BOARD OF TRUSTEES
DOWNERS GROVE FIREFIGHTERS PENSION FUND MEETING
Downers Grove Fire Department Station 2, 5420 Main,
Fire Station 102 Lieutenant's Office (Primary) and Electronic Conference
May 6, 2021 – 1700 hrs.

<u>Agenda Item – 1</u>

Trustee Campbell called the meeting to order at 1706 hrs. in the Lieutenant's Office of Downers Grove Fire Department Fire Station 102, 5420 Main, Downers Grove, IL.

<u>Agenda Item – 2</u>

Trustee Campbell made a motion requesting consent by each participant in the meeting to be recorded during the May 6, 2021 Downers Grove Firefighter Pension Board Quarterly meeting.

Members

Trustee Kuchta	(electronically)	Consents
Trustee Bacidore		Consents
Trustee Campbell		Consents
Trustee Ludwig	(electronically)	Consents
Non-voting Downers Grove Finance Director Judy Buttny		Consents

Member Absent

Trustee Moy (joined electronically mid-meeting)

Guests

Paul Marchese – Marquette Associates (electronically)	Consents
Eric Endriukaitis - Lauterbach & Amend, LLP (electronically)	Consents
Brian Lambardi, Attorney - Reimer & Karlson LLC (electronically)	Consents

Trustee Campbell made a recommendation that a motion be made to allow electronic attendance.

MOTION: A motion was made by Trustee Campbell to conduct the May 6, 2021 Quarterly Pension Board meeting electronically. Seconded by Trustee Bacidore.

Roll Call vote:

Trustee Kuchta	Aye
Trustee Bacidore	Aye
Trustee Campbell	Aye
Trustee Ludwig	Aye

Motion carried by a vote of 4-0.

<u>Agenda Item – 3</u>
<u>Approval of Minutes</u>

Trustee Campbell advised that Trustee Bacidore had sent out an amended copy of the Quarterly Meeting Minutes of November 27, 2020 Special Meeting, the February 18, 2021 Quarterly meeting and the April 14, 2021 Special Meeting.

MOTION: A motion was made by Trustee Campbell to approve as amended Quarterly Meeting Minutes of November 5, 2020. Seconded by Trustee Bacidore.

Roll Call vote:	Trustee Ludwig	Aye for 11/27/2020 meeting and 4/14/2021 meeting Abstained on February 18, 2020 meeting as was not present
	Trustee Kuchta	Aye
	Trustee Bacidore	Aye
	Trustee Campbell	Aye

Motion carried by a vote of 4-0.

<u>Agenda Item – 4</u>

Report from MarquetteAssociates **Handout**

MarquetteAssociates DGFD Pension Fund
March 31, 2021 First Quarter Report

Mr. Marchese reviewed and presented the March 31, 2021 report beginning with large and small cap equity returns to date as related to the upcoming election. The pandemic has had a down effect on the market but anticipation of a vaccine to help end this pandemic have helped to keep the market somewhat steady. Marquette is relying on the Investment Policy Statement and staying close to those targets for the past couple of months so there should be no surprises in terms of what the results are. Mr. Marchese advised that there is no official request or approval needed to move money as the case will be held for if /when Ms. Buttny needs to pull funds for payments. These funds will be pulled from the overweight equity funds being held.

Mr. Marchese reviewed the current cash flow over the last quarter. The fund market value as of March 31, 2021 was approximately $69 million. Over the past 12 months, the fund has seen net negative cash flow of approximately $500,000, however, investment gains translated to roughly $17m over the same time period. For the first 3 months of 2021, the fund returned +2.7% net of investment management fees.. The 2020 calendar year return was + 12.1% net of management fees.

Mr. Marchese advised that there is no fund on a "watch status".

Motion: A motion by Trustee Campbell to remove CS McKee from "Alert" status and put them back into compliance. Seconded by Trustee Bacidore.

Roll Call vote: Trustee Ludwig Aye
Trustee Kuchta Aye
Trustee Bacidore Aye
Trustee Campbell Aye
Motion carried by a vote of 4-0.

Mr. Marchese advised that for disclosure purposes per State Statute. A report with the annual consultant disclosure for Public Act 100-0542 looking for the number of searches they conducted in the last year that have included minority, female or disability owned businesses included the dollar amounts and the searches. Also included in the report is that Marquette did not receive any compensation or economic opportunity in the act related to these searches. 100% of the Marquette's fees are derived from their clients so there is no perceived conflicts of interest in direct compensation.

