MINUTES OF THE ADDITIONAL MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
March 7, 2018

Attendees: Jeff Emmet, Carl Reeb, Curt Oyer, and Paulette Hurd, Fire Pension Board members.

Absent: Ron Fowler, Fire Pension Board member.

Others present: Jason Coyle, Partner with Baker Tilly Virchow Krause LLP a/k/a Baker Tilly and Tracey Covert, Recording Secretary.

The Fire Pension Board met at Fire Station #6 located at 4040 E Oakland Ave. Jeff Emmet, Vice President, called the meeting to order at 4:03 p.m.

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

NEW BUSINESS

Discussion regarding RFP, (Request For Proposal), for Audit Services from Baker Tilly

Carl Reeb noted that Curt Oyer and Paulette Hurd were the subject matter experts.

Paulette Hurd informed the Board that she had worked with Baker Tilly while employed at the City. She questioned if this firm performed accounting services, (i.e. pension payments).

Jason Coyle, Partner – Baker Tilly, addressed the Board. He responded negatively. There were other firms with the expertise.

Curt Oyer questioned the firm's history. Mr. Coyle stated there had been a number of mergers. Approximately five, (5), years ago, the firm took on the name Baker Tilly International. Baker Tilly Virchow Krause LLP was a US branded firm for an international company. The firm's headquarters was located in Chicago, IL. The firm employs approximately 2,700 people.

Mr. Oyer questioned if Baker Tilly offered seminars, webinars, newsletters, etc. for pension board members. Mr. Coyle responded affirmatively. All of these items were also specialized to the type of client.

Mr. Oyer added that Baker Tilly currently served as the City's outside auditor. Mr. Coyle responded affirmatively. There was a three, (3), year agreement in place.

Mr. Oyer questioned if the same Baker Tilly staff that handled the City's audit would be assigned to the Firefighter's Pension Fund. Mr. Coyle responded affirmatively plus the manager. The staff had not been determined as of this date. He noted there was overlap with the City. He believed some of the work would be completed remotely.

Mr. Oyer questioned if there were any concerns by using the same firm for two, (2), City audits. Mr. Coyle responded negatively. He also questioned Baker Tilly's client list: standalone versus Article 3 and 4 pension funds. Mr. Coyle believed there were a number of joint client audits. Each audit report contained some separate reports/issues. The base of the CAFR, (Comprehensive Annual Financial Report), was the same. There would be a statistical section and an actuarial section. He restated that for a majority of the clients, Baker Tilly did both audits, (i.e. City and pension funds).

Mr. Oyer questioned if Michael Malatt, Senior Manager, would be the subject matter expert. Mr. Coyle responded affirmatively. He specifically cited the DOI, (Department of Insurance), reports. Baker Tilly had developed templates. The audit staff could complete same.

Mr. Oyer questioned if there would be a separate Management Letter. Mr. Coyle responded affirmatively. This letter would address improvements to internal controls.

Mr. Oyer questioned the timing and deliverables. Mr. Coyle stated Baker Tilly would respond to the Board's needs.

Mr. Oyer questioned when the Board would receive a draft audit report for review purposes. Mr. Coyle informed the Board that a draft audit report would not be available until the field work had been completed.

Mr. Oyer questioned if the month of June would be acceptable. The Board had retained a local accounting firm to provide the monthly pension payments.

Mr. Coyle stated that Baker Tilly would work with same. Baker Tilly was also the City's auditing firm. He believed that June would be possible. Census testing would be completed during the City's audit. A draft report should be available in June/July.

Mr. Oyer believed the draft report should be provided no later than thirty (30) days prior to September 30th. He also questioned the timing of the actuarial report.

Ms. Hurd believed that some but not all would be available in June. She added that August should be doable. She questioned if Baker Tilly had worked with Lauterbach & Amen as actuaries.

Mr. Coyle responded affirmatively. Baker Tilly worked with this firm on a regular basis. The draft would usually be ready weeks in advance. He did not foresee a problem.

Mr. Oyer noted the fund's annuity holdings. He questioned Baker Tilly's accounting treatment of same. Mr. Coyle responded market value. Mr. Oyer cited use of the cash surrender value and what Baker Tilly saw as proper. Mr. Coyle noted that it must be at fair value. Mr. Oyer expressed his opinion that the cash value seemed sensible. An annuity was a life insurance contract. Mr. Coyle did not anticipate an accounting change.

Mr. Oyer questioned property tax recognition. Property tax dollars might be received in May. Mr. Coyle noted that the City recorded property tax dollars as a receivable. The pension fund was dependent upon when the City disbursed these dollars. Mr. Oyer noted that in the past these dollars were recognized as a receivable as of April 30th. He questioned if this was acceptable. Mr. Coyle stated that Illinois was unique. There was a white paper on how to recognize property taxes.

