Call meeting to order: The meeting was called to order at 9:00 a.m. by President Andy Maxwell.

Roll call showed Trustee Charles Bratcher, Trustee Bob Hodge, Trustee Andy Maxwell and Trustee Justin Ukleja present. Trustee Pay Murphy was absent at roll call but arrived at 9:26 a.m. Also present was John Falduto and Ed Lavin from Sawyer Falduto Asset Management, LLC, Attorney Carolyn Welch Clifford from Ottensoos Britz Kelly Cooper Gilbert & DiNolfo, Ltd., Allison Barrett from Lauterbach & Amen and Administrative Assistant Joy Edmonson.

Public Comments: None

Minutes:

A. Minutes of the Special Meeting held on July 9, 2018 were reviewed. Trustee Bratcher pointed out an error on page three of minutes. The Tax Levy amount paid to the Pension Fund FYE May 31, 2018 should be $740,833.00.

Trustee Bratcher made a motion to accept minutes as amended above; the motion was seconded by Trustee Ukleja. Upon a voice vote, the motion passed.

B. Minutes of the Special Meeting held on August 6, 2018 were reviewed. Trustee Hodge made a motion to accept minutes as written; the motion was seconded by Trustee Bratcher. Upon a voice vote, the motion passed.

C. Minutes of the Closed Session held on April 16, 2018 were reviewed. Trustee Hodge made a motion to accept minutes as written; the motion was seconded by Trustee Bratcher. Upon a voice vote, the motion passed.

D. Six-month review of closed session minutes: Board reviewed the closed session minutes still closed and voted to keep them closed. Motion made by Trustee Bratcher and seconded by Trustee Hodge to not release the approved closed minutes at this time. Upon a voice vote, the motion passed.
Accounting/Investment Reports:

A. **Accounting Report:** Ed McCormick from accounting firm of Mueller CPA was not yet present. Report as tabled upon his arrival.

B. **Investment Report:** John Falduto from Falduto Sawyer Asset Management LLC introduced his firm’s new Chief Investment Officer, Ed Lavin. Lavin informed the Board of his work history and experiences with investing.

*Ed McCormick joined the meeting at 9:05 a.m.*

1. **Transfer Update:** Falduto updated the Board on the transfer of funds to the new Charles Schwab account and the closing of the Schwab accounts associated with Mitchell, Vaught and Taylor.

2. **Quarterly Report:** Falduto presented the Investment Performance Report for October 15, 2018. Hard copy included. Falduto’s report included the following:

   - **Investment Policy Guidelines:**
     - Performance Measurements
     - Portfolio Allocations –
       - Cash/Short Term: Target – 1%, Range - 0-5%
       - Fixed Income: Target – 34%, Range – 30-40%
       - Equity: Target – 65%, Range – 60-65%
     - Fixed Income Allocation
     - Equity Diversification
     - Illinois State Statutes
   - **Cash Flow and Performance Review:**
     - Portfolio Value vs. Cumulative Net Investment
   - **Quarterly Update – September 30, 2018:**
     - Key Points
     - Equity Markets Fragmented but Positive
     - Looking Forward
   - **Portfolio Statement as of 10/12/2018, 10/11/2018 Prices:**
     - Allocations and Investments Held
     - Ending Market Value $33,252,878.68
   - **Equity Portfolio:**
     - Large Cap Domestic
     - Small and Mid-Cap Domestic
     - International
     - Alternative Assets – Real Estate
     - Alternative Assets – Natural Resources
     - Portfolio Snapshot – September 2018
   - **Fixed Income Portfolio (Explained by Falduto and Lavin)**
     - Fixed Income Allocations
     - Portfolio Statistics
     - Maturity Distribution
     - Quality Distribution
• Transaction Ledger Report

*Pat Murphy joined the meeting at 9:26 a.m.*

3. **Asset Allocation Updates**: Discussed within Investment Quarterly Report

Trustee Maxwell asked John Falduto if he was sure everything was transferred from the old Charles Schwab accounts held with Mitchell, Vaught and Taylor, into the new Charles Schwab account with Falduto Sawyer Asset Management. Both John Falduto and accountant Ed McCormick assured the Board that all assets were transferred over to new Schwab account.

