MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
October 15, 2021

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

Absent: Jeff Emmert, Fire Pension Board member.

Others present: Dave Wall, Wall Capital Group, and Michael Malatt, Baker Tilly, via telephone, Vicky Campbell, Raymond James Senior Vice President Investments/Branch Manager and Tracey Covert, Recording Secretary

The Fire Pension Board met at Fire Station 6 located at 4040 E. Oakland Ave. Ron Fowler, President, called the meeting to order at 2:12 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 16, 2021 as corrected, (correct spelling of Galagan, verify total expenditures and Insight invoice on page 1 and Withdrawal from Fund dollar figures for Brandon Vaughn, see page 11).

Motion carried, (viva voce).

TREASURER'S REPORT

Mr. Reeb had prepared the Treasurer's Report.

The monthly pension costs were as follows:

July 2021	$603,419.83
August 2021	$583,107.04
September 2021	$658,538.34

Mr. Reeb presented the following expenditures: IPPFA $795 (dues); Tracey Covert $200 (July meeting minutes); and AFFI $450 (Ron Fowler, Jeff Emmert and himself to attend virtual conference). Total expenditures were $1,445. He informed that Board that he had not received a bill from Insight for quarterly services.

The PNC balance as of this date was $2,468,240.91. Scott Rathbun presented his Cash Forecast report. He noted that the account balance for PNC needed to be updated. His report was dated September 29, 2021. He noted the October Property Tax (Net). He cited a correction – remove the September Net amount. Property tax receipts would commence in late May/early June 2022. The May Net Running Balance should be $1.1 million. The lowest Running Balance occurs in November.

He questioned if the Board should send additional cash to the Firefighters' Pension Investment Fund (FPIF) or wait until January 2022 to see how consolidation was progressing.

Mr. Reeb recommended funds be held until January 2022. He had been informed by the FPIF that the Board may add another authorized agent. He expressed his opinion that Mr. Rathbun should be added. Mr. Rathbun would need to complete a mandatory FPIF webinar. This webinar will address how to access pension funds. The Board should be cautious before sending any additional money to the FPIF.

Mr. Rathbun expressed support for waiting. The Board needed to learn more before making additional decisions. Decisions could be made at the Board's quarterly meetings.

Mr. Rathbun directed the Board to the FY2021 Issued Dates, (lower right portion of the report). This is a listing of City contributions, (i.e. property tax, PPRT (Personal Property Replacement Tax) and utility tax). The deposit dates, amounts and revenue sources were provided. He also addressed the FY2022 City Contributions, (lower left portion of the report). It addressed the actuarial contributions. Total contributions should be $6.1 million. The October deposit was pending. Total contribution was $4 million. The Total Remaining was $2.1 million. The net figure used has been based upon pension payroll. The City has received the actuarial contribution for FY2023. There was a slight decrease in the dollar amount due to smoothing and investment returns.

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

Ayes: Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

OLD BUSINESS/COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The agenda was amended to allow the presentation of the CAFR as Michael Malatt, Baker, CPA, Baker Tilly was participating via telephone.

Michael Malatt, CPA, Baker Tilly, addressed the Board. He expressed appreciation to Carl Reeb, Scott Rathbun and City staff, and Insight staff for their assistance. He described the FY 2021 CAFR as a final draft. Baker Tilly was waiting for the actuarial report. He expected this report in the next few weeks.

The state's Department of Insurance (DOI) report and Municipal Compliance report would be completed shortly. The DOI report was due by November 30, 2021. The Municipal Compliance report was part of the City's tax levy process.

Baker Tilly issued an unmodified opinion. It was a clean record. The financial performance was significant. The fund's growth was twenty-nine percent (29%). The fund went from fifty percent to sixty-five percent (50 – 65%) funded. The investment performance was meaningful. There were no major changes this year. Next year would be different. He cited the transfer of funds to the FPIF. He presented the CARF highlights. He noted that there was a lot of information in the CAFR, (i.e. historical, trend analysis, and good data covering a ten to twelve (10 - 12) year period. The report included the required communications. There were no findings or areas of concern regarding fund operations. The word "clean" meant that Baker Tilly's staff was able to work through the audit process. He welcomed any questions from the Board.

Curt Oyer had sent questions to Baker Tilly in September. There was one (1) question remaining: investment disclosure and transfer to the FPIF.

Mr. Malatt informed the Board that Baker Tilly was developing standard language. The lawful transfer of funds must be verified. Change was coming and it would be substantial. He added that all of Mr. Oyer's feedback had been incorporated into the CAFR.

