

MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
January 27, 2023

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

Members absent: Ron Fowler.

Others present: Dave Wall, Wall Capital Group, Michael Malatt, Baker Tilly, and Tracey Covert, Recording Secretary. Mr. Malatt participated remotely via telephone.

The Fire Pension Board met at Fire Station 6 located at 4040 E. Oakland Ave. Jeff Emmert, Vice President, called the meeting to order at 2:03 p.m.

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

MINUTES

Motion by Scott Rathbun, seconded by Carl Reeb to approve the regular session minutes of October 21, 2022 as presented.

Motion carried, (viva voce).

AUDIT REPORT

Carl Reeb introduced Michael Malatt, Principal with Baker Tilly. Mr. Malatt presented the ACFR (Annual Comprehensive Financial Report).

Mr. Malatt addressed the Board. His presentation of the ACFR would be brief. He addressed the report's highlights. Baker Tilly had given the Board an unmodified opinion. This opinion meant the information was accurate as to the Fund's financial health as of April 30, 2022. Financial highlights included 1.) the shift of assets to the FPIF (Firefighter's Pension Investment Fund). In time, the Board's annuity holdings would also transfer over to the FPIF. 2022 saw an investment performance decrease. This was not unusual. It was less significant than other funds of the same/similar size. The fund has a solid foundation. The pension fund was at sixty-three percent (63%) funded. This percentage was strong compared to similarly sized funds. All pension funds were impacted by the markets.

Mr. Malatt addressed historical trends. It was difficult to use this information for comparison purposes due to the statutory changes, (i.e. FPIF). Some information was not available. Example cited: actuarial and performance data over the last ten (10) years. The Municipal Compliance Report has been presented to the City in compliance with state statute.

He directed the Board to Baker Tilly's letter, (Independent Auditor's Letter), on page 1. The letter addressed: 1.) how the information was accumulated; 2.) report made to the Pension Board; and 3.) included observations, work processes, etc. Overall, things went well: clean and smooth. There were no findings/issues. The Board had been informed. He cited a link to Baker Tilly's website. There was good information which might be of interest to the Board. He welcomed the Board's questions.

Dave Wall, Wall Capital, questioned if the fair market value had been used to determine funding not actuarial value. Mr. Malatt responded affirmatively. The actuarial report used different calculations.

Mr. Reeb added audit numbers were at one point in time. The actuarial report rounded the numbers using a smoothy technique. Mr. Malatt responded affirmatively. The actuarial report used smoothing. GASB (Government Accounting Standards Board) for audits used the market value on a given day.

Curt Oyer questioned funded status. Mr. Malatt stated 62.88% using the fair market value. He directed the Board to page 5, Management Discussion & Analysis Funded Ratio. The actuarial report lists a funded status of 62.24%, (see page 42). The numbers have not always been close. The actuarial report uses a smoothing technique.

Mr. Rathbun added this information was included in the Municipal Compliance Report, (see item 8). This report will be provided to the Board. He restated the audit used fair market value. Mr. Malatt directed the Board to the actuarial section in the ACFR, (see paged 36- 42).

Mr. Oyer questioned the information as to how the audit was done. Mr. Malatt noted some information was not in the ACFR. There is a separate letter/document, (see Reporting & Insights from the 2022 audit).

Mr. Rathbun restated the Municipal Compliance Report would be emailed to the Board.

Mr. Oyer noted the return for the year was (2%) for Fiscal Year (FY) 2022. The market downturn continued after April 30, 2022. He anticipated the FY 2023 ACFR would also be a negative year. He informed the Board he had reviewed the draft FY 2022 ACFR in October 2022.

Mr. Reeb thank Mr. Malatt for being available to present the ACFR. Mr. Malatt left the meeting at 2:25 p.m.

Mr. Oyer noted the change in administrative cost, (see page 9. Statement of Changes in Fiduciary Net Position: FY 2022 - \$61,696 and FY 2021 - \$56,823). Mr. Reeb did not have an exact answer. He believed Insight's billings were lower. Their billing had been changed to quarterly. Insight billed on a time and materials basis. *(The Schedule of Administrative Expenses is located on page 22. The largest increase was in Insurance: FY 2022 - \$20,194; FY 2021 - \$10,183.)*

Mr. Oyer questioned the impact based on the number of retirees. (*The actuarial report showed Retired Members: Prior Valuation – 65, Current Valuation – 69, see ACFR page 66.*) He noted the increase cost of insurance which had doubled from FY 2021 to FY 2022. Mr. Reeb believed two (2) payments may have been made in a single FY. He questioned if this cost would be lower in the future due to asset transfers to the FPIF.

