MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
January 18, 2019

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

Members absent: Ron Fowler and Jeff Emmert

Others present: Stephen McLeod, Wall Capital Group's Vice President Midwest Region; Mark Nicholas, CPA, Partner and Jaimie Klawitter, CPA, Insight CPAs & Financial LLC; Kevin Cavanaugh, Lauterbach & Amen, LLP; Michael Malatt, CPA, Baker Tilley; and Tracey Covert, Recording Secretary.

The Fire Pension Board met at Fire Station 6 located at 4040 E. Oakland Ave. Carl Reeb, Secretary, called the meeting to order at 4:00 p.m.

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

MINUTES

The Minutes of the Board's October 19, 2018 meeting will be placed on the Board's April 26, 2019 meeting agenda.

FINANCIAL INVESTMENT REPORT

Stephen McLeod, Wall Capital Group's Vice President Midwest Region, addressed the Board. He presented the Board with the Annual Disclosure Under IL Public Act 100 – 0542 (the "Act") for 2019. Wall Capital has been retained as a consultant. Wall acts as fiduciary by providing investment services recommendations/performing investment manager searches. He addressed minority owned businesses. Firms were identified for interview but not retained by the Board. Consideration was not granted to minority business status.

Mr. McLeod noted that 2018's fourth quarter was a challenge. December was at historic lows. Negative returns were experienced, (i.e. three to five percent/3 – 5%). This should be viewed as a moment in time. The weighted return for 2018 was -9.5%. He did not believe this was a bear market. 2019 first quarter was off to strong start. He addressed a supplemental report labeled Bloomington Fire: Account Aggregate. This report was in addition to Wall Capital Group Bloomington Firefighters Pension Fund Fourth Quarter, page 1 – Portfolio Asset Allocation and Portfolio Asset Class Subsets. The supplemental report had been broken down by Cash, Fixed Income, Open End Fund, and VA Subaccount. The Performance Summary, (see page 2), was an account aggregate. The beginning market value was $70,555,797.79 and the ending market value was $63,698,617.81. The total weighted return was -9.5%. The Portfolio Summary, (replaced page 3), was a separate handout as the Date Range was incorrect. The correct Date Range was October 1 – December 31, 2018.

Curt Oyer questioned the earnings on the PNC Bank Money Market account. He believed there were short term dollars accessible for investment. Mr. McLeod questioned the Board's ability. Mr. Oyer noted that the Board needed to address the monthly cash flow needed. Carl Reeb informed the Board of the December pension costs, (i.e. $466,000). In January 2019, there would be a three percent, (3%), increase. He estimated the monthly pension cost as $500,000.

Mr. Oyer questioned the employees' monthly pension contribution. Mark Nicholas, CPA, Partner Insight CPAs & Financial LLC, addressed the Board. He offered to provide quarterly totals. Mr. Reeb estimated the monthly total at $70,000.

Mr. Oyer questioned property tax receipts. Scott Rathbun noted June 2019.

Mr. McLeod presented options: 1.) place some funds into equities or 2.) a ninety, (90), day CD (Certificate of Deposit). Any decision should be dependent upon the interest rate. The first recommendation was based upon the sixty-five percent, (65%), equity limit. Equities were currently at sixty-one percent, (61%). The Board could invest $2 million in equities.

Mr. Reeb informed the Board the annual yield on the PNC account was 1.1%.

Mr. Oyer questioned the yield on the money market account. Mr. McLeod stated the return on the Schwab account was 1.25%. He described this account as an isolated institutional money fund. The Board had the cash to put into equities. Mr. Oyer expressed his support to transfer $2 million to the Board's indexed S & P account. Mr. McLeod noted the Open End Fund was a Vanguard 500 Index Admiral. This was a large cap passive account. The Variable Annuities were linked to large and small cap equities. He referred the Board to page 26, Delaware Portfolio Summary. These investments maximized small cap equities. He also referred the Board to page 24, AIG Portfolio Summary. These investments maximized the international equities.

Motion by Curt Oyer, seconded by Scott Rathbun to transfer $2 million from the PNC Money Market account to the Vanguard 500 Index account.

Ayes: Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

Mr. McLeod directed the Board to Fixed Income Portfolio Summary, (see page 5). This was a simple laddered account. $1 million was added to this account during the last quarter. There had been a modest gain. Beginning market value $3,975,715.36, ending market value $5,041,712.73 for a weighted return of 1.14%.

