



**WEST CHICAGO FIRE PROTECTION DISTRICT**

# *Pension Board*

200 Fremont Street, West Chicago, Illinois 60185 (630) 231-2123 Fax (630) 231-2122

Minutes of the Regular Meeting  
of the West Chicago Fire Protection Districts'  
Pension Fund Board held on October 21, 2019  
at 200 Fremont St, West Chicago, IL

**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 Pat Murphy present. Trustee Justin Ukleja was absent.

Also present was Ed Lavin from Sawyer Falduto Asset Management, LLC, attorney Carolyn Welch Clifford from Ottosen Britz Kelly Cooper Gilbert & DiNolfo, Ltd., AJ Weber from Lauterbach & Amen and Administrative Assistant Joy Edminson.

Others Attending: *Chief Pat Tanner joined meeting at 10:08 a.m.*

**Public Comments:** None

## **Minutes:**

A. **Minutes of the Special Meeting held on July 22, 2019** were reviewed.

Trustee Murphy made a motion to accept minutes of the July 22, 2019 Special Meeting as written; the motion was seconded by Trustee Hodge. Upon a voice vote, the motion passed.

B. **Minutes of the Special Meeting held on August 9, 2019** were reviewed.

Trustee Hodge made a motion to accept minutes of the August 9, 2019 Special Meeting as written; the motion was seconded by Trustee Bratcher. Upon a voice vote, the motion passed.

C. **Six Month Review of Closed Session Minutes:** Updated list provided to the Board.

Trustee Murphy made a motion to destroy recordings from February 15, 2012, January 20, 2014 and April 16, 2018, seconded by Trustee Bratcher. Upon a voice vote, the motion passed.

## Accounting/Investment Reports:

**A. Accounting Report:** Accountant AJ Weber from Lauterbach & Amen led a review of the Financial Activity Summary for the month ended September 30, 2019. Report included the following as of September 30, 2019:

- a) Net Position Held in Trust for Pension Benefits - \$35,835,324.57
- b) Total Additions - \$2,899,651.81
- c) Total Deductions - \$557,138.67
- d) Change in Position – \$2,342,513.14
- e) Cash and Investments –
  - Mutual Funds 65%
  - Fixed Income 34%
  - Money Market Mutual Funds 1%
  - Cash & Cash Equivalents 0%
- f) Total Contributions less Expenses - \$133,711
- g) Total Contributions - \$274,716.51
- h) Total Investment Income - \$319,271.81
- i) Total Pensions and Benefits - \$137,621.94
- j) Member Contribution Report

A motion to approve the Accounting Report as presented was made by Trustee Murphy and seconded by Trustee Hodge. Upon a voice vote, the motion passed.

### **B. Approve/Ratify payment of bills:**

The Vendor Check Report compiled by Lauterbach & Amen shows payments of \$66,665.21 for July 22, 2019 through October 21, 2019. The amount includes monthly direct deposits to the IRS for withholding and to the WCFPD for insurance.

Motion to ratify the payment of bills paid by Lauterbach & Amen on behalf of the Pension Fund for total of \$66,665.21 for July 22, 2019 through October 21, 2019 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 Maxwell - Aye
Trustee Bratcher - Aye	Trustee Ukleja – Absent	

**C. Investment Report:** Ed Lavin from Falduto Sawyer Asset Management LLC presented the quarterly Investment Report as of September 30, 2019. The nine-month year-to-date investment return was \$4,460,889. Report included the following:

#### **1. Quarterly Report:**

- Investment Policy Guidelines:
  - Performance Measurements
  - Portfolio Allocations
  - Fixed Income Allocation
  - Equity Diversification
  - Illinois State Statutes
  - Proposed Fixed Income Allocation

- Cash Flow and Performance Review: (Quarter 3 - 2019)
  - Cash Flow:
    - Beginning Market Value \$35,371,996
    - Ending Market Value \$35,784,494
    - Investment Return \$342,211
  - Total Account Return (gross) 0.96% for Quarter 3 (compared to Total Account Benchmark 1.24%)
  - Total Account Return (gross) 14.21% Year-to-date (compared to Total Account Benchmark 14.82%)
  - Portfolio Value vs. Cumulative Net Investment Graph
- Quarterly Update – September 30, 2019:
  - Equity Markets – Major U.S. stock indices had mixed results during the third quarter while international markets were slightly negative. Company earnings growth in 2019 has slowed relative to the robust trend in 2018. U.S. large cap equities have generated the best performance over the last twelve months.
  - Fixed Income – U.S. yield curve remains inverted between 3-months and 10-years as interest rates across the yield curve decreased during the third quarter. The absolute level of U.S. interest rates continues to be affected by global monetary policy decisions. Foreign bond buyers continue to find value in U.S. bonds.
  - Economy – Federal Reserve cut the benchmark overnight lending rate by a total of 50 basis points resulting in a target range of 1.75% - 2.00%. Consumer spending continues to be an important driver of U.S. growth. Unemployment levels remain near historic lows while wage growth is currently outpacing inflation.
- Portfolio Statement as of 09/30/2019
  - Allocations and Investments Held
    - Equities 65.2%, Fixed Income 34.3%, Cash Equivalent 0.5%
- Equity Portfolio:
  - Portfolio Snapshot – September 30, 2019
  - Mutual Fund Performance and Fund Characteristics
- Fixed Income Portfolio
  - Fixed Income Allocations
  - Portfolio Statistics
  - Maturity Distribution
  - Quality Distribution
- Transaction Ledger Report

