

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, May 13, 2014 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
Leonard Todd Hamm, Secretary
Robert Wilson, Trustee
Alphonso Jackson, Trustee (Newly Elected)

Absent: Michael Kavanagh, Treasurer
Kevin Kocolowski, Trustee (Replaced by Alphonso Jackson)

Also Present: Kristina Farnum, Recording Secretary
Dave Zafiratos, Attorney
John Falduto, Investment Manager
Tim Bowen, Mesirow Financial
Kevin Brow, Local 4338
Daniel Rossi
Michelle Selvaggio

III. PUBLIC COMMENTS

None.

IV. APPROVAL OF MINUTES

A. February 4, 2014 Regular Meeting Minutes

B. April 2, 2014 Special Meeting Minutes

C. April 2, 2014 Closed Meeting Minutes

A Motion was made by Robert Wilson and seconded by Leonard Todd Hamm to:

“Approve the February 4 2014 Regular Meeting Minutes; April 2, 2014 Special Meeting Minutes; and April 2, 2014 Closed Meeting Minutes as presented.”

VOICE VOTE. MOTION CARRIED.

D. Six-month review of closed meeting minutes

A Motion was made by Leonard Todd Hamm and seconded by Robert Wilson to:

“Keep the closed session minutes confidential.”

ROLL WAS CALLED.

AYE: Hamm, Wilson, Faber

NAY: None

ABSENT: Kavanagh, Kocolowski

ABSTAIN: None

MOTION CARRIED UNANIMOUSLY

V. TREASURER'S/INVESTMENT REPORT

A. Review of current Investment Report

- The fund is limited by State Statute in stocks, but tries to get the maximum exposure.
- The fund is up \$158,000 from investments for the quarter, with a 1.45% total rate of return net of fees as compared to the benchmark of 1.47%.

- The fund is up 7.19% since inception vs. the benchmark of 6.54%. Cumulative net investment since inception is \$7,912,000 and investment gains are at \$2,500,000.
- The Equity market is decent. There's not a lot of competition for stocks. The fund has 45.4% of its portfolio in Equities, building up to the 55% target.
- More exposure was added to the large value international market.
- Natural resources were changed to more domestic only rather than international to cut down on overseas exposure.
- The duration for the bond portfolio is at 4.28 years vs. the benchmark of 5.01 years, keeping it shorter and more conservative over time. There is nice yield and coupon information.
- The Money Link transfer for Larry Rauch is seen in the Transaction Register, and is also on Lauterbach and Amen's payroll report.

B. Review of financial statements

C. Approval of Bills (roll call)

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

“Approve the Disbursement Warrant, totaling \$35,505.31 as presented.”

ROLL WAS CALLED.

AYE: Jackson, Hamm, Faber, Wilson

NAY: None

ABSENT: Kavanagh

ABSTAIN: None

MOTION CARRIED UNANIMOUSLY

D. Discussion on timeline for Audit, DOI Annual Statement, and Actuarial processes in 2014

- In line for the time frame as usual.

VI. COMMUNICATIONS AND SPECIAL REPORTS/PRESENTATIONS

A. Status of Wolf Disability Case

- Have not yet heard from Chris Wolf's attorney on a new Hearing date.
- Chris's attorney wants a Doctor to be deposed or testify at his Hearing.
- Everyone's schedule should be accommodated when choosing the Hearing date.
- The applicant originally asked for 30 more days at the April 2, 2014 meeting.
- The Board would like to hear back from Chris's attorney within 2 weeks and would like the Hearing re-scheduled within 30 days.

B. Fiduciary Liability Insurance

- Timothy Bowen with Mesirow Financial explained the insurance process.
- Insurance companies can only provide quotes for a current renewal cycle. Which is 30 to 60 days out from the annual expiration date.
- Only one agent can go to each carrier. For this particular type of insurance there are 5 to 6 carriers that are really good. The carriers can be split between agents or one agent can go to all of the carriers.
- Tim knows the Pension Board attorneys well and works with them frequently.
- When a carrier quotes for Fiduciary Liability Insurance they look at the claim history, the total assets of the fund, and the percent funded.
- The Board should make a decision in August on which carrier to use. It generally takes about 3 to 5 business days to get quotes.
- Insurance policies are for 12 months. There is a fee for cancelling mid-term and other carriers might not be willing to quote mid-term.
- For this type of insurance the coverage is based on the insurance on the date the claim occurs, not when the alleged breach of fiduciary duties occurred.

- The Board attorneys will need a specimen policy to review at least 3 weeks before the meeting when the insurance quote will be approved. The turnaround by the attorney should be quick since they review similar policies frequently.

A Motion was made by Leonard Todd Hamm and seconded by Daniel Faber to:

“Authorize Mesirow Financial and VFIS to obtain multiple quotes for Fiduciary Liability Insurance.”

VOICE VOTE. MOTION CARRIED.

Add Fiduciary Liability Insurance to the agenda for the August meeting and get a specimen policy from the insurance agents to the attorney at least 3 weeks prior (by July 15).

C. Approval of Berge Disability Case Written Decision

- An amended written decision was received by Trustee Faber on April 7, 2014 and Trustee Faber forwarded that decision on to the rest of the Trustees on April 12, 2014.
- There is no need for Closed Session.
- The document was signed and Attorney Tom Radja will be consulted on how the document should be provided to the applicant.
- The date of mailing triggers the “Statute of Limitations”.

Ask Tom Radja how the written decision should be sent to Eric Berge.