Mr. Marchese advised they would hold off any rebalancing given the overweighs to the equity component right now given the market place. They are waiting to hear from Ms. Buttney in the coming months as the current cash is drawn down and hold out until the levy arrives in June.

Atty. Labardi questioned Mr. Marchese if the Fund would need to draw any funds from Cash before the next meeting or is it unknown? Trustee Campbell advised that there is a standing motion that whenever there is excess of $1 million it can be rebalanced by Marquette.

Atty. Lambardi advised that a motion to vest discretionary authority to the Treasurer. Authority to give discretion to Ms. Buttney to instruct Marquette Associates. to sell assets for cash for three months cash on hand if needed. The authority could also be vested in a Trustee so that the two could work together and a meeting would not be needed. Ms. Buttney advised that approximately $500,000 to cash would be needed to meet obligations until the next quarterly meeting.

3-4% in cash along with fixed income would give you the 35%.

Trustee Campbell advised that Bill Atwood from the Consolidated Board was in person to give a presentation to the Fund members. Trustee Campbell would like if Bill Atwood to give some feedback to the issues raised by Mr. Marchese.

Trustee Campbell queried that if in fact the Fund kept some of the cash on the side lines would it be in fact be considered 35% of the fixed income to meet policy. Mr. Marchese advised that this was correct assuming the Fund was certifying for the fiscal year which is not really an issue given the fiscal year end.

Trustee Campbell queried if Trustee Kuchta if he had any thoughts on this topic as the Fund has not been keeping funds on the side line in the past.

Trustee Kuchta feels that we are slightly overweight at this point because the market has been running. He does not have any objection with the recommendation from the standpoint of administrative burden, ease of moving things and would have to agree as we are not going to add to equity at this point because of being overweight by putting into a fixed income portfolio which would potentially have duration risk.

Mr. Marchese advised that no action would be needed as the levy will rise at some point in June. By leaving it there Ms. Buttney can then access payments over the next several months. With more clarity by the next meeting regarding interest rates. Presently there is no need to rebalance.

MOTION: A motion was made by Trustee Campbell to accept the 3rd Quarter Report from MarquetteAssociates. Seconded by Trustee Bacidore.
Motion carried by a vote of 4-0.

Roll Call vote:	Trustee Ludwig	Aye
	Trustee Kuchta	Aye
	Trustee Bacidore	Aye
	Trustee Campbell	Aye

NOTE FOR MINUTES
Trustee Moy has now joined the meeting.
Trustee Moy agrees to consent for recording.

Trustee Campbell introduced Director Atwood from the new Consolidated Fund who is in attendance to give a presentation.

Bill Atwood, Executive Director of the Firefighters Pension Investment Fund gave the following presentation.

He has been in this position since March 1, 2020. The legislation creating the Consolidated Fund was passed in December 2019. The Interim Board meet in January 2020 and he was retained in March 2020. Since that time he and the Interim Board have been working on the infrastructure – rules, procedures, bank accounts to function and create a new public entity.

In summer the headquarters was opened in Lombard, IL

Staff includes Steve Zod, Chief Operating Officer; David Zologa, Chief Financial Officer; Mitchel Green, Portfolio Officer and in the process of bringing on board Rabina Omodo as Client Service Officer.

One critical action taken in December 2020 was statutorily required which was the election of a permanent Board of Trustees. The Board that was seated January 2020 was appointed by the Governor and under the Statuette an election was needed by the end of 2020. An election was conducted by Chairperson Chuck Sullivan, President of the Associated Firefighters of Illinois, is the Chairman of the Board and sits by Statuette as does Brad Cole, Executive Director of the Illinois Municipal League, is the Vice-Chairman of the Board.

The Firefighter Trustees who were elected are Kevin Bramwell from Bolingbrook, Matt Kink from Springfield; George Schick from Orland Fire Protection District and Greg Knoll as the Retiree Representative. Bramwell, Kink and Schick were on the Interim Board and Greg Knoll newly elected.

The Municipal Trustees are Patrick Knickting, Herb Broach who is the Mayor of O'Fallon and Jeff Row who is the Finance Director and Deputy Village Manager of Northbrook

Patrick Knickting was elected in December 2020 but did not run for reelection as Peoria Treasurer so he is leaving the Board. A special election will need to be held in the fall to replace him.

In December 2020, the Board retained Earnst & Young as an audit accounting consultant.