Mr. Oyer noted that Wall Capital Group's management fee was taken from this account.

Mr. McLeod directed the Board to Maturity Expiration, (see page 7). The Fixed Income US Treasury accounts have been laddered. This is a listing of maturity dates.

Mr. McLeod directed the Board to Net of Fees, (see page 8). This Portfolio Summary was for large cap passive. The Beginning Market Value was $7,617,678.40, the Ending Market Value was $6,586,836.70 for a weighted return of -13.53%. This figure matched the benchmark return of -13.52%. The negative return after management fees was -$1,030,841.70. The Morningstar Portfolio Snapshot was found on pages 9 and 10. This report addressed the Vanguard fund which was a passive large cap domestic equity.

Mr. McLeod noted that pages 12 – 23 addressed the Board's Fixed Annuities. Wall Capital planned to change this reporting by adding a supplement page.

Mr. McLeod stated pages 24 – 34 addressed the Board's Variable Annuities. The following companies were found on the following pages: 1.) AIG – large cap, page 24; 2.) Delaware Life – small cap, page 26; 3.) Jackson National – large cap, pages 28; 4.) Pacific Life – large cap, pages 30 & 32; and 5.) VOYA – international – page 34.

Mr. McLeod directed the Board to the Fixed Annuity Summary. There were timing issues with the spreadsheet. It needed further improvement. He specifically cited the Market Value versus Surrender Value.

Mr. Oyer expressed his preference for year-end values. Mr. McLeod expressed his opinion that during this first year nice strides had been made. Wall Capital planned to continue its efforts as there was more to do.

Mr. Oyer believed there would be a software change. He believed that the Fixed Annuities could be aggregated. Separate pages were not required, (see pages 12 – 20). He cited the negative return for the quarter which was within the contracted rate of return.

Mr. McLeod noted the potential for hidden fees. There had been issues with the annuities. He offered to follow up. Mr. Oyer believed the value for these annuities changed on an annual basis. He restated that in aggregate the pension fund was down 9.5% for the quarter.

Mr. McLeod stated this was in line with other funds.

Mr. McLeod left the meeting at 4:30 p.m.

AUDIT

Michael Malatt, CPA, Baker Tilly, presented the Comprehensive Annual Financial Report for the Year Ended April 30, 2018. Baker Tilly gave an unmodified opinion, (i.e. accurate). The fund total had increased by $7.1 million due largely to market performance. There had been no significant changes. He directed the Board to the Schedule of Changes in the City's Net Pension Liability and Related Ratios, (see page 18). This page addressed the health of the pension fund. It was 52.52% funded, (see Planned fiduciary net position as a percentage of total pension liability). This placed it in the standard range. He expressed his opinion that the fund could drop below fifty percent, (50%), this fiscal year, (i.e. FY 2019). He reminded the Board that this data was eight, (8), months old. There was a new collective bargaining agreement which had an impact, (i.e. retroactive application).

He directed the Board to the Management's Discussion and Analysis (Unaudited), (see pages 4 – 7). The financial schedules allows one to see trends/big picture. The communication letter addressed the audit results. The transition was a challenge. He believed there was an improved plan going forward. Baker Tilly staff would be available year round to address any questions/issues. He expressed appreciation to Insight and Lauterbach & Amen for their hard work.

Finally, he noted that consolidation conversations regarding downstate pension plans continued. There would be a new administration at the state level.

Mr. Rathbun questioned how the pension fund compared to its peers. Mr. Malatt stated funding levels ranging from forty-five to sixty percent, (45 – 60%). The City has a funding policy that called for 100% funded versus the state's ninety percent, (90%), funding goal. He also noted the rate of return goal of seven percent (7%).

Kevin Cavanaugh, Lauterbach & Amen, addressed the Board. He informed the Board that the average funded percentage was fifty-five percent, (55%). The rate of return goal for funds with over $10 million in assets was 6.5 – 7%. He recommended that the Board lower its return expectations to 6.5%. The City's funding policy was targeted at 100%. The target date varies. The City has cited 2040 which allowed for a twenty-two, (22), year pay off schedule. He cautioned that volatility issues occur as the funding policy's time shortens. At this time, he recommended that the Board stay the course. There should be a serious examination when there are fifteen, (15), years remaining.