Motion by Scott Rathbun, seconded by Carl Reeb to accept the FY 2022 ACFR and place it on file.

Motion carried, (viva voce).

TREASURER’S REPORT

Scott Rathbun addressed the Board. He reviewed the Cash Forecast report. The upper right-hand corner addressed monthly expenditures. The combined bank balance was located in the upper left-hand corner. The combined balance was \$3,673,705. There was a table which addressed the net cash used for January through May 2023. This addressed the time period prior to the first installment of property tax dollars. FPIF policy recommended holding three (3) months cash reserve. City Contributions were located in the lower left-hand corner. The City Contribution for FY 2023 was \$6,089,466 according to the actuarial report. The FY 2024 recommended contribution would be \$5,612,280. This figure could be found in the Municipal Compliance Report and on page 42 of the ACFR. He noted the actuarial recommendation may result in a cash shortfall. Under Monthly Need, (see the upper right corner of the Cash Forecast), list a net cash need of \$6.3 million. This might result in an annual shortfall of \$735,000. It appears the Board would need to request funds from the FPIF. The Police Pension Fund was in the same position. The Cash Forecast report provided a simple projection. He believed the Board was on track. Monthly expenditures did not vary by much.

He recommended the Board discuss cash needs at their April 28, 2023 meeting. There was time to address this issue.

Mr. Reeb had prepared the Treasurer’s Report.

The monthly pension costs were as follows:

October 2022	\$597,238.03
November 2022	\$597,238.03
December 2022	\$597,238.03

Mr. Reeb presented the following expenditures: November 2022 – Insight - \$7,760.92 (financial services); and Baker Tilly - \$6,000 (audit); December 2022 – Safe Works - \$1,150 (occupational health, William Krohe final exam as he had attained 50 years of age); January 2023 - Tracey Covert - \$118.75 (October 21, 2022 meeting minutes); Insight - \$2,106.23 (financial services); and City of Bloomington - \$4,600 (Board’s share of actuarial report). Total expenditures: \$21,735.90.

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

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

Nays: none.

Motion carried.

FINANCIAL INVESTMENT REPORT

Dave Wall, Wall Capital Group's President, addressed the Board. He noted the dates did not match. His report is dated November 30, 2022. He had received the FPIF's report ending on November 30, 2022 on January 20, 2023. He was able to figure out some flows. He referred the Board to page 2, Asset Allocation. The current fund value was \$86,448,255 with approximately sixty-nine percent (69%) equities. He directed the Board to the Asset Type graph. Mutual Funds equaled the FPIF holdings.

He directed the Board to page 3, Holdings. Under Fixed Annuity, there had been no value changes. Variable Annuity, (see pages 3 & 4), were valued at \$40,384,473. The FPIF holdings (see page 5) were valued at \$35,241,465. FPIF cash holdings were valued at \$2,389,252. Bank Operating Account and Performance Summary (see pages 6 & 7) showed an Account Return (Net TWR) Year to Date .75%. The Asset Allocation for Fixed Income & Fixed Annuity was located on page 8 with the Performance Summary on page 9. No account returns were listed for the last quarter. He planned to reach out to Vicky Campbell, Raymond James Senior Vice President Investments/Branch Manager. The Asset Allocation for Variable Annuity (see page 10) listed a value of \$40,384,473. The Performance Summary (see page 11) showed an Account Return (Net TWR) Year to Date (18.16%).

The Board was presented with separate spreadsheets for Fixed and Variable Annuities prepared by Raymond James.

Mr. Oyer requested the FPIF Monthly Reports be included in the Financial Report. Mr. Wall responded affirmatively. FPIF reports would be added to Wall Capital's report.

Mr. Oyer questioned the Account Asset Allocations (see page 10). There was not a listing for Small Cap Equity. He directed the Board to page 4 and VOYA #8464 which he believed was a Small Cap holding. Mr. Wall offered to follow up on this.

Mr. Oyer address the Fixed Annuity spreadsheet listed Surrender Dates in 2024 & 2026. The Death Benefit values for these holdings were higher than the Surrender values.

Mr. Wall informed the Board Mr. Reeb had done an excellent job providing the FPIF's statements. He restated he currently had the November statements. November reports were posted to the FPIF's website a week ago. A forty-five to sixty (45 – 60) day lag remained. He questioned if the Board was able to sign him onto the FPIF's account. Mr. Reeb offered to follow up regarding same. He believed a separate user id and password would be needed for Mr.