A motion to approve the Investment Report as presented, was made by Trustee Bratcher and seconded by Trustee Hodge. Upon a voice vote, the motion passed.

**D. Review and possible action on Investment Policy:** No actions taken.

**Communications and special reports:**

- a) Siren dated October 1, 2019 regarding 2019 Biennial Report
- b) Copy of letter from IRS Field Director, Mia Sylve in response to Sean Casten, U.S. House of Representatives regarding 2017 taxes.

## **Applicants for admissions, withdrawals and/or benefits from fund:**

- A. Retirement Benefit Raises for 2019:** Joy Edminson explained that the benefit raises for the retiree's will be available at the January 20, 2019 meeting for review.
- B. Retirement Benefits:** Possible Duty Disability/Occupation pension request coming up soon. A special Trustee's meeting will be called when request is received.

## **Unfinished Business:**

- A. Employee Contribution Discrepancies:** Lauterbach & Amen is still showing two discrepancies in employee contributions. The District's payroll records on employee contributions do not match up with the IDOI annual statement's employee contributions. Discussion had on possible discrepancies being due to service purchase for volunteer service.
- B. Review/Update/Approval of Rules and Regulations:** Tabled until special meeting called.

## **New Business:**

- A. IRS Pension Name – how to change it:** AJ Weber from Lauterbach & Amen will take care of changing the name being used on IRS documents.
- B. IDOI Report:** Ed McCormick from Mueller CPA is waiting on the Annual Audit by Lauterbach & Amen to be finalized, then the IDOI statement can be submitted.
- C. Annual Financial Audit Report:** Lauterbach & Amen will have the draft audit completed soon.
- D. Actuarial Valuation FYE 5/31/2019:** AJ Weber from Lauterbach & Amen reviewed the Actuarial Funding Report and GASB 67/68 Reports as of June 1, 2019 for the Board.

### **Actuarial Funding Report Highlights included:**

- a) Recommended Contribution
  - Prior \$1,293,508
  - Current \$1,443,102
  - Recommended Contribution as a Percent of Expected Payroll – 34.18%
  - Recommended Contribution has Increased by \$149,594 from prior
- b) Funded Status
  - Prior Actuarial Value of Assets 83.40%
  - Current Actuarial Value of Assets 80.37%
  - Percent Funded has Decreased by 3.03% on an Actuarial Value Assets Basis

- c) **Benefit Plan Risks**  
 Asset growth is important in the long-term. Long-term cash flow out of the Pension Fund is primarily benefit payments, and expenses are a smaller portion. The Plan should monitor the impact of expected benefit payments on future asset growth. In the next 5 years, benefit payments are anticipated to increase 40-45%, or approximately \$640,000. In the next 10 years, the expected increase in benefit payments is 85-90%, or approximately \$1,400,000.
- d) **Unfunded Liability**  
 The current Recommended contribution includes a payment towards Unfunded Liability that is approximately \$61,000 greater than the interest on Unfunded Liability. The employer and Fund should anticipate that improvement in the current Percent Funded will be mitigated in the short-term.
- e) **Benefit Payment Risk**  
 As of the Valuation date, the WCFPD Firefighters' Pension Fund has a ratio of benefit payments to the Market Value of Assets of 4.72%. The Plan is currently in a sound financial position and has a reduced amount of benefit payment risk and cash flow risk. Adherence to the current Funding Policy would lead to an increasing percent funded.
- f) **Illinois Statutory Minimum Contribution - \$1,016,046**

**GASB 67/68 Report Highlights included:**

- a) **Statement of Changes in Total Pension Liability**
  - Employer's Net Pension Liability \$12,662,184
  - Plan Fiduciary Net Position as a Percentage of Total Liability 73%
  - Covered-Employee Payroll \$4,176,323
  - Employer's Net Position Liability as Percentage of Employee Payroll 303%
- b) **Significant Actuarial Assumptions**
  - Discount Rate used for the Total Pension Liability 6.26%
  - Long-Term Expected Rate of Return on Plan Assets 6.75%
  - High Quality 20 Year Tax-Exempt G.O. Bond Rate 3.51%
  - Projected Individual Pay Increases 4.0% - 10.94%
  - Projected Increase in Total Payroll 3.25%
  - Consumer Price Index 2.50%
  - Inflation Rate Included 2.50%
- c) **Five-Year Contribution History of Employer**  
 The average of contributions as a percent of the Actuarially determined contribution exceeds 90%, therefore, the Informal Funding Policy that has been determined for future contributions is 90.28% of the Actuarially determined contribution. This represents the full future contributions expected to be made.

