MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
October 16, 2020

Attendees: Ron Fowler, Jeff Emmert, Carl Reeb, Curt Oyer, and Scott Rathbun, Fire Pension Board members.

Others present: Dave Wall, Wall Capital Group's President and Tracey Covert, Recording Secretary.

Others present via telephone: Michael Malatt, CPA, Baker Tilly.

The Fire Pension Board met at Fire Station 6 located at 4040 E. Oakland Ave. Ron Fowler, President, called the meeting to order at 2:15 p.m.

Mr. Fowler opened the meeting to Public Comment. No one came forward to address the Board.

MINUTES

Motion by Carl Reeb, seconded by Scott Rathbun to approve the regular session minutes of July 17, 2020 as presented.

Motion carried, (viva voce).

SEATING OF NEW TRUSTEES

Mr. Fowler noted that the Board officers would be elected.

Motion by Curt Oyer, seconded by Scott Rathbun, to retain the current officers: Ron Fowler, President, Jeff Emmert, Vice President and Carl Reeb, Secretary.

Motion carried, (viva voce).

TREASURER'S REPORT

Carl Reeb informed the Board that the $3 million transfer approved at the Board's July 17, 2020 had not been executed.

Carl Reeb had prepared the Treasurer's Report.

The monthly pension costs were as follows:

July 2020	$509,998.87
August 2020	$509,998.87
September 2020	$517,773.45

The PNC balance was $6,125,603.69. In September the Jackson National annuity contract #7412 was deposited into this account in the amount of $911,447.21.

Checks written:

Insight (accounting/financial services)	$2,747.15
Tracey Covert (Recording Secretary)	$118.75
Tracey Covert (Recording Secretary)	$106.25
Curt Oyer (virtual IPPFA Seminar)	$385.00
Baker Tilly (outside Auditor/financial services)	$9,000.00
TOTAL:	$12,357.15

Scott Rathbun presented the Board with a Cash Forecast Report. The report addressed monthly cash in, (i.e. employer pension contributions), and cash out (i.e. monthly pension cost). He estimated the monthly cash need at $450,000. He added the City's remainder contribution to be paid in December was $1,363,978.31. He cited the PNC balance. He noted the Running Balance chart which lists the balance by month. This balance remained over $4 million. He believed the balance month to month would be over $4 million through May 2021.

Next year, the City's contribution would be increased by $700,000. This increase was due to Tier 2 changes and the mortality rate table. He believed that the City would fund 100% of the goal. The impact of the new state board was an unknown. The contributions were set by Lauterbach & Amen, actuarial firm.

Motion by Jeff Emmert, seconded by Scott Rathbun to accept the Treasurer's Report as presented.

Ayes: Jeff Emmert, Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

AUDIT REVIEW

Mike Malatt, CPA, Baker Tilly, addressed the Board. He expressed his willingness to answer the Board's questions. He also extended his appreciation to the various individuals who had been involved with the audit. The process went well. Baker Tilly prepared two (2) reports: Comprehensive Annual Financial Report (CAFR), and the Reporting & Insights from 2020 Audit, (Audit results letter). The Department of Insurance report would be filed after it is signed by Mr. Reeb and Mr. Rathbun. The Municipal Compliance Report would be emailed to Mr. Reeb.

The Board had been issued an unqualified/unmodified opinion. GASB, (Government Accounting Standards Board), 84 addressed fiduciary responsibility. The Board's audit information would be incorporated into the City's financial reports.

The funding status at the fiscal year end was fifty percent, (50%). This represented a decline of 2.75%. This was a slight decrease. The fund balance was relatively unchanged. Future growth was anticipated.

He noted that there had been changes due to Tier 2. The consolidated model was unclear and Baker Tilly was waiting for clarity, (i.e. would the pension fund be similar to IMRF/Illinois Municipal Retirement Fund).

All of the Pension Fund information in the CAFR had been provided by the Board.

He addressed the separate Audit Results letter. This was a new document. This year there were no adjustments to the investment values. There was an improvement. Baker Tilly was responsible for the approach to the audit and communication with the Board. The letter addressed trends/challenges. It provided valuable information. The representation letter must be signed and returned. This is a required communication. Baker Tilly was always available to address Board concerns.

Curt Oyer requested clarification regarding the balance sheet. The equity percentage at fiscal year-end was over sixty-nine percent, (69%). The statutory limit is sixty-five percent, (65%). He questioned Board exposure.