Wall. Mr. Wall added the December statements have not been made available. He would be able to aggregate the numbers in his report if provided with performance reports at the FPIF level. He reviewed the process to accomplish this with the Board. The turnaround would be one (1) business day. The December reports were not available. He had to date his report as of November 30, 2022. FPIF data was not timely. This information is needed to determine the fund's value. He restated his preference for the information being provided in a timely manner. The Year to Date figures used the month of November's numbers. This impacted the ability to show trailing returns. The most recent data available from the FPIF was from November. This information was not available until Friday, January 20th.

Mr. Reeb questioned the reason for the sixty (60) day lag. He offered to reach out to Marquette Associates. He added the Board was in a unique position. The Board was interested in the big picture. There are funds in two (2) locations: 1.) some held by the Board and 2.) others held by the FPIF.

Mr. Oyer noted the FPIF's monthly report was an Excell spreadsheet. It was described as low tech. Mr. Wall added due to the FPIF, the Board report would always be thirty to forty-five (30 – 45) days behind. Raymond James provided an annuity spreadsheet.

Mr. Reeb believed the Board had weathered the storm well. He restated the Board's unique position. The Board had be able to hold onto some funds. Mr. Wall added the Fixed Annuity holdings would not drop in value even though the bond market had dropped during 2022.

Mr. Reeb stated it appeared the Board would need to withdraw funds from the FPIF during this year. He informed the Board PNC had offered the following return for a CD: 1.) 30 – 90 days: 3.5%; 2.) 90 – 180 days: 3.9%; and 3.) 1 year or more: 4%. Mr. Wall added short-term Treasuries were currently over four percent (4%). AAA corporates were paying less than Treasuries. Mr. Reeb questioned in light of the cash outlook, what would be the best course of action.

Mr. Oyer recommended the Board acquire a 90 day \$1 million CD. Mr. Wall added the return was better than the Board's current earnings. He believed the Board may need to establish a new account.

Motion by Scott Rathbun, seconded by Carl Reeb to acquire a ninety (90) day \$1 million CD with PNC Bank.

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

Nays: none.

Motion carried.

Mr. Wall questioned the Board's preference regarding the reporting period for his report. The Board's annuity holdings could be matched to Marquette Associates' FPIF report. Mr. Oyer questioned what was possible. Mr. Wall cited the need for FPIF to provide timely information.

Mr. Reeb recommended there be a trial report at the Board's April 28th meeting. The month of February would be used as the end date. He offered to reach out to the FPIF via telephone.

Mr. Wall informed the Board the draft Management Agreement had been sent to Mr. Reeb and Mr. Oyer. Minor changes were still needed.

Mr. Oyer added the Consulting Services Agreement (CSA) would include an annual fee of \$4,000 or \$1,000 per quarter. Mr. Wall would attend Board meetings remotely. Mr. Reeb added travel expenses would be an additional cost.

Motion by Carl Reeb, seconded by Scott Rathbun that the CSA with Wall Capital be approved and authorize the document be signed/executed.

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

Nays: none.

Motion carried.

Mr. Wall provided an update regarding the state pension fund lawsuit. The Appellate Court will not hear oral arguments. This means the state's Supreme Court will probably not hear this case.

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 questioned if the Board members had received an email from the City Clerk's Office regarding online OMA (Open Meetings Act) and FOIA (Freedom of Information Act) training.

Mr. Oyer informed the Board the IPPFA Spring Conference will be held in Galena from May 10 – 12, 2023. He added his intention to attend same.

Mr. Rathbun informed the Board the Illinois Municipal League offered free online training.

OLD BUSINESS

Mr. Reeb informed the Board he had met with Insight in December 2022.

He restated Bill Krohe had turned fifty (50) years of age. All of the duty disability pension firefighters were over fifty (50).

Mr. Emmett questioned the number of duty disability pension. Mr. Reed was unsure. *(See page 66 of the ACFR, Inactive Members, Disabled Members – 12.)*

NEW BUSINESS

Mr. Reeb had met with Insight. All tax documents were signed.

It was time to initiate the election process for an Active Firefighter Trustee. Nominations would be solicited in March. Tyler Zimmerman was interested. His expectation was there would be one (1) active firefighter on the ballot. The election commences on the third Monday in April. He planned to oversee the election. He also planned to present the election results at the Board's April 28th meeting. The term of office begins in June, (term begins after individual is elected and qualified). In the past, the results have been presented at the Board's July meeting due to the Board's former meeting date, (i.e. third Friday of the month).

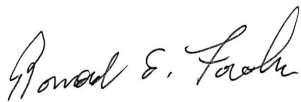
Motion by Carl Reeb, seconded by Scott Rathbun to adjourn. Time: 3:14 p.m.

Motion carried, (viva voce).

Respectfully submitted,

Tracey Covert
Recording Secretary

Signed by:



Ron Fowler, President



Carl Reeb, Secretary