There will be a discussion period this evening and Mr. Atwood will answer any questions about the investment portfolio and how the investments will be structured, return assumptions etc. 90% of the Board's focus on the construction of a gap compliant infrastructure that can prudently transfer the assets from 295 different pension funds flawlessly, memorialize those transactions and then prove that it was all done correctly. Once the transition is completed, the Board needs to be able to meet the reporting requirements of those 295 funds as well as reporting requirements of the underlying communities that support those pension funds. Earnst & Young are in place to help in this monumental task. They were retain in December and make sure that gap standards are followed; staff helping develop reporting requirements needed; working with the entire team for the complete transition; played a critical role in helping to select a custodian.

Also in December 2020, Marquette & Associates was retained for investments. The Board was very strategic regarding that decision feeling that they needed an investment consultant (and member of the team) who knew the Article 3 and Article 4 being imperative that we have working knowledge of customers and clients.

Working with both Marquette and Earnest & Young to identify a custodian. Work was begun in spring of 2020 with basically three main custodians that are in the market place who they felt could handle this task: Northern Trust, Bony Mellon and State Street Bank and Trust. The Board talked with all three of the firms and in the fall 2020 issued an RFI to get information from the three firms. Later in the fall, formal RFPs were issued. The RFD was administered by the staff, Marquette and Earnest & Young. In January and February 2021 a complete review of all finalists came up with Northern Trust as the choice. The decision was based on again with their familiarity with the Illinois Pension Code but also their global reach as a custodian. They were our choice but their cost also came in as the lowest cost provider. Northern Trust was retained in March 2021. They will play the critical role in transitioning these assets from Downers Grove Firefighter Pension Fund to the Consolidated Fund.

This summer the DGFF Pension Fund will receive a notification from the Consolidation Board that on a specific date which will be the transition date. By Statuette the DGFF Pension Fund must work cooperatively with the Consolidation Board's investment providers so they can organize and execute this transaction. The transition of assets from the DGFF Pension Fund to the Consolidated Fund will be custodian to custodian. The custodian working together will agree as to what is in the portfolio, but the Consolidated Fund will provide a consolidated asset list. Once the DGFF Pension Fund gives their authorization to the Consolidation Fund, Northern Trust will take over the process and help the Consolidation Fund with the accounting. Earnest & Young will be in the process on the accounting side as well. Trust in the relationship is critical.

The Consolidation Board adopted a transition plan on March 19, 2021. That plan was prepared primarily by Earnst & Young along with the Staff and Marquette. The Board is anticipating a multi-phased transition. In other words, assets will be transitioned over multiple months. Presently, the internal thinking is the plan will start in October and continue over November, December and January. The transition will be completed well in advance of the June 30, 2022 deadline.

Under the Statuette, the Consolidation Board must notify all Article 4 Funds no less than 30 days in advice of the transition of the transfer of the date. For example, if we wanted to proceed on October 1 the Consolidation Board would have to notify the DGFF Pension Fund officially by August 1. The intent is to notify the Fund much sooner.

On June 18, 2021, is the next Consolidation Board meeting. It is hoped that the Board will approve the various rules that are required to implement the transition plan that the Board has already adopted. The rules need to be put in place to implement the plan. Assuming the Board approves that on June 18, on or about June 25, the Consolidation Board will be sending out the official notices to all of those Funds who will be transitioning in October. A few days later notices for November will be sent etc. Point being that there will be at least 90 days notice in advance of transition.

Also under Statuette, the Consolidation Board must provide the local pension fund a certified asset list no less than 10 business days prior to the transition. Which for October would be on or about September 17. At that point, under Statuette, the DGFF Pension Fund will no longer be able to trade in their account. The Account will be set. On October 1, the Consolidation Board will transition the DGFF Pension Fund assets from their account to their account at Northern Trust.

Also by Statuette, the Consolidation Bared must provide the local pension fund a receipt for the assets, showing the value of the portfolio on the certified asset list on that date that were transmitted no more than 30 days after the transition.

Six months after the conclusion of the overall transition, an independent audit firm will audit the entire process and make the audit available to all funds and the general public.

Mr. Atwood stated that he feels they are on track for the June 2022 completion deadline. He indicated that from July 1 through October 1 preparing for this transition will be especially crucial. He is requesting the full cooperation of all funds involved to accomplish this transition.

Open it to questions.

Trustee Kuchta questioned as to what exactly is expected from the DGFF Pension Fund during this July 1 through October 1 time frame. Does our pension fund need to bring anything up for vote, put signatures on, or is the Consolidated Board just coming in when announced and just moving the assets the next day. What is expected of this pension fund?

