

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, November 3, 2015 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: Leonard Todd Hamm, Secretary
Alphonso Jackson, Trustee
Michael Kavanagh, Treasurer
Robert Wilson, President

Absent: Christopher Wolf, Trustee

Also Present: Kristi Farnum, Recording Secretary
Carolyn Clifford, Attorney
John Falduto, Sawyer Falduto Asset Management
Tom Sawyer, Sawyer Falduto Asset Management
Dan Rossi, District Trustee
Larry Nice Sr., District Trustee
Nick Sunzere, Union Representative

III. PUBLIC COMMENTS

- There was a question as to whether or not it is best practice to have the legal firm of the District also represent the Pension Fund. If there is litigation, is that a conflict of interest? For example, Tri-State's Pension Fund is suing the District.
- The attorney will draft a memo concerning this issue. Is this a true conflict of interest or more a perception than actual?

IV. APPROVAL OF MINUTES

A. August 20, 2015 Special Meeting Minutes

A Motion was made by Leonard Todd Hamm and seconded by Alphonso Jackson to:

"Approve the August 20, 2015 Special Meeting Minutes as presented."

VOICE VOTE. MOTION CARRIED.

B. Six-Month Review of Closed Meeting Minutes

- Recordings are eligible for destruction 18 months after the meeting date. There are 3 recordings that fit this criteria. All concern the Eric Berge Disability case, there is no threat of litigation concerning this case, and all options of opposition have been exhausted for the case. Written Minutes will be kept.

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

"Destroy the 3 Closed Meeting Records that are eligible for destruction."

VOICE VOTE. MOTION CARRIED.

V. TREASURER'S/INVESTMENT REPORT

A. Review of Current Investment/Financial Report

- The September 30, 2015 report is ugly; Investments are down. However, through October 31st, Investments went back up \$238,000 contributing to a total fund value of \$13,323,000, which is almost a full \$1 million more than September 30th.

- At September 30th, the total account return since inception was 6.21% and Investment gain since inception was at \$2.8 million.
- The Federal Reserve did not raise interest rates and have no reason to for the near future; still, 70% of companies are doing better than forecast. Cash is near 0% and these interest rates don't compete with the Stock Market.
- Baron Small Cap was sold in favor of T-Rowe Price. The Fund's risk level is less than the overall market because rates are low; this is the cost to being too conservative. In late August, more funds were transferred to Equity.
- History means nothing going forward, but history is the best guide to the future.
- There are more risk premiums since the Fund has grown.

A Motion was made by Leonard Todd Hamm and seconded by Michael Kavanagh to:

“Accept the Investment Report.”

VOICE VOTE. MOTION CARRIED.

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

- There is no reason to make any changes.

C. Approval of Bills (roll call)

- It was noted that Jon Mead's refund of \$32,141.33 is included on the bill list. Health Insurance deductions are listed separately from the amount paid to retirees, and it was confirmed that this amount is deducted from the gross payroll of each retiree.

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

“Approve the Disbursement Warrant, totaling \$68,885.91, as presented.”

ROLL WAS CALLED.

AYE: Jackson, Kavanagh, Hamm, Wilson

NAY: None

ABSENT: Wolf

ABSTAIN: None

MOTION CARRIED UNANIMOUSLY

VI. COMMUNICATIONS AND SPECIAL REPORTS/PRESENTATIONS

A. Actuarial Report - Final

- Nothing changed in the Actuary's Report after the Audit was completed.

B. Actuary Interest Rate Assumption Review

- With 55% in Equities, an Interest Rate Assumption range of 6.75% to 7.25% is reasonable.
- The Actuary monitors the Interest Rate Assumption. With a 6.75% Interest Rate Assumption, the actuarial value of Assets was 101% of the market value as of 5/31/15; note that this incorporates “asset smoothing”. It is important to work with a good Actuary that reviews this.
- Since inception, the interest rate was higher last quarter, it went down in September because of August's market crisis, and then went back up in October.
- Longer term windows should be used when coming up with this Assumption.
- Sawyer-Falduto is not able to project the interest rate effect of putting more in Equities, because they cannot project how the market will perform.
- There is concern that the 6.75% Interest Rate Assumption used in the Actuarial Report was underestimated as compared to the actual interest rate received. There is also concern that if increases are made to the Assumption, and that interest rate is not achieved, then the unfunded liability will continue to go up. Part of the reason that the unfunded liability has gone up over the past few years, is because the Interest Rate Assumption went down.
- Instead of multiple actuarial studies, it would be good to set a goal and come up with a funding plan.

