

# 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 Tuesday, August 2, 2016 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, Trustee  
Alphonso Jackson, Trustee  
Michael Kavanagh, Treasurer  
Robert Wilson, President

**Absent:** Leonard Todd Hamm, Secretary

**Also Present:** Carolyn Williams, Recording Secretary  
Carolyn Clifford, Attorney  
Dave Harrington, Sawyer Falduto Asset Management  
Todd Schroeder, Lauterbach & Amen LLP

A Motion was made by Daniel Faber and seconded by Robert Wilson to:

**“Appoint Alphonso Jackson as Secretary Pro-tem.”**

**VOICE VOTE. MOTION CARRIED.**

## III. PUBLIC COMMENTS

- None.

## IV. APPROVAL OF MINUTES

### A. May 10, 2016 Regular Meeting Minutes

A Motion was made by Michael Kavanagh and seconded by Alphonso Jackson to:

**“Approve the May 10, 2016 Regular Meeting Minutes as presented.”**

**VOICE VOTE. MOTION CARRIED.**

## V. TREASURER'S/INVESTMENT REPORT

### A. Review of Current Investment/Financial Report

- Total account return year-to-date is 3.16%, which is slightly behind the benchmark because of equity performance.
- Bonds are up 5% on benchmark.
- The second quarter was volatile in the international market because of the Great Britain vote. However, all-time highs were hit in the market in the month of July.
- Rates are projected to stay low.
- The T. Rowe Price growth stock fund is a more volatile fund and underperformed for the quarter, but usually performs well in the long-term.
- Regarding bond yield, 60% of assets are locked in to the 5-7 and 7-10 year maturity distribution, so we're not forced to continually reinvest.
- The past 7 months have been good for investments.

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

- There is no need to make any changes now, re-evaluate at the next meeting.

### C. Approval of Bills (roll call)

A Motion was made by Michael Kavanagh and seconded by Alphonso Jackson to:

**“Approve the Disbursement Warrant, totaling \$31,214.05, as presented.”**

**ROLL WAS CALLED.**

AYE: Kavanagh, Jackson, Faber, Wilson

NAY: None

ABSENT: Hamm

ABSTAIN: None

**MOTION CARRIED UNANIMOUSLY**

## VI. COMMUNICATIONS AND SPECIAL REPORTS/PRESENTATIONS

### A. Actuarial Report

- Currently in draft version pending audit finalization, but if there are any changes at all, they are usually small.
- Current contribution recommendation is about the same as last year at \$1,350,000.
- Lauterbach and Amen does a study of their 316 police and fire pension funds every four to five years and there are 3 main pieces to it:
  - Mortality - people are living longer; trying to predict future mortality improvements, so future studies don't show as much volatility
  - Later retirement – extends the funding period and shortens the retirement period; probably related to increased health insurance costs from age 50 to 65; offsets increased mortality rates
  - Contributions – slight pull back in contributions related to assumptions in 2016 study
- Funded status has gone down slightly, from 75% to 73.61%.
  - Liability higher because of mortality assumption
  - Pull back in investment returns
- Asset growth is positive even with a tough year in the market.
- Going to move from mostly active members to more retirees in about 10 years and want to make sure the fund is well funded now.
- There's still an unfunded liability.
- The pension fund is required by statute to be 90% funded by 2040, but pension Trustees are more conservative in their assumptions and have a 100% funding goal by 2036. The state looks at the statutory minimum contribution, which uses the Projected Unit Credit method, while the pension fund uses the Entry Age Normal Level % method. Financial statements force you to use the Entry Age Normal method.
- Starting at last year's contribution recommendation, a 50,000 increase on that was expected for this year. But there were a few factors that affected this amount:
  - Salary increases were less than expected
  - Demographic changes – new hire added, a member left and took refund
  - Assumption changes – increased liability for improvement in mortality, but also increased employee contributions due to working longer and decreased rate of salary increases; this actually decreased the contribution because most of our members are currently active
  - Funding policy – decreased amortization period - 100% funding by 2036 rather than 90% by 2040, making increasing payments toward unfunded liability
  - Contributions less than expected
  - Asset return less than expected - Return on investment, net of administrative expenses was .6%. but after 5 year smoothing is applied, a 5% return is reflected, which is still less than the 6.75% assumption
- The actuary's acceptable range is 90% to 110% actuarial value of assets to market value and the fund is at 105%. We don't want to defer too much in losses and go outside that range.
- The fund uses a conservative interest rate assumption of 6.75%.
- Keep in mind that percent funded is based on the assumptions chosen by the Trustees and those assumptions may be different than what other funds are using.
- A separate Financial Statement valuation report is done for the auditors:
  - Doesn't affect contribution recommendations.

- 67% funded on financial report basis, which is reported at market value on a snap shot basis with no smoothing.
- Solvency Test – what direction are you headed? Take with grain of salt, because there are a lot of pieces that are unrealistic.
- Expected Returns are presented net of investment expenses, but not net of administrative expenses.
- Trustee Kavanagh would like to have Todd Schroeder at the District Board of Trustees meeting to present the actuarial valuation to them.

A Motion was made by Michael Kavanagh and seconded by Daniel Faber to:

**“Accept the actuarial report as presented.”**

**VOICE VOTE. MOTION CARRIED.**

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

- Tabled until November meeting.

**VII. CONSIDERATION OF AND ACTION UPON CHANGE OF RECORDS SUBMISSIONS**

- A. Christopher Wolf**
- B. Alphonso Jackson**
- C. Jimmey Votteler**
- D. John Binnendyk**

A Motion was made by Michael Kavanagh and seconded by Daniel Faber to:

**“Accept the change of records requests as presented.”**

**VOICE VOTE. MOTION CARRIED.**

**VIII. OLD BUSINESS**

**A. Election of Board President and Secretary**

- Trustee Wilson would not like to be Chief plus President.

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

**“Elect Daniel Faber as President of the Board and elect Alphonso Jackson as Secretary of the Board.”**

**VOICE VOTE. MOTION CARRIED.**

**IX. NEW BUSINESS**

**A. Annual medical evaluation of disabled members**

- Chris Wolf just finished his medical evaluation from last year, so the cycle time may need to be changed.
- Work with INSPE to find a doctor in Texas near where Chris has moved. The location of the doctor can be decided on a case-by-case basis.
- Could require him to come back to Illinois, but would be a hardship for him because of his condition.
- Tabled until November meeting.

**X. TRAINING**

**A. Annual board member training certification**

- Trustee Faber will need to take the 32-hour new trustee training course, because he was grandfathered before and didn't have to take in then.

A Motion was made by Michael Kavanagh and seconded by Alphonso Jackson to:

**“Accept Trustee training records as presented.”**

**VOICE VOTE. MOTION CARRIED.**

**XI. CLOSED SESSION**

None

**XII. ADJOURNMENT**

At 11:03 A.M., a Motion was made by Michael Kavanagh and seconded by Alphonso Jackson to:

**“Adjourn the meeting.”**

**VOICE VOTE. MOTION CARRIED.**

Minutes taken by: Recording Secretary Kristi Farnum

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Secretary, Pension Board

*Approved by the Board of Trustees at a meeting held on Tuesday, November 1, 2016.*