Mr. Malatt responded negatively. The annuities were not viewed as equities. He described them as odd ducks as they were not direct stock holdings. The Board was working its way down, (i.e. surrender at the appropriate time). There were no substantial concerns.

Mr. Oyer added that in the future the Board would not be investing in annuities. Mr. Malatt responded affirmatively. The Board does not want to appear that is it avoiding/ignoring statutory compliance.

Mr. Rathbun addressed the Municipal Compliance Report. Mr. Malatt noted it was an internal report from the Board to the City Council. It was a statutory requirement. Mr. Reeb added his intention to have the document signed and presented to the City in the next week.

Mr. Malatt left the meeting at 2:45 p.m.

Motion by Scott Rathbun, seconded by Jeff Emmert to accept the CAFR for Fiscal Year 2020 and place it on file.

Motion carried, (viva voce).

FINANCIAL INVESTMENT REPORT

Dave Wall, Wall Capital Group's President, addressed the Board. He directed the Board to page 2. Total assets were over $80 million. Current equity holdings were over eighty percent, (80%).

Mr. Oyer compared the CAFR to the present quarter.

The Performance Summary was located on page 3. The Investment Gain was $5,179,329. The Board's relationship with Wall Capital was approaching three years. He cited the Previous 5 Year/Custom column. The gain was 6.27%: see Account Return (Gross TWR).

The Bond Analysis was located on page 5. This page addressed CDs, Government Bonds and Fixed Annuity Holdings. He directed the Board to page 7. Under CDs, he cited the Texas Capital Bank holding with a value of $1 million. It would mature on November 12, 2020. The Board was directed to page 8. Under Government Bond, a US Treasury would mature on November 30, 2020 with a value of $501,250.

The Board's annuities were listed under Holdings, (see pages 8 – 11). Mr. Oyer cited the Athene #4869 fixed annuity with a maturity date of November 16, 2020. It was valued at $604,433.31.

Mr. Wall stated that the Board had $6 million available for investment. The Board would need to revisit this item later in the meeting. The Performance Summary for Fixed Income was found on page 17. He cited the Account Return (Gross TWR): Last Quarter .07%, Previous 5 Years/Custom 2.79%.

The Performance Summary for Passive Large cap Equity was found on page 20. The Account Return (Gross TWR) was 8.92%. The S & P 500 Composite (Benchmark) was 8.93%. The Performance Summary for Active Large cap was found on page 23. The Account Return (Gross TWR) was 12.03%. The S & P 500 Composite (Benchmark) was 8.93%. This category included the DoubleLine and Momentum accounts. These accounts had been opened in November 2019 or for eleven (11) months.

The Variable Annuity Performance Summary started on page 26. He cited the company, the account return and benchmark. Page 26 – AIG, Account Return (Gross TWR) 8.35%, S & P Composite (Benchmark) 8.93%. Page 29 – Delaware Life, Account Return (Gross TWR) 8.20%, S & P 500 Composite (Benchmark) 8.93%. Mr. Wall cited the Previous 5 Years/Custom Account Return (Gross TWR) 8.39%, S & P Composite (Benchmark) 10.84%. Page 32 – Jackson National, Account Return (Gross TWR) 9.19%, S & P 500 (Benchmark) 8.93%. Page 35 – Pacific Life, Account Return (Gross TWR) 8.47%, S & P 500 (Benchmark) 8.93%. Page 38 – Pacific Life, Account Return (Gross TWR) 8.47%, S & P Composite (Benchmark) 8.93%. Mr. Wall also cited the Previous 5 Year/Custom, Account Return (Gross TWR) 10.12%, S & P 500 (Benchmark) 10.84%. Page 41 – Voya International, Account Return (Gross TWR) 6.22%, S & P 500 & MSCI EAFE (Benchmark) 6.16%. Voya was a foreign holding. It added diversity to the Board's holdings. He believed there also were international holdings in the Delaware holding.

Mr. Oyer questioned the performance – domestic versus foreign. Mr. Wall stated that domestic outperformed foreign.

The Fixed Annuity Performance Summary was found on page 44. The Account Return (Gross TWR) was 6.56%. Mr. Oyer believed some of these holdings issue credits every two years. Mr. Wall noted the ending market value: $16,271,786. This was important.

The Peer Group Review started on page 47. The Vanguard 500 Index was found on page 47. The DoubleLine was found on page 48 and iShares Momentum was found on page 49.

Things had turned around. The Board should have a good year as the markets were settling in. The unknown was COVID. Mr. Wall anticipated that 2021 would be a decent year. The Federal Reserve was working to keep interest rates low. The Board needed to watch the bond market. The rates have been held artificially low. The Board needed to invest $6 million.