Dir Atwood advised that a letter is now being drafted to go out at the end of June to give direction to each pension fund as to what is expected. The official letter of notification date with an attachment which will be a Resolution that the Consolidated Board will ask each Board of Trustees to adopt. That Resolution will basically actuate the statutory obligations. All Article 4 Funds are obligated to take these steps, but each Fund’s custodian doesn’t care what the Fund is obligated to do. The custodian is not going to work with the Consolidation Board and give the needed date unless the individual pension board gives them the authorization to do so.

The Resolution you will need to adopt will advise your investment professionals to work cooperatively with our investment professionals to release the information needed. There will be two authorized representatives of each Fund to work with the Consolidate Board to execute the statutory transactions that must be made. All this will be contained in the single Resolution that the Consolidated Board will include and ask each Fund to adopt as soon as possible. The Consolidated Board will make that the only action the Fund will need to make as a Board but the Fund will have to empower the two authorized representatives to execute documents as needed.

Every Fund is different. The most cumbersome transition will be insurance products. Beyond the insurance products will be Mutual Funds with each one having its beneficiary ownership changed. Each Mutual Fund is structured a little differently. We would like that to be as scrutinized as possible but each relationship is slightly different. That is where they feel they will need a little flexibility with each fund. The Consolidated Board will have one staff person assigned to each Fund. Whoever will be assigned to Downers Grove will be working with the DGFF team to work through the process. The majority of responsibility will be on Marquette and Northern Trust. Once it is known exactly what is in each portfolio what will be needed to transfer the assets. Stocks and Bonds will be fairly straight forward.

Trustee Kuchta queried if anyone from Attorney Reimer's office was in attendance at this meeting? Brian Strand is representing Reimer. Trustee Kuchta queried of Atty. Strand at what point does the DGFF Pension Fund Trustees pass off their fiduciary responsibilities with respect to the investments? Trustee Kuchta advised that he would like that codified when the Resolution comes up for adoption by this Pension Board. That there is a definite pass-off of that responsibility.

Atty Stand answered that the Trustee responsibility is ended the morning that the assets of the Fund are transferred by Statuette.

Mr. Atwood advised the information from the attorney is correct.

Trustee Moy queried as to who sets the amount of operating cash and the normal expenses for the Funds once the Consolidated Board takes hold of all the assets. What sets the limits as to what the DGFF Pension Fund operating expenses are going to be and how much cash can be on hand?

Trustee Campbell queried who is in charge of Benefit Administration once the transition has occurred? Cash flow, vendor payments, etc.

Mr. Atwood advised that the current custodian would be directed the same as right now. He also advised that the only difference that will occur once the transition occurs is that instead of transferring money to and from US Bank, the transfers will occur between the Fund and FPIF. The same responsibilities to pay benefits and vendors, calculating benefits and getting funds out will be with the individual Fund.

Mr. Atwood advised that there has already been a policy adopted regarding cash management. The relationship between FPIF and the local Fund will be that if you need cash you will put in a request to FPIF on or before the 15^{th} of the Month and you will receive that cash on or about the 15^{th} of the following month. A one month lag between request and when you receive the funds.

FPIF will request that the Funds provide them with annual cash flow schedule so at end of a fiscal year you will give FPIF an estimate for cash needs for the next year. This will be done for all 196 funds.

Also related to this is during the transition the Consolidated Board is putting the transition cash policy which is being drafted the Board is going to suggest that by rule that once the transition begins you can't draw capital for 60 days.

The Statuette gives the Consolidation Board latitude regarding rules. The critical rules will be voted on at the June 18 Board meeting. Under the rules process those rules have to be posted no later than May 19. The draft rules will be on the Consolidation Board website. There will be time to look and provide comment regarding these rules before they are voted on.

Ms. Buttney queried if DGFF Pension Fund is putting money in when we get a levy what would be the process.

Mr. Atwood advised that Consolidation Board anticipates going onto a web site that faces them but is really Northern Trust and will enter what the contribution is and transfer the funds by ECH. They anticipate all of the monies by ECH or wire (which is cheaper). That will be administered by David along with another accounting staff person.

Ms. Buttney asked if they have created the investment policy yet. Mt. Atwood advised that he reviewed an almost final draft of that policy today. The investment policy is not much different than any other. Critical element is about the asset allocation. In terms of asset allocation they are creating two asset allocations; the transition and then adopt the permanent allocation. When we transfer the assets beginning in October scheduled to be about 1.4 billion.