- The return on investment on the Actuarial Value of Assets was 6.2% net of Administrative expenses, smoothed.
- If more is put into the Fund now, more interest will be earned.
- Naperville Fire Department was used as an example of putting more funds in, but this is not comparable because they are operating as part of a City, which has more access to taxes than a Fire District.
- The District Trustees are doing their best to put money into the Pension Fund, and put an additional \$150,000 in, above the Levy amount, this year. The District Trustees feel they need to stay consistent, and not throw unneeded money into the Pension Fund.
- The Pension Fund is not near the situation of instability that is seen in many other Pension Funds in the State of Illinois.
- The District is not putting all the money in that the Pension Board is requesting.
- Percent funded depends on the Assumptions used.
- The Assumptions used are a shared concern of District and Pension Trustees, and discussion about this is a good problem solving conversation to have.
- The District's policy on Reserve Funds lists the Pension Fund as its first priority.
- It would be a good idea for the Pension and District Trustees to have a Special Meeting with the Actuary, Todd Schroeder, every 3-5 years. Consequences of unfunded liability and cost should be discussed. A plan for funding should be set, and continually reviewed.
- The District is giving everything they can. The Pension Trustees are being aggressive with putting more in Equities. The amount of salaries is what drives pensions.

VII. CONSIDERATION OF AND ACTION UPON APPLICATION FOR REFUND

A. Jon Mead

A Motion was made by Leonard Todd Hamm and seconded by Michael Kavanagh to:

“Accept Jon Mead’s refund request in the amount of \$32,141.33.

ROLL WAS CALLED.

AYE: Hamm, Kavanagh, Jackson, Wilson

NAY: None

ABSENT: Wolf

ABSTAIN: None

MOTION CARRIED UNANIMOUSLY

VIII. OLD BUSINESS

A. Annual Medical Evaluation of Disabled Members

- Authorization forms have been received from Chris Wolf.
- Since Dr. Shapiro specializes in back surgery, he was selected as the Independent Medical Examiner (IME).
- Since there are 10 sets of records to collect, it may take about 6 weeks to get all of them.
- Chris Wolf had surgery on September 24th and we will wait for the results of the surgery to take affect before sending him to the IME.
- The IME will also review to see if this current surgery was necessary because of the disability that Chris’s pension is based on.

IX. NEW BUSINESS

A. Approval/Certification DOI Annual Statement

- The Annual Statement is complete. Investments were entered by the Auditor.

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

“Approve the DOI Annual Statement.”

VOICE VOTE. MOTION CARRIED.

B. Approval of 2016 Meeting Schedule

A Motion was made by Leonard Todd Hamm and seconded by Michael Kavanagh to:

“Approve the 2016 meeting schedule as presented.”

VOICE VOTE. MOTION CARRIED.

C. Review Board Rules and Forms

- The Rules were updated in May 2015, and there are some small updates that need to be added concerning the definition of fraud and FOIA updates.

A Motion was made by Alphonso Jackson and seconded by Leonard Todd Hamm to:

“Approve the amended Rules and Forms as presented.”

VOICE VOTE. MOTION CARRIED.

X. TRAINING

- The Northern Illinois Alliance of Fire Protection District annual training is in late January next year. This conference will cover the 16 hours of continuing training needed by Pension Trustees.
- It would be a good idea for all emails concerning District business to be sent within the District email system, rather than using personal emails.
- The Department of Insurance does not approve of counting an entire Pension Meeting as continuing education, but using a portion of the meeting is acceptable.

XI. CLOSED SESSION

None

XII. ADJOURNMENT

At 10:42 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

Secretary, Pension Board

Approved by the Board of Trustees at a meeting held on Tuesday, February 2, 2016.