MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
April 17, 2015

Attendees: Ron Fowler, Carl Reeb, Curt Oyer and Paulette Hurd, Fire Pension Board members.

Member absent: Jim Stokes.

Others present: Larry Rankens, Mischler Financial Group's Senior Vice President, Todd Schroeder, Lauterbach & Amen, LLC, and Tracey Covert, Recording Secretary.

The Fire Pension Board met at Fire Headquarters Station located at 310 N. Lee St. Ron Fowler, President, called the meeting to order at 4:00 p.m.

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

MINUTES

Curt Oyer noted that the dates for IPPFA Conference held in East Peoria should be changed from May 15, 2015 to May 6 – 9, 2015, (see page 2 of the January 16, 2015 meeting minutes).

Larry Rankens, Mischler Financial Groups' Senior Vice President, questioned some of the figures contained in the meeting minutes from October 17, 2014 and January 16, 2015. He planned to verify same.

Motion by Carl Reeb, seconded by Paulette Hurd to approved the minutes of October 17, 2014 and the minutes of January 16, 2015 as corrected.

Motion carried, (viva voce).

PRESENTATION

Todd Schroeder, Lauterbach & Amen, LLC, addressed the Board regarding the Actuarial Valuation of the Bloomington Firefighters' Pension Fund. Lauterbach & Amen was the City's actuarial firm.

Mr. Schroeder addressed the report's highlights. He noted that the Contribution Requirement was located on page 2. Information was presented in two (2) columns: Statutory Minimum and City Recommended. He noted the Contribution Requirement as a Percent of Expected Payroll. He also addressed Funded Status which addressed assets. Information was presented on the Market Value, Actuarial Value, Actuarial Accrued Liability and the Unfunded Actuarial Accrued Liability. He noted that under Actuarial Accrued Liability, City Recommended Contribution: $94.8 million represented the value of full benefits or 100% funded. The state minimum required contribution which meant that the pensions appeared to be better funded. He cited legislation passed in 2011. He also addressed the Percent Funded information which was presented as Actuarial Value of Assets and Market Value of Assets.

He directed the Board to page 4, Comments and Analysis, Actuarial Liability/Contribution Requirement Changes Based on Recommended Contributions. The values were estimated. There would be natural increases due to payroll increases. There were investment and disability assumptions. There could be changes to assumptions. Lauterbach used a three (3) year review cycle for same. Items that would be reviewed included retirements, disabilities and deaths. Actuaries looked for trends which impacted contributions. He cited longevity trends. Firefighters lived longer that police officers. He noted that the City's Pension Funding Policy was more aggressive that the state of Illinois. The City's payments were stable with contributions based upon payroll. The asset returns were greater than expected. A rolling five (5) year period of return was used to determine same.

Mr. Rankens questioned the seven percent (7%) expected rate of return on assets. Mr. Schroeder cited the City's policy: rate of return was seven percent (7%) and salary increase per year was four percent (4%).

Mr. Schroeder directed the Board to page 9, Actuarial Method & Assumptions Utilized. The City's assumptions were based upon its Funding Policy. He restated seven percent (7%) for investments and four percent (4%) for payroll. He believed that there was support for a seven percent (7%) rate of return for investments.

Mr. Rankens noted the sixty-five/thirty-five percent (65/35%) split.

Mr. Schroeder restated his belief that the expectation was reasonable. He cited the IL Dept. of Insurance report. He had looked at the financial statements. This was part of the City's policy.

Mr. Rankens noted that a change to the rate would impact contribution levels.

Curt Oyer cited Tepfer's assumptions and the different percentages.

Paulette Hurd expressed her opinion that seven percent (7%) was reasonable.

Mr. Rankens expressed his opinion that the percentage was aggressive based upon sixty-five percent (65%) equities and thirty-five percent (35%) fixed income. He also noted the mortality rates.

Mr. Schroeder noted that the Dept. of Insurance used a national table. Firefighters had higher contributions and lived longer than blue collar workers. Firefighters initially were a healthier group.