Mr. Oyer noted that the aggregate death benefit value of $8.5 million was higher than the market value. Mr. Wall encouraged the Board to be patient. He believed that under consolidation, the annuity holdings would be left with the Board. The state board was interested in the “good” assets.

Mr. Oyer believed this would result in two portfolios: one held by the Board and the other held by the state. The state would inform the Board of its holdings.

Mr. Wall offered to investigate changing annuitants. Dollars could be transferred to Schwab.

Mr. Rathbun believed $4 million was available today for investment. In November 2020, three holdings would mature: 1.) Texas Capital Bank CD with a value of $1 million; 2.) US Treasury with a value of $501,250 and 3.) Athene #4869 fixed annuity valued at $604,433.31. They have a combined value of $2 million.

Mr. Wall recommended that Board acquire two (2) US Treasury with a value of $2 million each. In November, the Board could acquire another $2 million US Treasury. These three (3) items would be laddered out.

Mr. Wall informed the Board that transfers to the state board should occur by July 2021. It was rumored that litigation was likely. It would involve restraining orders which would stop the transfer of assets. There were twelve to fifteen (12 – 15) pension boards involved. There were a variety of opinions. A lawsuit could be filed by the end of October/early November. Timeline for litigation: one year.

Mr. Reeb had heard claims that the state was overstepping. Mr. Wall added that there were claims this action violated the state’s constitution, (i.e. benefits could be diminished or impaired). Asset allocation was not a one size fits all. There were various funding levels. He noted a federal case involving Sudan. Interest was paid by the funds. The pensions were funded by local government not the state. There would be a legal challenge. The key question: would it prevail. Fire has completed its statewide election. Police has not. The first step would be the transfer of assets.

Mr. Wall recommended that $4 million in the Schwab account be transferred to purchase two (2) US Treasury bonds. Investment term: less than two (2) years. The yield curve would be considered. He restated his opinion that the Board needed a fixed income manager. It was unknown what might happen in the next six (6) months.

Mr. Rathbun recommended that this issue be revisited at the Board's January 15, 2021 meeting.

Mr. Wall added that Wall Capital would look at six (6) month, one (1) year, eighteen (18) months and two (2) year terms. The situation would be the same with the November maturing assets, (i.e. there were three). He noted that future action by the Federal Reserve was unknown.

Motion by Scott Rathbun, seconded by Curt Oyer to transfer $4 million from PNC Bank to Schwab fixed income account.

Ayes: Jeff Emmert, Carl Reeb, Curt Oyer, and Scott Rathbun.

Nays: none.

Motion carried.

Mr. Wall recommended that the Board purchase government securities with maturity dates up to two (2) years.

Motion by Scott Rathbun, seconded by Curt Oyer to authorize Wall Capital to purchase two US securities in an amount up to $2 million each with a maturity date not to exceed two (2) years.

Ayes: Jeff Emmert, Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

Mr. Wall recommended the following action be taken in November: to invest the maturing proceeds in the amount of $2 million and purchase a single US security.

Motion by Scott Rathbun, seconded by Curt Oyer that after receipt of 1.) Texas Capital Bank CD with a value of $1 million; 2.) US Treasury with a value of $501,250 and 3.) Athene #4869 fixed annuity valued at $604,433.31. They have a combined value of $2 million, these funds be transferred from PNC Bank to the Board's Schwab account in an amount not to exceed $2 million.

Ayes: Jeff Emmert, Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

Motion by Scott Rathbun, seconded by Curt Oyer to authorize Wall Capital to purchase a US security in an amount up to $2 million with a maturity date not to exceed two (2) years.

Ayes: Jeff Emmert, Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

Mr. Oyer noted the process of closing out annuities was complicated.

Mr. Wall informed the Board that the Police Pension Fund held $100 million in assets. This amount was reached with the assistance of the City.

Motion by Jeff Emmert, seconded by Scott Rathbun to accept the financial report.

Ayes: Jeff Emmert, Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

COMMUNICATIONS

Mr. Reeb informed the Board that Mr. Fowler, Mr. Emmert and himself would attend the AFFI conference at the end of the month. It was being held virtually and at no charge. It would be held on October 26, 2020. Mr. Reeb would handle the registration.

APPLICATION TO FUND

Mr. Reeb presented three (3) individuals. Their hire date was August 31, 2020. He provided the following information:

Christian Stengel – was from the local area.
Derek Stevens – was from Urbana.
John Shobe – was from the local area.