A Motion was made by Robert Wilson and seconded by Leonard Todd Hamm to:

“Approve the Berge Disability Case written decision with the April 2, 2014 requested amendments.”

ROLL WAS CALLED.

AYE: Wilson, Hamm, Faber

NAY: None

ABSENT: Kavanagh

ABSTAIN: Jackson

MOTION CARRIED UNANIMOUSLY

D. Funding Policy

- The Pension Board and the District Board should collaborate when putting together a Funding Policy. Assumptions should be agreed upon and put in the policy.
- Sample policies were provided by the attorney.
- A Funding Policy will be required by the Government Accounting Standards Board.
- The employer will adopt the Funding Policy, but the Pension Board should provide input since they consult with the experts – the actuaries and investment managers.
- The Pension Board and the actuary will take the lead on putting together the Funding Policy.
- The Board did not provide assumptions with the actuary RFP.

Ask the Auditor when the Funding Policy is required to be implemented by GASB and have a draft prepared for the August meeting.

VII. CONSIDERATION OF AND ACTION UPON CHANGE OF RECORDS SUBMISSIONS

A. Timothy Campbell

A Motion was made by Robert Wilson and seconded by Alphonso Jackson to:

“Accept Timothy Campbell’s change of records request.”

VOICE VOTE. MOTION CARRIED.

VIII. OLD BUSINESS

IX. NEW BUSINESS

A. Election Results – Active Member

- Alphonso Jackson ran unopposed for the position of Pension Board Trustee. Since he was unopposed, he would be elected by acclamation.

A Motion was made by Leonard Todd Hamm and seconded by Robert Wilson to:

“Accept Alphonso Jackson as the new Pension Board Trustee.”

ROLL WAS CALLED.

AYE: Hamm, Wilson, Faber

NAY: None

ABSENT: Kavanagh, Kocolowski

ABSTAIN: None

MOTION CARRIED UNANIMOUSLY

B. Trustee Appointment

- Michael Kavanagh was re-appointed by the District Board to the position of Pension Board Trustee.

A Motion was made by Robert Wilson and seconded by Leonard Todd Hamm to:

“Acknowledge Trustee Michael Kavanagh’s re-appointment to the Pension Board.”

VOICE VOTE. MOTION CARRIED.

C. Election of Board President and Secretary

A Motion was made by Leonard Todd Hamm and seconded by Robert Wilson to:

“Elect Daniel Faber as President and Leonard Todd Hamm as Secretary.”

ROLL WAS CALLED.

AYE: Hamm, Wilson, Faber, Jackson

NAY: None

ABSENT: Kavanagh

ABSTAIN: None

MOTION CARRIED UNANIMOUSLY

D. Review Liability Insurance Coverage

- Trustee Kavanagh would like Kristi Farnum added to the insurance policy since she is not currently covered.

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

“Add Kristi Farnum to the Crime Bond Policy.”

VOICE VOTE. MOTION CARRIED.

Add Kristi to the Crime Bond Policy with VFIS.

E. Review Actuary Request for Proposals

- The Request for Proposal (RFP) was sent to 7 firms and only 3 proposals were received: formal proposals from Foster & Foster and Lauterbach & Amen, and an email from Art Tepfer.
- Foster & Foster does the Actuarial Valuation for the Department of Insurance (DOI). That is not a conflict of interest. They mention in their proposal that they do not believe that the Projected Unit Credit method (required by Illinois Statute) is sound, yet they use this method for the DOI’s actuarial calculations. About 20 of their client references were in Illinois, but most were out of state.
- Art Tepfer’s practices are agreeable, but the information was not properly presented to the District Trustees. Art did not make an effort to send an RFP; the Frankfort Pension Fund does not seem like a priority to him.

- Lauterbach & Amen has several Illinois police and fire actuary clients. They have a cost proposal for 3 years or the Fund can choose to go year by year. They indicate that the cost will go up in the third year due to GASB 68 reporting, showing that they are aware of and prepared for new GASB requirements. They mention their insurance policy and how much they are covered for in their proposal.

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

“Take a break to review the Actuary Request for Proposals.”

VOICE VOTE. MOTION CARRIED.

A Motion was made by Robert Wilson and seconded by Leonard Todd Hamm to:

“Hire Lauterbach and Amen to provide Actuarial services and accept the 3 year cost proposal.”

ROLL WAS CALLED.

AYE: Wilson, Hamm, Faber, Jackson

NAY: None

ABSENT: Kavanagh

ABSTAIN: None

MOTION CARRIED UNANIMOUSLY

- The Board had previously discussed having 2 actuarial valuations done. They do not feel that there is more than one qualified applicant from the RFPs. It would be an undue cost to the Pension Fund to pay for a second actuarial valuation. The key is to make sure all assumptions are appropriate before the valuation is done. The Trustees were put off by the email from Art Tepfer. Since the District Trustees felt like Art Tepfer did not communicate with them well, the Pension Trustees feel like they are making a prudent action by changing the Actuary; two valuations are unnecessary.

F. Action to give authority to the Actuary to start the Actuarial process

See above.

X. TRAINING

A. OMA Designee and FOIA Officer Annual raining

- Trustee Hamm and Kristi Farnum need to do the annual training.
- Newly elected Trustee Jackson needs to do a one-time Open Meetings Act training and keep a copy of his Certificate of Completion on file.

Trustee Jackson to complete OMA Training. Trustee Hamm and Kristi to complete OMA and FOIA training.

XI. CLOSED SESSION

None.

XII. ADJOURNMENT

At 11:15 a.m. a Motion was made by Robert Wilson and seconded by Daniel Faber 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, August 5, 2014.