Mr. Rathbun questioned conservations to expand the time line at the state level. Mr. Cavanaugh noted there was no draft legislation. He added that the percentage could be lowered or the date could be moved back, (i.e. 2050). He would not be surprised if either occurred. There were a number of options. Governor Pritzker was interested in pensions.

Mr. Oyer questioned if the City pursued the GFOA, (Government Finance Officers Association), Certificate. Mr. Rathbun responded affirmatively for the City and negatively for the Fire Pension Fund.

Mr. Oyer directed the Board to the Schedule of Investment Returns, (see page 20). He requested that investment returns be added next year. Baker Tilly staff would need to work with Wall Capital Group staff. He believed this would result in one (1) year with accurate numbers. He encouraged future conversations with Wall Capital. He cited interim financial statements. Variable annuities used the market value. The cash value had been used in the previous month's interim report for fixed annuities.

Mr. Oyer stated that the audit had not been completed within the time line.

Mr. Malatt cited the City's goal for the next fiscal year. The City audit will be issued by September 30, 2019. Baker Tilly's goal was August 30th. A plan for FY 2019 will be pulled together by February 2019. Baker Tilly wanted to make sure the deadlines were feasible for all, (i.e. Insight, Lauterbach & Amen and Baker Tilly).

ACTURIAL REPORT

Kevin Cavanaugh, Lauterbach & Amen, addressed the Board. He directed them to the Actuarial Valuation as of May 1, 2018. Everything in the report was as of April 30, 2018. He directed the Board to the Management Summary, (see page 3). The City's Recommended Contribution was $5,260,410. The difference compared to the Statutory Minimum was $703,832. This year's recommendation represented an $185,000 increase or an increase of 3.6%.

Mr. Cavanaugh addressed how the funded status was determined. Lauterbach & Amen staff consider the fund value, the actuarial value of the assets plus five, (5), year smoothing. The unfunded amount was $59,383,266.

Mr. Cavanaugh directed the Board to the Management Summary, (see pages 4 & 5). He specifically cited the second paragraph under Defined Benefit Plan Risk. He highlighted the second paragraph which addressed the importance of asset growth. He noted the final two, (2), sentences in this paragraph. The Pension Fund was currently in line with the average. He also cited the first paragraph on page 5. The first sentence addressed the City's funding policy. He believed that at the twenty, (20), year mark payments would be less than interest. This would represent the flipping point.

Mr. Oyer questioned the impact of Tier 2 employees. Mr. Cavanaugh directed the Board to the Actuarial Contribution Recommendation – Reconciliation, (see page 8). The recommended contribution was impacted by salary increase that was lower than expected. The expectation was for a 3.75% annual salary increase. He also cited Demographic Changes. The Demographic Data was found on pages 6 & 7. He provided the following highlights: fourteen, (14), new active members; one, (1), disabled member; four, (4), retirements; and six, (6), deaths – two, (2), retirees and four, (4), disabled - all with eligible surviving spouses; and three, (3), nonvested who had terminated their employment with no refunds issued. There were eighty-five, (85), individuals receiving pension benefits. He added that demographics were the primary driver.

He added that contributions were less than expected but this was a timing issue. The Total Actuarial Experience showed a net value of $7,043, (see the Contribution Recommendation column).

He directed the Board to the Recommended Contribution Detail, (see page 16). There were three (3) tables: Development of the Employer Normal Cost; Normal Cost as a Percentage of Expected Payroll and Contribution Recommendation. There were two (2) major components: 1.) Employer Normal Cost and 2.) Amortization of Unfunded Accrued Liability. The City makes payments towards the funding requirement.

The Statutory Minimum Contribution was on page 19. This mimics the State Department of Insurance's, (DOI), funding policy. He believed that DOI used a questionable liability method of valuation. Lauterbach & Amen used a different method. He addressed target funding percentage: City – 100% and the state – ninety percent, (90%). He also cited the time line: City – twenty-two, (22), years and the state twenty-three, (23), years. He also noted the return: City – seven percent, (7%), and the state 6.5%. There was a $700,000 difference between the City's funding policy and the state's statutory minimum.

Mr. Cavanaugh addressed the Actuarial Valuation as of May 1, 2017 GASB 67/68 Reporting. He directed the Board to page 24 and the section entitled Five Year Contribution History of the Employer. He noted that ADC stood for Actuarial Determined Contribution. For the past three. (3). years the Percent of ADC has been 100%. If this trend continued, there would be no insolvency issues. The City had an agreement, (i.e. Pension Funding Policy). The City has taken the right steps and this was good news.