All of their paperwork was in order.

Motion by Carl Reeb, seconded by Scott Rathbun to accept Christian Stengel, Derek Stevens, and John Shobe into the pension fund effective August 31, 2020.

Ayes: Jeff Emmert, Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

WITHDRAWAL FROM FUND

Mr. Reeb presented Austin Isham to the Board. He had been employed with the City for six (6) months. Mr. Isham had accepted another position with Rolling Meadows Fire Department. His date of withdrawal would be his final date of employment

Motion by Carl Reeb, seconded by Scott Rathbun to approve Austin Isham withdrawal from the fund effective August 23, 2020 in the amount of $1,773.45, if requested by Mr. Isham.

Ayes: Jeff Emmert, Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

APPLICATION FOR PENSION (RETIREMENT)

Mr. Reeb presented the following for retirement pension:

Eric Leman

Rank:	Captain
Retirement Date:	09/17/2020
Start Date:	09/15/1993
Age:	54 ½ years
Years of Service:	27.02
Annual Salary:	$109,116.86
Beginning Monthly Pension:	$6,137.82

Jeff Day

Rank:	Captain
Retirement Date:	09/04/2020
Start Date:	09/03/1996
Age:	56 ½ years
Years of Service:	23.99
Annual Salary:	$109,116.86
Beginning Monthly Pension:	$5,455.84

Steve Giusti

Rank:	Battalion Chief
Retirement Date:	10/03/2020
Start Date:	10/01/1990
Age:	56 ½ years
Years of Service:	30.03
Annual Salary:	$126,148.09
Beginning Monthly Pension	$7,884.26

Motion by Scott Rathbun, seconded by Jeff Emmert to accept and approve the application for regular retirement pensions for: Eric Leman effective September 17, 2020, Jeff Day effective September 4, 2020 and Steve Giusti effective October 3, 2020.

Ayes: Jeff Emmert, Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

Ron Fowler left the meeting and Jeff Emmert assumed the chair as Vice President.

OLD BUSINESS

Mr. Rathbun informed the Board that the Actuary Report would be presented at the Board's January 15, 2021 meeting. The contribution recommendation had been increased by $700,000. There were changes to the Tier 2 and the mortality table. The funded percentage had remained flat, (i.e. fifty percent/50%). Smoothing had been used.

Mr. Reeb informed the Board that the Department of Insurance (DOI) report was a work in progress. Michael Malatt, Baker Tilly, planned to file the report no later than the beginning of next week. Mr. Reeb added that he had received the Municipal Compliance report.

Motion by Carl Reeb, seconded by Scott Rathbun to authorize the Municipal Compliance report be signed and filed with the City.

Motion carried, (viva voce).

NEW BUSINESS

Mr. Reeb presented the Annual List of Meetings for 2021 for approval by the Board. Mr. Wall added that the Board Meetings would be held on January 15, April 16, July 16 and October 15, 2021 at 2:00 p.m.

Motion by Carl Reeb, seconded by Scott Rathbun to approve the Annual List of Meetings for 2021.

Motion carried, (viva voce).

Mr. Reeb addressed pension benefits and COLA, (Cost of Living Adjustment), increases for 2021. Work on this item would be completed by the end of 2020. The Board would need to approve this item at their January 15, 2021 meeting.

Mr. Reeb addressed issues with the current online account at PNC Bank. Double authentication was required for all online transfers. Insight was assisting with this work. They were looking at PNC Pinnacle. There would be a monthly charge of $30. In addition, there is a $25 charge for online bill pay. The wire function was $30 plus an additional $11 each. The Board currently does four (4) wire transfers per year. The current cost was $25 - $30 for in-person transfers. He wanted the Board to authorize three (3) individuals.

Mr. Oyer caution that the account should not be a money market mutual fund that could be seen as equities.

Board reached a consensus to try PNC Pinnacle on a trial basis. If the trial was successful, a formal motion would appear on the Board's January 15, 2021 meeting agenda.

Mr. Reeb addressed staffing levels at the Fire Department. He anticipated that there would be nine (9) vacancies by the end of 2020.

Motion by Scott Rathbun, seconded by Carl Reeb to adjourn. Time: 3:50 p.m.

Motion carried, (viva voce).

Respectfully submitted,

Tracey Covert
Recording Secretary

Signed by:

Ronald E. Fowler — Carl R. Reeb

Ron Fowler, President — Carl Reeb, Secretary