

Frankfort Fire Protection District Firefighters' Pension Fund

Minutes of the Regular Meeting of the Board of Trustees of the Frankfort Firefighters' Pension Fund of the Frankfort Fire Protection District, Will County, Illinois, held on Wednesday, November 7, 2017 at 9:30 A.M. at Fire Station One, located at 333 W. Nebraska Street, Frankfort, IL 60423.

I. CALL TO ORDER

II. ROLL CALL

Present: Daniel Faber, President
Michael Kavanagh, Treasurer
Kevin Brow, Trustee
Robert Wilson, Trustee

Absent: Leonard Todd Hamm, Secretary

Also Present: Kristi Farnum, Recording Secretary
Carolyn Clifford, Attorney
Tom Sawyer, Sawyer Falduto Asset Management
Dan Rossi, District Trustee

A Motion was made by Daniel Faber and seconded by Kevin Brow to:

“Appoint Kevin Brow as Secretary pro-tem.”

VOICE VOTE. MOTION CARRIED.

III. PUBLIC COMMENTS

- None.

IV. APPROVAL OF MINUTES

A. August 1, 2017 Regular Meeting Minutes

A Motion was made by Robert Wilson and seconded by Kevin Brow to:

“Approve the August 1, 2017 regular meeting minutes as presented.”

VOICE VOTE. MOTION CARRIED.

B. Six-month review of closed meeting minutes

- All recordings have already been approved for destruction. The Board is considering whether or not to keep the minutes closed.

A Motion was made by Michael Kavanagh and seconded by Robert Wilson to:

“Keep all closed minutes closed.”

VOICE VOTE. MOTION CARRIED.

V. TREASURER'S/INVESTMENT REPORT

A. Review of Current Investment/Financial Report

- The equity target of 62% has served us well lately.
- We closed the quarter with an ending market value of 18,160,896.
- Year-to-date gross total account return is 9.9%.
- Total account return since inception is 6.99%. This is since June of 2008, which captures the heart of the financial crisis. Since 2008, cumulative investment gain was 5,612,672 and cumulative net investment was 12,548,223.

- From a forward looking perspective, stocks are trading at 18 times, the consumer is strong, and there's a low interest rate environment.
- Equities are 62.3% of the portfolio. Fixed income duration is 5.14 years. The Federal Reserve Bank is undergoing change, but decent continuity is expected. Long-term rates are low, so duration is being kept a little short. The market has been unconcerned with the political environment.
- Value that is gained from equities is shaved off and put into Fixed Income. Fixed Income is like a savings account.
- Cumulative investment gain is about 30% of total portfolio value. This is different from the actuarial interest rate assumption of 6.75%. The actuary nets expenses and smooths gains and losses over 5 years.
- The Trustees increased equity exposure to increase the chance of a higher rate of return. Could the equity target be increased even more to 65%? That would leave very little wiggle room between the equity target and the statutory maximum of 65% in equities.
- The fund has only been above 45% in equities since late 2015.

B. Review and Possible Changes To Asset Allocation/Investment Policy

- None.

C. Approval of Bills (roll call)

A Motion was made by Michael Kavanagh and seconded by Robert Wilson to:

“Approve the Disbursement Warrant, totaling \$60,275.50, as presented.”

ROLL WAS CALLED.

AYE: Kavanagh, Wilson, Brow, Faber

NAY: None

ABSENT: Hamm

ABSTAIN: None

MOTION CARRIED UNANIMOUSLY

VI. COMMUNICATIONS AND SPECIAL REPORTS/PRESENTATIONS

A. Actuarial Report-Final

- The Pension Board had the actuarial valuation calculated with a 6.75% interest rate assumption; the District requested that the actuary calculate the contribution requirement using a 7% interest rate assumption also. The actual amount funded (levied) will be on the District Trustee's November agenda. The Pension Board may want to consider getting in sync with the District Board on what assumptions should be used.
- If there is any operating surplus at the end of the fiscal year, the District tries to put that into the pension fund.
- 100% of the 7% adjusted contribution requirement is the District's goal.
- The GASB report shows that the District contributes an average of 83.21% of the requested amount. The last 3 years the District has not been able to make the recommended number. A funding policy is no good if it isn't followed. The District did not adopt a funding policy.
- The District is contributing more than the statutory minimum. If the District adopted a funding policy with the statutory minimum, would that result in a better bond rating for the District? 2007 fire protection notes were refunded in 2015 and may not be able to be refunded for another 7 years. The refunded rate was fixed and interest paid would not change if the District's bond rating changed. The District is not planning on taking on any new debt. There doesn't seem to be any current financial benefit to an increased bond rating.
- The Pension board wants to agree with the District Board on the actuarial valuation. Pension Trustees would like to meet with District Trustees to try to agree on assumptions before the next actuarial valuation. The interest rate assumption is the only thing the two Boards are not agreeing on. The full funding date is another assumption that could be adjusted. The actuary can run the scenarios next year.

- Before 2008 interest rate assumptions were higher across the board. The trend has been to bring this assumption down.
- The tax cap limits us on how much we can levy. This year the CPI-U is 2.1; which is better than the prior two years' of 0.7 and 0.8.
- There was a drop in the funded percent when we changed actuaries. The change also resulted in more realistic mortality and other assumptions.
- In the next 5 years, benefit payments are expected to multiply.

A Motion was made by Robert Wilson and seconded by Kevin Brow to:

“Accept the actuary report as presented.”

ROLL WAS CALLED.