Mr. Rathbun cited the investment return which was over twenty-nine percent (29%).

Mr. Reeb expressed his belief that the process went smoothly. The end goal ran a little behind. Mr. Malatt stated this was common this year. There were actuarial delays with a number of funds. He ended by informing the Board that their questions were welcomed at anytime. He left the meeting at 2:40 p.m.

FINANCIAL INVESTMENT REPORT

Dave Wall, Wall Capital Group's President, addressed the Board. He expressed appreciation to the Board for accommodating his participation via telephone. He noted that the report was dated September 30, 2021. He directed the Board to the Account Asset Allocation, (see page 2). Total assets were $93.2 million. Equities totaled seventy-two percent (72%). The Performance Summary, (see page 3), showed the Account Return (Gross TWR) was down slightly, .64%. The Account Return Year to Date (Gross TWR) had increased by 9.8%. The Holdings summary were on pages 7 – 10. The bonds listed on pages 6 & 7 had been transferred to the FPIF on October 1, 2021. The Fixed Income Account Asset Allocation were found on pages 15 – 17. Total dollars were $16 million. There had been a modest return, (see the Performance Summary on page 16). Account Return (Gross TWR) .05% and Account Return (Gross TWR) Year to Date had decreased by .06%. He added that these were laddered securities and had been transferred to the FPIF on October 1, 2021.

The Performance Summary for the Passive Large cap was on page 19. The Account Return (Gross TWR) was .57%. The Account Return (Gross TWR) Year to Date was 15.9%. These funds were also transferred to the FPIF on October 1, 2021.

The Performance Summary for Active Large cap was on page 22. The Account Return (Gross TWR) was 1.08%. The Account Return (Gross TWR) Year to Date was 12.57%. These funds were also transferred to the FPIF on October1, 2021. He addressed the S & P 500 Composite benchmark .58%. He was unsure how the FPIF would address peer group.

The Performance Summary for the variable annuities started on page 25. AIG – Account Return (Gross TWR) .04%; Account Return (Gross TWR) Year to Date 14.14%. Delaware Life, page 28, Account Return (Gross TWR) 1.05%; Account Return (Gross TWR) Year to Date 11.31%. Jackson National, page 31, Account Return (Gross TWR) decreased .14%; Account Return (Gross TWR) Year to Date 13.57%. Pacific Life #0054, page 34, Account Return (Gross TWR) .16%; Account Return (Gross TWR) Year to Date 14.18%. Pacific Life #0055, page 37, Account Return (Gross TWR) .16%; Account Return (Gross TWR) Year to Date 14.18%. Voya, page 40, Account Return (Gross TWR) decreased 3.3%; Account Return Gross (TWR) Year to Date 11%. Voya is a blended international.

The Performance Summary for the fixed annuities was on page 43. The Account Return (Gross TWR) decreased 5.92%; Account Return (Gross TWR) Year to Date 2.88%.

The iShares Momentum was on page 47. It was a large cap core. Year to Date return was 9.26%. Standard & Poors year to date return was 16%. This fund was 7% behind the benchmark. The first quarter sector holdings underperformed, (i.e. technology investments). This fund is rebalanced twice per year. There was a large investment in the financial sector.

The DoubleLine was on page 46. It had performed better. This fund had a different investment philosophy. The year to date return was 16.47%. Both investments were transfer to the FPIF. He had no knowledge regarding the consolidated fund nor any information regarding an action plan.

Mr. Oyer questioned the Schwab fixed income account. He believed it was on the nontransferable list from the FPIF. He believed there was $2.4 million in this account. Mr. Wall stated he would need to review the transactions. Mr. Rathbun also questioned the $2.4 million Schwab account.

Mr. Reeb informed the Board that Ms. Campbell had prepared language addressing why the annuities were nontransferable.

Mr. Wall added that no purchases were authorized after the Board's July 16, 2020 meeting. The current cash balance was $118,000. He had only seen the security transfers. FPIF may have done a residual transfer. He noted the following items had been delivered to the FPIF on October 5, 2021: Vanguard – passive account and DoubleLine #1364 – active account. It appeared there was still an account value of $10,000.

Mr. Reeb questioned if this could be a dividend payment. Mr. Wall believed the dividend had been paid on September 30, 2021 in the amount of $10,974. The DoubleLine account had been set up to have dividends reinvested.

The iShares Momentum account had also been transferred to the FPIF. Fractional shares remained in the amount of $861. Basically, everything except the annuities had been transferred to the FPIF.