Mr. Rankens questioned if the Board was comfortable with the seven percent (7%).

Ms. Hurd acknowledged that a small change to the percentage could result in a huge difference.

Mr. Rankens noted that the City's goal was higher than the state of IL.

Mr. Schroeder noted that the statutory minimum had been compared to the City's policy in order to take in the longer view.

Mr. Schroeder directed the Board to page 5, Market Value of Assets. He noted the Change in Market Value of Assets. There had been a $4 million increase. The Return on Investment on the Market Value of Assets for the Fund was approximately 10.4% net of Administrative Expenses. The pension fund was well ahead of the seven percent (7%) assumption when taking the long term view.

He directed the Board to page 6, Actuarial Value of Assets, Current Year Loss/(Gain) Assets. At $1.3 million, the gain was above expectations. He noted that an asset smoothing policy was used with a five (5) year time frame. Lauterbach had three (3) years of history. The Development of the Actuarial Value of Assets was addressed. The numbers were above expectations. Nothing was below expectation.

Mr. Schroeder directed the Board to page 7, Actuarial Accrued Liability & Funded Status. Under Actuarial Accrued Liability, the members were broken down by type, (see Inactive Employees: Terminated Employees/Vested, Retired Employees, Disabled Employees and Other Beneficiaries).

He directed the Board to page 11, Statutory Minimum Contribution, Contribution Requirement. He noted that the Securities and Exchange Commission in 2013 used the phrase "statutory underfunding" to describe situations where contributions appear to be more manageable in the short term but set up future contributions requirements that are less likely to be manageable. He cited statewide pensions as examples of same. The state's policy will not work in the long term and the state needed to disclose same.

He directed the Board to page 12, Actuarial Method & Assumptions – Statutory Minimum, Actuarial Method & Assumptions Utilized.

Mr. Rankens questioned a comparison to the state. Mr. Schroeder noted the average, fifty-four percent (54%) was based upon last year. If the Fire Protection Districts were removed the figure would be fifty-two percent (52%). This figures was based upon Lauterbach's clients, (estimated at sixty/60 Firemen Pension Funds). He added his belief that Lauterbach's dollar figures were more realistic than the state of IL. The City's plan was to increase contributions. The City was on the right path.

Mr. Oyer cited Tepfer's recommendation versus the statutory contribution. He believed that Tepfer recommended a contribution of $5.2 million. He noted the differences between the statutory, Tepfer and Lauterbach.

Mr. Schroeder noted that different actuaries used different assumptions. The statute only dictates three (3) policy items. It appeared that initially Tepfer was more aggressive.

Mr. Reeb cited the mortality tables and average life span.

Mr. Schroeder offered to make some calculations. The numbers would change annually. He would provide same to the Board.

Ms. Hurd thanked Mr. Schroeder for his time and presentation of the report. The City had paid for Lauterbach's services. It appeared that the Fire Pension Fund planned to retain Tepfer for one (1) more year. She believed the costs for each firm were comparable.

Board discussion regarding engagement and retention of Tepfer. Discussion included use of the Dept. of Insurance's website.

TREASURER'S REPORT

Carl Reeb presented the Treasurer's Report. Checks written totaled $7,877.99. The following bills had been paid: Northern IL University $800; Curt Oyer, (IPPFA registration) $325; Carl Reeb (postage for IL Dept. of Insurance's compliance audit), $39.81; Lauterbach & Amen (balance for audit and municipal report), $550; Don Craven, Board attorney $237.50; and Insight (accountants) $5,925.68.

Mr. Reeb informed the Board that Frances Stoller, Insight, was semi-retired. She was currently training her replacement. Insight also handles the pension checks for the Police Pension Board.

The PNC Bank accounts had a total value of $1,004,805.10.

Mr. Reeb cited pension payments for January - $368,876.64, February - $368,876.64, and March - $372,908.47.