*Chief Pat Tanner joined the meeting at 10:08 a.m.*

- E. **Certification of Municipal Compliance Report:** The Municipal Compliance Report was prepared by Lauterbach & Amen and presented by AJ Weber. Report included:
  - Total Net Position Current Fiscal Year \$33,492,246
  - Municipal Estimated Contributions \$1,443,102
  - Total Disbursed in Benefits During Fiscal Year \$1,581,807

**F. Recommendation of Tax Levy to District:** Attorney Carolyn Clifford prepared the Tax Levy Request letter to present to WCFPD Board of Trustees requesting \$1,443,102 per suggestion of the actuarial valuation.

Motion made by Trustee Murphy to approve the Actuarial Valuation as of June 1, 2019, both the Actuarial Funding Report and the GASB 67/68 Report; the Municipal Compliance Report as prepared by Lauterbach & Amen; and the recommendation of Tax Levy letter to the WCFPD Board of Trustees. Motion was seconded by Trustee Hodge. The motion passed by the following roll call vote:

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

**G. Meeting Dates and Times for 2020:** The WCFPD Pension Fund Board of Trustees will meet on the following dates in 2020 at 9:00 a.m. at 200 Fremont Street, West Chicago:

January 20, 2020  
April 20, 2020  
July 20, 2020  
October 19, 2020

Motion to accept 2020 meeting dates and time was made by Trustee Bratcher and seconded by Trustee Murphy. Upon a voice vote, the motion passed.

### **Trustee Training:**

**A. Status of Training Hours:** Board received list of training hours completed to date for 2019.

**B. Upcoming training opportunities:**

- IPFA 2019 Fall Seminar is November 1<sup>st</sup>, 2019 in Addison

### **Updates on State and National Pension Issues:**

**Updates on State and National pension issues:** Attorney Clifford shared the Ottosen Britz Pension Practice Quarterly Insights for Pension Trustees (fourth quarter 2019): This quarterly discussed improper requests for trustee social security numbers. There is no federal law requiring pension fund trustees to furnish SSN's as many banks assert. Such requests are improper. Ottosen Britz strongly suggests that Trustees decline providing their individual SSN's for purposes of fund bank accounts.

Attorney Clifford also shared an article from a panel presentation regarding firefighters, cancer and the elusive concept of causation for disability benefits. Clifford also provided an presentation entitled, A Tale of Two (or more) Cities (and states): America is Having a Dickens of a Time Funding its Public Pension Plans.

**A. IPPFA Resolution Review/Possible Action:** Attorney Carolyn Clifford explained the proposed bill regarding the consolidation of Illinois Firefighter and Police Pension Funds. Clifford addressed the Board's questions and concerns. Discussion had on the following: what the effects a consolidation could have on Tier II Firefighters; the rate of equity return for WCFPD Pension Fund versus IMRF; options going forward; writing letter of opposition; and keeping benefits local. Board voiced individual opinions on the proposed bill.

Motion was made by Trustee Hodge to sign and send copy of the Resolution Regarding Consolidation of Pension Funds requesting that the Illinois General Assembly not adopt enabling consolidation legislation during the 2019 Veto Session and that any consideration of such a major undertaking be held over until the 2020 Regular Legislative Session. Motion seconded by Trustee Bratcher. Upon a voice vote, the motion passed.

*Chief Tanner left meeting at 10:45 a.m.*

**Closed Executive Session:** None

**Possible Action on Closed Session:** No actions taken.

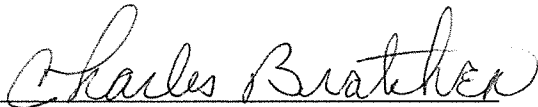
**Adjournment:**

Trustee Murphy made a motion to adjourn, seconded by Trustee Hodge. Upon a voice vote, the motion passed. Meeting Adjourned at 11:00 a.m.

**Next regular meeting:**

The next regular meeting will be held on Monday, January 20, 2020 at 9:00 a.m. at Station #6, 200 Fremont Street, West Chicago, IL.

Respectfully submitted;

  
Charles Bratcher  
Pension Fund Secretary

1-20-2020  
Date Approved by Board

*Minutes prepared by Joy Edminson*