Mr. Oyer questioned who prepared the list. Mr. Reeb informed the Board the report was from the FPIF list of transferable and nontransferable holdings.

Vicky Campbell, Raymond James Senior Vice President Investments/Branch Manager, addressed the Board. She believed all of the funds in the Schwab account had been transferred to the FPIF. She had set up the information regarding the annuities. This included information regarding surrender penalties and death benefit values. The end result was it was not prudent to transfer these holdings.

Mr. Oyer noted that there were two (2) Athene holdings which were not on the list. Mr. Reeb informed the Board work continued on granting Ms. Campbell access to the Athene holdings. Additional information would be sent to the FPIF.

Mr. Rathbun questioned the lawsuit status. Mr. Wall stated that both police and fire pension funds were listed as plaintiffs. If the law was found unconstitutional at the circuit court level, he did not know what the course of action would be. Any appeal would go before the state supreme court not an appellate court. On September 17, 2021, the judge ruled on certain parts of the lawsuit. The state's motion to deny was dismissed by the court. A ruling is expected by the end of November 2021. The plaintiffs were seeking class action status.

Mr. Oyer questioned if any injunctions had been issued. Mr. Wall informed the Board the judge had denied this request. The plaintiffs did not prove irreparable harm. At this moment, he had no idea where these dollars had been invested. He added that if interest rate rise, then bonds will fall. The final filings were due today. Police Pension Funds have not transferred any assets to the FPIF. No alerts had been received. He was aware of two (2) other Fire Pension Funds that transferred assets. There were others that had not transferred any assets.

Mr. Reeb had contacted the FPIF to confirm that the funds had been received. He cited the FPIF's Transition Activity report. The largest transfer was expected in January 2022.

Ms. Campbell also questioned the Schwab $2.4 million. Mr. Reeb stated that Schwab had specific permission. It was listed on all of the Schwab accounts' paperwork.

Ms. Campbell noted that the Athene information and figures were not consistent. She would follow up. She offered to contact the FPIF regarding the two (2) Athene holdings and the $2.4 million Schwab account.

Mr. Wall believed that the Board had the PNC account and the annuities. He did not know what action had been taken by the FPIF. He added there had been no information regarding how the dollars would be allocated. He questioned if the FPIF would use a seventy percent (70%) in equities investment strategy. Additional information was needed. FPIF did not have an Investment Policy. He believed funds' dollars were being parked in index funds weighted in stocks and bonds for now.

Mr. Reeb informed the Board that the FPIF was supposed to send monthly statements. The start date was unknown. Mr. Wall questioned what the FPIF statement might say. He also questioned if there would be an asset allocation. There would be a wait and see period. Mr. Reeb offered to reach out to the FPIF. Mr. Wall added the impact would be known at the end of the fiscal year, April 30, 2022. Ms. Campbell could not provide recommendations without information from the FPIF. He questioned if there would be restrictions on the consolidated fund. The asset allocation for each local fire pension fund was different and based upon each fund's circumstances. Asset allocation will be a challenge for the FPIF.

Mr. Oyer questioned when the annuities would be turned over to the FPIF. Ms. Campbell stated it was not prudent to transfer these holdings in light of the death benefit values. Mr. Wall noted that the annual DOI filing report, the fair market value had been used. Mr. Oyer cited the DOI audit. Mr. Wall noted that the FPIF will know the surrender date and the death benefit. On fiduciary issues the Board should consult its attorney.

Ms. Campbell stated her anticipation for annual filings. Mr. Wall added that the state does not want to track and administer annuity holdings. Mr. Reeb added the fiduciary responsibility remained with the Board until the holding is transferred to the FPIF.

Mr. Oyer believed there would be local police and fire pension funds that would have no remaining investments. He believed the Board needed Wall Capital's involvement due to the annuity holdings. Mr. Wall added that Ms. Campbell needed to obtain more information regarding the consolidated funds.

Mr. Oyer anticipated that each fund would hold a percentage of the total FPIF funds. He did not anticipate separate information by fund. Mr. Reeb had emailed a sample FPIF statement to Mr. Wall and Ms. Campbell. Mr. Wall described it as a simple spreadsheet. Ms. Campbell added that no investments were listed.

Mr. Oyer expressed his hope for an overall fund activity report. Ms. Campbell stated there was no Investment Policy and no benchmarks. Mr. Wall referred the Board to the IMRF (Illinois Municipal Retirement Fund) website as an example of a job well done. Ms. Campbell questioned IMRF's custodian.