AYE: Wilson, Brow, Faber, Kavanagh

NAY: None

ABSENT: Hamm

ABSTAIN: None

MOTION CARRIED UNANIMOUSLY

B. Approval and Certification of Municipal Compliance Report/Recommendation for Tax Levy

- The municipal compliance report is just a summary of the actuarial report information.
- The levy recommendation letter should be modified to say that the Pension Board encourages the District Board to meet with the actuary and Pension Board next year to revisit actuarial assumptions.

A Motion was made by Robert Wilson and seconded by Kevin Brow to:

“Approve and certify the Municipal Compliance Report and Tax Levy Recommendation letter with modifications.”

ROLL WAS CALLED.

AYE: Wilson, Brow, Faber, Kavanagh

NAY: None

ABSENT: Hamm

ABSTAIN: None

MOTION CARRIED UNANIMOUSLY

C. Review of applicable portions of audit

- The audit report contains the pension fund's financial statements; notes to the financial statements which include general information about the fund and some actuarial information; and Required Supplementary Information showing a history of the District's liability to the fund as calculated by the actuary.

VII. CONSIDERATION OF AND ACTION UPON APPLICATION FOR MEMBERSHIP

- A. Ryan Smith**
- B. Michael Durling**
- C. James Schultz**

A Motion was made by Robert Wilson and seconded by Kevin Brow to:

“Accept all 3 new hires: Ryan Smith, Michael Durling, and James Schultz; all having a start date of 10/16/2017 and all being Tier 2 members.”

VOICE VOTE. MOTION CARRIED.

VIII. CONSIDERATION OF AND ACTION UPON CHANGE OF RECORDS SUBMISSIONS

- A. Robert Price**
- B. Jerry Cooke**
- C. Philip Scaletta**

A Motion was made by Robert Wilson and seconded by Michael Kavanagh to:

“Accept all 3 change of records requests.”

VOICE VOTE. MOTION CARRIED.

IX. OLD BUSINESS

A. Status of Wolf Annual IME Process

- One treating physician is not giving out the records requested.
- Chris Wolf’s current employer will not give his current job description. His employer stated that Chris told them not to give his job description to the pension fund.
- The attorney finds that the best way to contact Chris is by email. The attorney emailed Chris requesting help getting the missing records, and has not received a response.
- The attorney will notify Chris that he needs to get the missing records and job description to the fund within 30 days. If the documents are not received by that time, his pension benefit check will be taken off direct deposit and converted to a paper check, which will be held at District offices until the documentation is provided. Notification will be sent by letter via certified mail.
- The IME process was started in the spring. Pension Trustees have gone out of their way to be accommodating to Chris Wolf. Since he lives in Texas, rather than making him come back to Illinois for an IME, Pension Trustees took the extra effort to find an IME near him in Texas.
- Pension benefits cannot be suspended until there is a hearing process, but a benefit check can be held until documentation is received.

A Motion was made by Robert Wilson and seconded by Michael Kavanagh to:

“Send a letter to Chris Wolf requesting him to supply the missing records within 30 days and informing him that if the documentation is not received within 30 days, then his pension benefit will be converted to a paper check to be held at the District offices until the records are received.”

VOICE VOTE. MOTION CARRIED.

X. NEW BUSINESS

A. Approval/Certification of DOI Annual Statement

- The DOI annual statement is mostly completed by Sikich and has been filed.

A Motion was made by Michael Kavanagh and seconded by Kevin Brow to:

“Approve and certify the Department of Insurance Annual Statement.”

VOICE VOTE. MOTION CARRIED.

B. Approval of 2018 Meeting Schedule

- The dates presented were February 6th, May 1st, August 7th, and November 6th. May 1st was changed to May 8th.

A Motion was made by Michael Kavanagh and seconded by Robert Wilson to:

“Approve the 2018 meeting dates: 2/6, 5/8, 8/7, and 11/6.”

VOICE VOTE. MOTION CARRIED.

C. Review Board Rules and Forms

- The rules and forms were updated earlier this year.

XI. TRAINING

- The NIAFPD conference is January 25-28, 2018. The conference offers all 16 hours of pension Trustee continuing education.
- There’s a new double-dipping law for police chiefs, where they are required to be in a defined contribution plan if they are receiving a police pension and re-enter the workforce.

- The Illinois Municipal League is proposing police and firefighter pension fund consolidation. They have 3 different proposals. The race for governor will be happening soon, so this initiative will probably be dropped.
 - Firefighter and police pension funds would merge into the Illinois Municipal Retirement Fund (IMRF). IMRF is one of the best run pension funds in the nation. Governor appointees are included in the transition plan, and the statutory minimum approach to funding will be used.
 - There would be a separate firefighter/police pension fund, run similar to, but independent of IMRF. Governor appointees are included in the transition plan, and the statutory minimum approach to funding will be used.
 - Firefighter and police pension funds would send all of their money to the state investment board. Politicians are also included in this plan.
- IML proposals would be pointless without a funding requirement.
- It's not a good idea to have politicians involved in the consolidation process.

XII. CLOSED SESSION

None

XIII. ADJOURNMENT

At 10:55 A.M., a Motion was made by Michael Kavanagh and seconded by Robert Wilson to:
“Adjourn the meeting.”

VOICE VOTE. MOTION CARRIED.

Minutes taken by: Recording Secretary Kristi Farnum

Secretary, Pension Board

Approved by the Board of Trustees at a meeting held on Tuesday, February 6, 2018.