
EDWARD L. AFFOLTER
Secretary