The Board asked questions and discussion was held on Sawyer Falduto’s presentation of the Investment Report regarding the following issues: individual securities strategies, dividends, price performance, migrating to mutual funds and mutual fund’s expense ratios. John Falduto will email the expense ratios to the Board.


- Total Income for the year as of September 30, 2018 was $1,884,942.64
- Total tax levies $569,908.42
- Included in revenue is 968,540.08 of realized and unrealized investment gains
- Total expenses were $547,372.60
- Pension payments and benefits were $523,259.88
- The Fund increased by $1,337,570.04 for the Fiscal Year as of September 30, 2018
- Ending value as of September 30, 2018 was $34,919,006.99

Discussion was had on the in-house checking account with FNBC Bank and payment of bills. Current procedure is for the administrative assistant to pay invoices for legal expenses, accounting expenses, audits, trainings, reimbursements etc. out of the FNBC Bank checking account. It was noted that this service is included in Lauterbach and Amen’s fees for payroll, so that it could handle the bill payments in the future from the new Harris account.

Motion by Trustee Ukleja to close the FNBC Bank in-house checking account and allow Lauterbach and Amen to pay vendors going forward, with Joy Edinson given the approval of Board to request payments on vendor’s billings received, seconded by Trustee Bratcher. The motion passed by the following roll call vote:

- Trustee Ukleja - Aye
- Trustee Murphy - Aye
- Trustee Bratcher - Aye
- Trustee Hodge - Aye
- Trustee Maxwell - Aye

Attorney Carolyn Clifford asked for Ed McCormick to send her his letter of engagement for review and an outline of the fees he charges the Fund.
C. **Investment Committee Report:** Because the Board’s investment committee is currently inactive, attorney Clifford recommended to remove from future agendas for now.

D. **Review and possible action on Investment Policy:** John Falduto and Attorney Clifford reviewed the proposed Investment Policy. Clifford reported that the policy meets the legal requirements of the stat statutes. Clifford explained the “Investment Policy Checklist for Article 3 and 4 Pension Funds” and the “Investment Advisor/Consultant Agreement Checklist for Article 3 and 4 Pension Funds”. Clifford suggested keeping the review and possible action on Investment Policy on the agenda for future meetings.

A motion to approve the Investment Policy was made by Trustee Ukleja and seconded by Trustee Murphy. The motion passed by the following roll call vote:

- Trustee Ukleja - Aye
- Trustee Bratcher - Aye
- Trustee Murphy - Aye
- Trustee Hodge - Aye
- Trustee Maxwell - Aye

E. **Approve/Ratify payment of bills:**
The report on Pension Fund Bills paid out of in-house checking was presented. Report shows payments in-house for $23,772.34 with a balance in checking account of $36,687.10 as of October 15, 2018.

Motion to ratify the payment of bills paid by the Pension Fund Checking Account for total of $23,772.34 was made by Trustee Hodge and seconded by Trustee Murphy. The motion passed by the following roll call vote:

- Trustee Hodge - Aye
- Trustee Murphy - Aye
- Trustee Bratcher - Aye
- Trustee Ukleja - Aye
- Trustee Maxwell - Aye

**Communications and special reports:** None.

**Applicants for admissions, withdrawals and/or benefits from fund:** None

**Unfinished Business:**

A. **Update on IDOI Report FYE May 31, 2018:** Ed McCormick reported that he needs the actuarial valuation and the annual audit to complete the IDOI Annual Statement.

B. **Update on Annual Audit FYE May 31, 2018:** Lauterbach & Amen provided a draft of the annual audit for the Board to review. The actuarial valuation is needed for completion and final draft, expected by October 23, 2018.