There is actually two transitions each month. The first transition is taking the assets incoming into our account at Northern Trust. Northern is actually setting up 295 separate accounts. When the assets transfer from DG the portfolio will go into a DG account at Northern Trust even though it is under the umbrella of the Consolidation Board account which happens on October 1.

For the next 48-72 hrs. Northern Trust and the Consolidation Staff will reconcile all of the assets. They will ensure that all of the assets that were on the certified asset list made it to each communities' individual account at Northern. Once that is accounted for, the next transition is conventional transition managers will then take the assets in the funds and transition it into the NFPF asset allocation. NFPF asset allocation at that point will be comprised exclusively of public securities, held in index funds.

The purpose is two-three fold. NFPF wants to get the assets into our asset allocation as quickly and efficiently as possible. We want to retain as much flexibility as they can. They are confident that as they do this whole process will take at least 4 months as there will be some issues that arise and they want to have as much options as they can.

This all has to be accounted for before they start moving into more difficult, more idiosyncratic assets. They will create this portfolio of index funds and are currently in the process of an RFP for passive management. Once they do this the cost of administering FBIF all in, the first year after the transition, should be around somewhere around 10 basis points. That is a big part of our statutory obligation is to aggressively manage costs. You will have a liquid portfolio that is highly transparent and highly flexible. The portfolio will cost about 5-6 basis points which will be the transition portfolio.
It is anticipated to remain in place until at least June 30, 2022.

Then they will start transitioning into permanent long-term asset allocation. The critical issue is that they cannot see getting the initial portfolio constructed that will create returns on a go forward basis of 6.4% and they would like to be closer to 7% on an on-going basis. The only way to get to an on-going range of at least 7% is to incorporate il-liquid assets – private equity, private debt – private infrastructure – real estate which will increase the complexity of the portfolio, increase the volatility but will also increase return on an on-going basis with the actuarial assumption set by the Board.

Ms. Buttney advised that her question was then answered regarding who will set up the actuarial assumption

Mr. Atwood advised that currently the Department of Insurance has a statutory obligation to provide audits of the Article 4 Funds on a three year cycle which they are not able to do. The General Assembly assigned that responsibility to the Consolidate Board and also to provide to each Fund actuarially studies. Audit work will be done a three year cycle starting at the conclusion of the transition which will be about June 30, 2022. Once they assume the responsibility they will provide the audits on a three year cycle and the actuarial study consistent with how the department of Insurance does it on a go forward basis. All information will be provided to each Fund. It is up to the Fund and the Village if they will use the actuarial study.

Trustee Campbell asked if that number will become the statutory minimum. Mr. Atwood advised that that was correct.

Trustee Campbell asked if the Boards number would be towards the 90% goal but what if the Village of Downers Grove wanted to pursue 100% funded goal, then VDG would have to have their own actuarial study? Mr. Atwood advises that was correct.

Ms. Buttney asked about the statement from Mr. Atwood that the administration costs would be on a 10 basis points. Mr. Atwood advised that it would not be a definite until they had the asset allocation.

Right now in the operating statuette, the Consolidation Board, was able to secure Federal loans to pay operating costs until the consolidation if completed.

Trustee Campbell asked if each Fund will be charged to repay the IFIA. Mr. Atwood advised that it will be prorated the same as an investment.

Trustee Campbell queried the rate of return in the short term to be only about 6%.
Mr. Atwood advised that was the long-term assumption that Marquette and Mitchel agreed to. It will be reflected in the investment policy that the Board will adopt at the June 18 meeting.

Trustee Campbell asked if the DGFF Pension Fund is setting their actuarial assumptions with a current 7% rate of return, the Fund is trying to be sure they are not too far out as this is the last levy they will set.

Mt. Atwood asked if they were using 5 year smoothing? Our actuaries will need to work on this.

Trustee Campbell wanted to clarify that the new fund will not have – any or the same – statutory requirements as far as portfolio structure? As in certain % fixed income, certain % real estate, etc.

Mr. Atwood advised that there would be the same restrictions as TRS or SURS or IMRF has. There is no limit to the stock or bond.

Trustee Campbell asked if there were any other questions from Trustees or members of the audience. There were none.