Motion by Paulette Hurd, seconded by Carl Reeb to accept the Treasurer's Report and place it on file for audit.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

FINANCIAL INVESTMENT REPORT

Larry Rankens, Mischler Financial Group's Senior Vice President, addressed the Board. He noted that the Actuarial Report set the market value at the surrender value. He cited the death benefit values and contractual values. At a minimum there was a ten percent (10%) difference. The Board had a safety net.

He noted that the City was near the end of its fiscal year. The Board had been aggressive on holding equities at sixty-five percent (65%). He believed that the Board needed to withdraw $3 million from equities by the end of the fiscal year to be in compliance based upon the Board's audited value for fiscal year 2014. These dollars would be reinvested within thirty (30) days. He

cited the market's volatility. By liquidating $3 million the Board should be in compliance. There had been some market rallies.

Motion by Carl Reeb, seconded by Paulette Hurd, to liquidate $3 million from the Delaware holdings for fiscal year end purposes, these funds will be invested within thirty (30) days.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

Mr. Rankens noted that the Board had five (5) Delaware accounts that started with the number 10. There were no surrender fees associated with these accounts. He planned to invest these dollars in VOYA or Jackson National. These firms provided the Board with better options. He noted which equity options were better performing. The Board held seven (7) small investments with Jackson. Each with an initial investment of $10,000. He recommended that the Board add $2 million to its investments with Jackson National. He also recommended that the Board add $1 million to its existing investment with VOYA. VOYA guaranteed a seven percent (7%) rate of return. Both companies provided a better investment potential. He restated that the Board must comply with the state's Dept. of Insurance's regulations by April 30, 2015. He believed that the department's audit looked good.

Mr. Reeb noted that Mary Strong, state Dept. of Insurance, had conducted a field visit. Another Dept. of Insurance staff member was assigned to the financials. The Board's paperwork looked good and there were no issues with same.

Mr. Rankens addressed statutory compliance. Mr. Reeb noted questions raised regarding the dollars on deposit at PNC Bank, Illinois Funds and the Bloomington Municipal Credit Union. He questioned consolidating these dollars into a single account.

Mr. Rankens questioned if the Board had secured a third party security collateral agreement with PNC Bank. Another option was IMET. It was paying 2.2%. IMET was a convenience fund. He would request that its executive director send information to the Board. It would bring diversification. He noted the recent fraud issue. Assets had been seized and documents were forged. IMET was a good option now. It had changed investment strategies/policies.

COMMUNICATIONS

Mr. Reeb informed the Board that Mr. Oyer had attended the IPPFA Conference held in East Peoria in May 2015.

Ms. Hurd had completed the initial forty (40) hours of training on line.

Mr. Reeb reminder the Board of the May 1, 2015 filing deadline for Statements of Economic Interest. He added that the fiscal year would end on April 30, 2015. The Department of Insurance report was due in May. The Actuarial Report would commence in June.

Mr. Oyer questioned when Lauterbach & Amen would commence the audit. Mr. Reeb had not heard from the auditors.

APPLICATION FOR PENSION

None.

APPPLICATION FOR RETIREMENT

Mr. Reeb informed the Board that Gary Sushka had retired effective March 11, 2015. He noted the following:

Rank: Battalion Chief
Service: 30 years, 5 months and 6 days
Final rate of pay: $112, 808.00
Pension: $84,606.00
Pension Percentage: 75%
Increase Rate: 3%

Motion by Carl Reeb, seconded by Paulette Hurd to approve Gary Sushka's retirement pension.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

OLD BUSINESS

Mr. Reeb noted that the election process was ongoing. The retiree ballots had been mailed. The post mark deadline was April 20, 2015. As of this date, twenty (20) ballots had been returned. Ron Fowler was the only candidate listed on the ballot. The election results would be announced at the Board's July 17, 2015 meeting.