C. **Update on Actuarial Valuation as of June 1, 2018:** Kevin Cavanaugh from Lauterbach & Amen, provided a draft copy of the actuarial valuation for the Board’s review, but was unable to attend today’s meeting.
Highlights included:

- Changes in several assumptions and the funding policy over last year
- Impact of changes is an increase in the recommended contribution of approximately $300,000
- Funding Policy updated from targeting 100% funding in 22 years down to 20 years
- Demographic changes related to:
  - Mortality Rates
  - Mortality Improvement Rates
  - Retirement Rates
  - Disability Rates
  - Termination Rates
- Reduced asset return assumption from 7% to 6.75%
- Updated individual pay increases based on collective bargaining agreement
- Updated total payroll increase assumption from 5.50% to 3.25%
- Current Valuation Contribution Recommendation $1,293,508
- Statutory Minimum Contribution $887,728
- Percent Funded (Actuarial Value of Assets) 88.79%

Carolyn Clifford recommended that the actuary not only attends the Pension Fund Special meeting on November 1, 2018 at 9:00 a.m. but that he also attend a District meeting to answer any questions and to explain the changes in assumptions and funding policy.

New Business:

A. Payroll Administrator:

1. Explanation of Services: Payroll administrator, Allison Barrett, from Lauterbach & Amen explained the services now being provided by Lauterbach & Amen. These services include confirming all benefits the current Pensioners are receiving.

2. Discussion and possible action regarding benefit descrepencies: While conducting her examination of all beneficiaries, Allison Barrett found two mistakes. Clifford provided a memorandum to the Board, dated October 11, 2018, outlining the legal issues of benefit mistakes.

- Wayne Matejka: Barrett explained that Matejka was overpaid through October 2018 by $1,753.26. Due to a glitch in the Department of Insurance calculator at the time of Matejka's retirement, an extra .25% was given for his first raise on 10/01/2009. The correct amount of monthly benefit as of November 2018 should be $8,279.49.

Carolyn Clifford shared the following Illinois Pension Code Statutes:

- Article 4-138.10 provides that if a fund commits a mistake by setting any benefit at an incorrect amount, it shall adjust the benefit to the correct level as soon as may be practicable after the mistake is discovered. (40 ILCS 5/4-138.10(a))
• The new statutory provision defines a “mistake” as a clerical or administrative error executed by the Fund or the participant. However, "mistakes" do not include "the reasonable calculation of the benefit or aspects of the benefit based on salary, service credit, calculation or determination of a disability date of retirement, or other facts significant to the calculation of the benefit that were reasonably understood or agreed to by the Fund at the time of retirement." (40 ILCS 5/4-138.10(a))

• When a “mistake” (as defined by the statute) has been identified by the Board, Section 4-138.10 provides for methods of correcting that mistake:
  o **Underpayment**: The Board must correct the benefit to the appropriate level, and it must make a lump sum payment to the recipient to make up the difference between what should have been paid and what was. Additionally, the fund must add interest to the lump sum payment at a rate of 6%.
  o **Overpayment**: The pension Board must also correct an overpayment to the appropriate amount as soon as practicable after the mistake is discovered. If a mistake is discovered less than three (3) years after it is made, the fund has discretion as to whether it should seek to recoup that overpaid amount. The participant may repay the fund directly or by deducting a portion of future benefits until the overpayment is repaid. If the participant chooses to have his or her monthly benefit reduced to compensate for the overpayment, that reduction cannot exceed 10% of the corrected monthly benefit.
  o **Importantly**: If a mistake goes undiscovered for three (3) years or longer, the Fund must still correct the mistake. However, the participant has no obligation to repay the excess amounts previously received.

A letter from Attorney Carolyn Clifford will be mailed certified to Wayne Matejka on October 15, 2018 which will give explanation of the mistake and the amount over paid. The letter will also include copies of the DOI of both Benefit Calculator worksheets, the spreadsheet prepared by Allison Barrett noting the accumulated overpaid benefit of $1,753.26 and a copy of the statute. Matejka will also be invited to address the Board at a special Pension Fund meeting on November 1, 2018 at 9:00 a.m. before the Board takes final action to correct the benefit.