Mr. Oyer questioned FPIF's investment consultant. Mr. Reeb stated Marquette.

Mr. Oyer hoped there would be additional information available by the Board's January 21, 2022 meeting. He questioned preparation of the quarterly financial report. Information was needed from the FPIF.

Mr. Rathbun questioned Wall Capital's compensation. There needed to be a new arrangement. Mr. Oyer stated the fee could be based on assets. There were options: those held by the Board or those held by the FPIF. He hoped the overall report would address total assets. Mr. Wall believed the Board needed to wait and see what the FPIF offered. The Board would need to examine what Wall Capital had access to and any gains. Wall Capital might act as a multi-manager. He questioned if the FPIF might rush to move the remaining assets. The Board should wait to see what might happen at the end of October 2021. He hoped for transparency on the FPIF website. Mr. Oyer noted that there would be no investment decisions at this meeting. Mr.

Wall planned to reach out to Ms. Campbell to inquire as to any information learned from the FPIF. He planned to make recommendation at the Board's January 21, 2022 meeting.

Mr. Wall left the meeting at 3:45 p.m.

Ms. Campbell addressed the Athene contract #72625. Its surrender date is January 7, 2022. She wanted to verify the Surrender Value and Death Benefit prior to making a recommendation. She presented the Board with two (2) spreadsheets: 1.) Fixed/Index Annuities and 2.) Variable Annuities. The Fixed Annuities were considered cash and two (2) holdings had 2024 Surrender Dates. The plan was to hold these annuities until Surrender Date or Death Benefit dependent upon which had a higher dollar value. The Variable Annuities list the Surrender Date. There were three (3) AIG holdings (#9892, 9898 & 9003) with an August 10, 2022 Surrender date. Again, the Surrender Value and Death Benefit needed to be compared. She planned to review all surrender dates. She addressed the Board's Delaware holdings, (there were six/6). She cited the fact that the Death Benefit was higher than the Surrender Value. She believed the Board would be limited to sixty-fiver percent (65%) equity holdings. Cash would be considered part of the fixed income holdings. The Board may need to move investments in Variable Annuities to Fixed Investments. The FPIF will have separate policies. Mr. Oyer anticipated this action.

Ms. Campbell reported on fees paid in February, March and August 2021, ($13,791.88, $14,949.67 & $15,781.33 respectively), to Raymond James. She cited the Production Detail report. The Delaware holdings were big on trails. Forty-five percent (45%) of the fees were given to her and the remainder was held by Raymond James. She noted that in the end, the annuities may work out for the fund.

Mr. Oyer questioned why the Death Benefit was lower on AIG holdings #8240 & 3214. There was a little difference from the Surrender Value versus Death Benefit. Ms. Campbell offered to double check all of the dollar figures.

Motion by Scott Rathbun, seconded by Carl Reeb to accept the Financial Report.

Ayes: Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

COMMUNICATIONS

Mr. Reeb informed the Board that Ron Fowler, Jeff Emmet and himself would attend the AFFI Conference virtually.
He planned to meet with Insight staff to approve the annual pension increases prior to January 1, 2022.

APPLICATION TO FUND

Mr. Reeb presented the following individuals: John Hutchison, Justin Thayer, Paul “Charlie” Murphy, Emelio Domingo and Phillip Smith. His request for acceptance only included John Hutchison, Paul “Charlie” Murphy and Emelio Domingo.

Motion by Carl Reeb, seconded by Scott Rathbun to accept John Hutchison, Paul “Charlie” Murphy and Emelio Domingo into the fund effective August 30, 2021.

Ayes: Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

WITHDRAWAL FROM THE FUND

Mr. Reeb informed the Board that Phillip Smith and Justin Thayer had resigned shortly after commencing employment with the City. Both only have two (2) weeks of deposits. He would report back to the Board after the necessary paperwork is received.

NEW BUSINESS

Mr. Reeb presented a recommended Annual Meeting List for 2022: January 21st, April 22nd, July 15th, and October 21st.

Motion by Carl Reeb, seconded by Scott Rathbun to approve the Annual Meeting List for 2022: January 21st, April 22nd, July 15th, and October 21st.

Motion carried, (viva voce).

Motion by Scott Rathbun, seconded by Carl Reeb to adjourn. Time: 4:02 p.m.

Motion carried, (viva voce).

Respectfully submitted,

Tracey Covert
Recording Secretary

Signed by:

Ron Fowler, President

Carl Reeb, Secretary