Mr. Oyer questioned if Mr. Coyle had copy of the fund's audit report. He expressed his unhappiness with same. He cited bank fees, (i.e. checking), which were cited as investment expenses. He added his opinion that they should have been classified as administrative expenses. Mr. Coyle responded affirmatively, (i.e. administrative expenses), and noted same.

Mr. Oyer directed Mr. Coyle to the footnotes that addressed DOI compliance. He questioned their placement in the report. Mr. Coyle responded negatively and added that normally this would not be placed in an audit report. Mr. Oyer requested that they be removed going forward. Mr. Coyle responded affirmatively.

Mr. Oyer addressed the DOI audit. DOI did not like the Board's investments. Death benefit riders were no longer allowed. The Board stipulated that it would not purchase additional ones. He questioned if this information should be placed in the audit report. Mr. Coyle responded negatively. It was a minor point which had no material impact.

Mr. Oyer addressed Baker Tilly's RFP. The fees for the Police and Fire Pension Funds were the same. The audits were close but not identical. He questioned if they had been priced as a package as Baker Tilly believed they would be selected for both. Mr. Coyle cited the level of work and size of the funds were similar.

Mr. Oyer noted that Baker Tilly's price was the same as Lauterbach & Amen. He questioned efficiencies. Mr. Coyle noted that Baker Tilly lowered its cost due to the fact that the firm was the City's outside auditor. All of these audits were conducted at the same time.

Mr. Oyer addressed the RFP deliverables. He noted a new item, Pension Active Member Report. He questioned the cost for this report. Mr. Coyle was unsure of the report's cost. He believed the fee was nominal. Mr. Oyer noted that another RFP itemized the cost of this report at $400. Mr. Coyle believed Baker Tilly's cost would be in that range.

Mr. Oyer questioned Baker Tilly's expectations regarding client assistance.

Mr. Coyle noted that for pension funds revenue was provided largely by the City. The largest expense was pension costs. The largest item would be the list of investments. He also cited work papers. Part of the CAFR was prepared by the Board. Baker Tilly was able to provide templates/boiler plates. He noted the Board's intention to change its investment strategy and the impact upon expected returns.

Mr. Oyer questioned Baker Tilly's experience with Wall & Associates. Mr. Coyle responded no familiarity with same. Mr. Oyer noted that the Board would look to Wall & Associates.

Mr. Reeb noted the Board's meeting schedule, (quarterly, third Friday of the month at 4 p.m.). The audit presentation would be placed on the Board's October 19, 2018 meeting agenda. The audit report was generally placed at the top of the meeting agenda. He added his hope that Todd Schroeder, Actuary with Lauterbach & Amen, would also be in attendance at the same meeting. Mr. Coyle noted same, (i.e. put on his calendar).

Mr. Oyer stated that Lauterbach & Amen had been a low cost provider. He cited issues with their work. Mr. Coyle informed the Board that Baker Tilly would review the work papers. Each firm took a different approach.

Mr. Reeb noted that the Board left Lauterbach & Amen due to concerns regarding the lack of thoroughness. He questioned Baker Tilly's draft audit report and the firm's review process.

Mr. Coyle noted that timing would have an impact. There were a number of review types available. The minimum would involve two, (2), reviews: senior manager and a technical director. These individuals are known for high quality work.

Ms. Hurd recommended that the Board receive the draft report after Mr. Marlatt's review. She added her support for Baker Tilly's approach to staffing audits.

Mr. Oyer noted that the City had received three, (3), RFPs. He cited the first year's cost: Baker Tilley - $14,500; Sikich - $16,500 and RSM - $19,000. He believed that the Police Pension Fund had selected Sikich. Their cost was $2,000 more than Baker Tilly. He added his recollection that the City and this Board had retained Sikich in the recent past. He noted Sikich's experience with Article 3 and 4 funds. He added that this firm was not the highest priced.

Mr. Oyer readdressed the Active Member Report. This information was also listed in the DOI report. He recommended that this report be removed from the RFP. Mr. Coyle had no objections to same.

Motion by Carl Reeb, seconded by Paulette Hurd to retain Baker Tilly as the outsider auditor for three, (3), years.

Ayes: Carl Reeb, Curt Oyer and Paulette Hurd.

Nays: none.

Motion carried.

Motion by Carl Reeb seconded by Paulette Hurd to adjourn. Time: 4:45 p.m.

Motion carried, (viva voce).

Respectfully submitted,

Tracey Covert
Recording Secretary

Signed by:

Ron Fowler, President

Carl Reeb, Secretary