NEW BUSINESS

Mr. Reeb presented the Board with information received from Mesirow Financial Insurance Services regarding fiduciary liability insurance. As Board members, they were the fiduciaries of the fund. They were responsible for the protection of the fund's assets. He had received information from Mr. Oyer after he had attended the recent IPPFA Conference. Mesirow believed that it was critical for the Board to have a policy. Mesirow provided full claims coverage. The Board would be allowed to select its legal counsel. Mesirow also offered

coverage against allegations. In addition, there would be coverage for administrative errors. There was a page of policy provisions which was located on page 4 of Mesirow's handout.

He addressed Mesirow's carrier responses, (see page 3 of Mesirow's handout). There was only one (1) carrier response, Ullico/Alterra Ins. Co. The Board could select $1 or $2 million in coverage. Policy provisions were located on pages 4 and 5 of the handout. The policy would not cover Insight (accountants) or Mischler Financial Group. The policy would be for Board members only. Premiums were listed on page 6 of the handout.

Mr. Oyer questioned the impact of selecting a higher deductible, (i.e. $10,000) and any impact upon premium. He hoped there would be $300 - $500 in premium savings. In today's world, it was wise to have this protection. He also questioned coverage, (i.e. $1 or $2 million).

Mr. Reeb recommended $2 million in coverage. He noted the limited response. He hoped there would be additional interest if the coverage amount was higher.

Motion by Curt Oyer, seconded by Carl Reeb to purchase fiduciary insurance from Ullico/Alterra Ins. Co. and exercise the option for $2 million in coverage.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: None.

Motion carried.

Mr. Reeb noted that application process, (i.e. consisted of eight/8 pages). Four (4) companies had submitted proposals. He hoped that there was support for this type of coverage. The Board could re-examine same next year.

Mr. Oyer noted that he had been referred to Tim Bowen, Mesirow's Insurance Services Senior Vice President – Organized Labor Practice Leader. Mr. Bowen had been helpful. Mr. Oyer was not surprised by the results.

Mr. Fowler informed the Board that he had been contacted regarding wellness for Firefighters. He had received a letter from Don Craven, Board attorney. He cited annual testing and wellness programs. He read from same and stressed the "found to be unfit for duty". After five (5) years, a firefighter qualified for heart and lung disease. After seven (7) years, a firefighter was vested in the pension. After ten (10) years, there was line of duty disability. Mr. Craven encouraged the Board to carefully look at each firefighter's physical report for red flags. He planned to share Mr. Craven's letter with the City.

Mr. Reeb noted Brian Mohr's, new Fire Chief, planned annual physical. He also cited the Town of Normal's recent experience, (firefighter deaths). There could be unintended consequences. This letter was an opinion from the Board's attorney.

Mr. Fowler addressed concerns regarding health insurance.

Mr. Reeb informed the Board that the physical reports were reviewed by himself and Mr. Fowler. There were three (3) options: 1.) no problems; 2.) no problems – reservation; and 3.) not recommended. The report was generally received after the individual was on the job. The Board should be informed of pre-existing conditions.

Mr. Fowler noted that an individual cannot apply to the Pension Fund until after the person is on the job.

Mr. Reeb added that the City's Human Resources Department also budgets funds for these physicals. This issue could be addressed during collective bargaining as both parties were present at these meetings.

Mr. Fowler informed the Board that he had received disability pension application from John Thomas. The application was in process. Two (2) physicals were required.

Mr. Reeb noted that Mary Strong, state Dept. of Insurance, complimented the Board's meeting minutes. He noted that Tracey Covert, retired City Clerk, had served as the Board's OMA/FOIA (Open Meeting Act/Freedom of Information Act) officer. Ms. Strong recommended that a Board member be selected due to Ms. Covert's retirement.

Motion by Carl Reeb, seconded by Paulette Hurd that the Pension Board's Secretary act as its OMA/FOIA Officer.

Motion carried, (viva voce).

Motion by Carl Reeb, seconded by Curt Oyer to adjourn. Time: 5:55 p.m.

Motion carried.

Respectfully submitted:

Tracey Covert
City Clerk

Signed by:

Ronald E. Fowler
Ron Fowler, President

Carl R. Reeb
Carl Reeb, Secretary