Mr. Reeb questioned the fund's overall health. Mr. Cavanaugh responded positively. He restated the City had a pension funding policy. The City has made a long term commitment. He directed the Board to Statement of Changes in Total Pension Liability, (see page 7). He cited the Employer's Net Pension Liability – Ending. The fund was in a good position.

Mr. Malatt noted the pension funding impacted the City's credit rating.

Mr. Malatt and Mr. Cavanaugh left the meeting at 5:00 p.m.

TREASURER'S REPORT

Carl Reeb had prepared the Treasurer's Report. The account balance were as follows:

PNC:	$4,725,176.43 as of December 31, 2018

The monthly pension costs were as follows:

October 2018	$458,064.96
November 2018	$462,265.83
December 2018	$466,743.42

Mr. Reeb noted the following amounts had been paid during the preceding quarter:

Checks written:

Baker Tilly (audit)	$6,200.00
Insight (accounting/financial services)	$2,046.90
Don Craven (legal services)	$2,435.00
Carl Reeb (reimbursement AFFI Conference)	$984.85
Jeff Emmert (AFFI – meals)	$20.00
Ron Fowler (AFFI – meals)	$17.07

IPPFA (annual membership)	$795.00
IPPFA (initial training – Jeff Emmert)	$800.00
TOTAL:	$13,288.82

Mr. Rathbun informed the Board that he needed to complete his initial thirty-two, (32), hours of training. The cost for same would be equally divided between the Police and Fire Pension Funds.

Mr. Reeb requested that Mr. Rathbun provide a copy of the IPPFA invoice and his Certificate of Completion. Fire Pension would reimburse Mr. Rathbun for half of the cost.

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

Ayes: Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

COMMUNICATIONS

Mr. Oyer informed the Board of his intention to attend the IPPFA's Spring Conference. He planned on registering as a delegate. This would grant him voting authority.

APPLICATION TO FUND

Mr. Reeb presented the following individuals: Benjamin Stalets, Matthew Roux, Michael Maines & Quentin Hursey; and Austin Upton, Bradley Meiers, Adam Johnson & Michael McPherson. The start dated for the first four, (4), individuals was December 1, 2018, and the start date for the second group of four, (4), was January 7, 2019. He had received all of the required paperwork. The Board does not receive physical examination records.

Motion by Carl Reeb, seconded by Scott Rathbun to accept Benjamin Stalets, Matthew Roux, Michael Maines & Quentin Hursey into the Pension Fund effective December 1, 2018.

Ayes: Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

Motion by Carl Reeb, seconded by Scott Rathbun to accept Austin Upton, Bradley Meiers, Adam Johnson & Michael McPherson into the Pension Fund effective January 7, 2019.

Ayes: Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

WITHDRAWAL FROM FUND

Mr. Reeb informed the Board that currently had not received any withdrawals. The Fire Department had had a couple of resignations.

APPLICATION FOR RETIREMENT PENSION

Mr. Reeb informed the Board that Eric Vaughn had retired effective November 16, 2018.

Erick Vaughn

Rank:	Deputy Chief - Administration
Retirement date:	November 16, 2018
Years of service:	28.04 years
Base pension – 70%:	$7,681.30
Pension rate:	3%

Motion by Carl Reeb, seconded by Curt Oyer to accept Eric Vaughn's application for regular pension.

Ayes: Carl Reeb, Curt Oyer and Scott Rathbun.

Nays: none.

Motion carried.

OLD BUSINESS

Mr. Reeb informed the Board that the annual benefit increase review had been completed by Insight.

NEW BUSINESS

Mr. Reeb presented the following updates: item a.) 1099R & 1099MISC had been mailed by the legal deadline; item b.) IL Financial Entities Certificate was removed from the Agenda; and items c, d &e.) Review contract for Audit Services, Actuary and Accountants were not needed as the Board agreed to remain with Baker Tilly, Lauterbach & Amen and Insight, respectively.

Mr. Reeb addressed item f. Election process for trustee. This year's election was for an active firefighter. It was the position he currently held on the Board. He planned to have Jeff Emmert oversee the election. The election would be held over a three (3) day period commencing on the third or fourth Monday in April. Signs and forms would be posted at all fire station buildings.

Motion by Carl Reeb, seconded by Scott Rathbun to adjourn. Time: 5:32 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