• **Lee Westrom and Roxanne Westrom**: Lee Westrom's retirement benefit was improperly allocated between Lee and Roxanne Westrom in the amount of $12,115.24 through October 2018.
  • Carolyn Clifford and Allison Barrett explained to the Board that there was no court-order QILDRO Calculation Order submitted at time of retirement. (Section 1-119(c)(5) of the Illinois Pension Code (40 ILCS 5/1-119(c)(5))
  • After investigating, no copies of the Calculation Order were filed by any of the personal divorce attorneys working with the QILDRO or the pension attorney, Cary Collins. Clifford has been in contact with the attorneys involved.
A letter from Attorney Carolyn Clifford will be mailed certified to Lee Westrom and Roxanne Westrom on October 15, 2018 which will give an explanation of the improperly allocated benefit amount of $12,115.24. The letter will also include copies of the original QILDRO and a spreadsheet of the Westrom retirement benefit, providing the amount overpaid to Lee that should have been paid to Roxanne. Also included will be a copy of statute (40 ILCS 5/1-11(c)(5)). Both Lee Westrom and Roxanne Westrom will be invited to address the Board at a special Pension Fund meeting on November 1, 2018 at 9:00 a.m. before the Board takes further action on the benefit mistake.

B. Retiree Benefit Raises for 2019: Table until after special Pension meeting on November 1, 2018.

Trustee Justin Ukleja left the meeting at 11:09 a.m.

C. Active member question: Trustee Maxwell shared that an active member had a question on using a trust instead of individual dependents for Benefits. Attorney Clifford will speak to the active member after the meeting to explain in person.

D. Pension names/IRS Pension name: Discussion had on the many ways the Pension is referred to on different documents. Board decided to wait to make any changes on the IRS forms until after the issue of non-payment is resolved and then at that time, Lauterbach & Amen will draft a letter to remove the individual name listed erroneously.

E. IRS Letter/Bill for 2017 Taxes: A letter from the IRS was received stating that the Pension Fund did not make federal withholding tax deposits of $112,953.42 for 2017. After investigation by Administrative Assistant Edmunson and Accountant Ed McCormick, a letter was written to the IRS by McCormick explaining what the issue was. When Edward Jones was doing the payroll for the first six months of 2017 they used an outside payroll service. That service paid the federal withholding taxes on behalf of the WCFPD Pension Fund using their Federal ID # and not the Pension Fund’s. The IRS is working on correcting this.

F. Meeting dates for 2019: The regular meeting dates for 2018 will be:
   - Monday, January 21, 2019
   - Monday, April 15, 2019
   - Monday, July 15, 2019
   - Monday, October 21, 2019

All meetings will begin at 9:00 a.m. at 200 Fremont Street, West Chicago.

Motion made by Trustee Bratcher to approve the above meeting dates and times for 2019 and seconded by Trustee Murphy. Upon a voice vote, the motion passed.

Trustee Training:

A. Status of training hours: A training report was presented to the Board for their review.

B. Upcoming training opportunities:
   - Illinois Professional Firefighters Association November 2, 2018
   2018 Fall Pension Seminar at Empress Banquets in Addison
• AFFI October 2018 Pension Seminar
• NIAFPD January 24-27, 2019 at Hilton Chicago, Oak Brook Hills
  26th Annual Conference

C. Updates on State and National pension issues: Attorney Clifford provided a flyer on
   Pension Pointers which covered:
   • Investment return assumption – Final GRS return assumption of 6.5%
   • Fiduciary duties
   • New IDOI actuarial assumptions
   Clifford also provided a Client Alert for October 2018 for the Board’s information.

Attorney Comments: None

Closed Executive Session: None

Possible Action on Closed Session: No Actions taken.

Next regular meeting: The next regular meeting will be held on Monday, January 21, 2019 at 9:00 a.m. at Station #6,
   200 Fremont Street, West Chicago, IL.

A special meeting will be held on Thursday, November 1, 2018 at 9:00 a.m. at Station #6,
   200 Fremont Street, West Chicago, IL.

Adjournment: Trustee Hodge made a motion to adjourn, seconded by Trustee Murphy. Upon a voice vote, the
   motion passed. Meeting Adjourned at 11:27 a.m.

Respectfully submitted;

Justin Ukleja
Pension Fund Secretary

Minutes prepared by Joy Edinson