<u>Agenda Item 5 - A</u>
Report from Lauterbach & Amen, LLP **ATTACHMENT**

Lauterbach & Amen, LLP
Monthly Financial Report
For the Month Ended March 31, 2021

Eric Endriukaitis, of Lauterbach & Amen, reviewed the Monthly Financial Report for month ended March 31, 2021. Total cash and investments for the Fund was $68,994,918.00 with accrued interest of $80,345; net position held in trust as $69.1 million

He then reviewed the income statement at one month in to the new fiscal year. Between the Village and Active members $175,437. And the investment growth is just above $1.8 mil;

Agenda Item5 – B
Review of Actuarial Assumptions for the Annual Tax Levy

James Richmond with Actuarial Department of Lauterbach & Amen
The numbers being discussed today will be draft numbers. Comparison of contribution and funding percentages from last year to this year. The current recommendation is just over $4.9 mil, an increase of almost 2.46% or about $117,000. Assets grew on a market value basis of almost $7 mil. Actuarial valuation of assets with the 5 year smoothing as previously discussed with anticipated $5.1 mil increase. Looking at liability and some of the changes, with an increase of about $6.1 mil. The unfunded liability grew by approximately $1 mil. Overall the Fund did have an increase of approximately $1.56 mil.

Some of the changes. Each year as you accumulate another service year for active members with everyone receiving an increase in their salaries we expect the liability and the contribution to increase. This year there is an expected $4.4 mil increase, and about $155 million increase overall. When compared to actual with the new contract when the numbers were entered with a savings of about $18,000 in contributions. The demographic changes when you add the retirees and also some new survivor benefits. One other item was that the actuarial software was updated to bring in additional changes. The software did show some changes of retiree lives and benefit lives so it did increase the liability but there was a savings overall due to change in of $60,000 with a savings of almost $30,000 on the demographic changes.

Looking at the assets even after smoothing there was almost the same $100,000. Contributions from members and the Village, and timing there was about another $50,000 increase.

Recommendation breakdown: there was a savings of about $81,000 from active membership, but then unfunded liability amortization portion was almost a $200,000 difference from last year. Active members are not quite as expensive but the unfunded liability is still there.

Assumption changes due to 3 new retirees. As they will no longer be putting in their normal amount for their benefits going forward there was an increase on the contribution for about$46,000 for the 3 members. One eligible member did pass away with three eligible dependents. And, an increase eon the amount of benefits to retirees of about $59,000.

New collective bargaining agreement will continue to affect and will be tracked by the assumptions.

Change at market value. There was an increase of over $7 million, almost 12% overall gains.

We note that 7% return is being used. As noted in past years, is that a worthwhile number to be coming in. It is a little higher than what we normally see. Looking at past history, 7 % might be supported but looking at what the new Consolidate is considering they are looking at 6.4% that might be something of concern. Lowering the number would mean receiving less than expected but it more of a benefit to the Fund.

Looking at the numbers, if we lower that rate from 7% to 25 basis points, the contribution would go from $4.9 mil to $5.3 million. There is an increase on the contribution because you are going to assume less but again if there is a better than expected year than there would be better numbers overall.

Expected benefits – measuring out going into the future. Right now there are more people drawing benefits than there are people paying into the Fund. Looking at about $7 million 5 years and $8.7 million in the next ten years. This is based on assumptions anticipated by Lauterbach.

Risk management – right now the market value of assets in the Fund are currently is less than what the currently receiving beneficiaries are owed into the Fund based on their current benefits. Not uncommon for a Fund of this size but it is something to be mindful of. Right now you are paying 7.44% relative to investment return – even if benchmark is achieve – there is still payment out of the Funds. There is a low demographic to risk.

Reducing the contribution investment by 25 basis points to 6.75% with an 8.4% gain overall. Basically taking the funding to about a 55.23% to about a 53.39%. It would not affect the overall funding percentage but obviously the contribution would be significant.

Briefly, the change in net pension liability relative to the audit would be similar to the numbers already presented on market value basis. The ending balance would be about 46.89% in unfunded liability. With the 5 year funding by the Village on average 100% of funds. That would be something to consider.

All benefits expected to be paid by the end of December, everything should be able to be paid so that the Fund would be solvent enough to be paying out benefits going forward as long as funding goes forward as anticipated.

We would like to bring to the Board's attention one item – asset smoothing. Right now a 5 year average takes out some of the market volatility. The Board could also look at "Resetting Market Value Assets". Basically, removing smoothing and go with market value, build in the previous history with a smoothing going forward. It would reduce the value going forward from $4.9 million to about $4.6 mil.

The only down side would be that the Board would not be able to take this action for another 5 years. You would have to build another 5 year smoothing average before this could even be addressed again.

Trustee Campbell asked Mr. Marchese of Marquette what a reasonable rate of return going forward would be for the Fund.

Mr. Marchese advised that it would be difficult to do a one year forward snapshot. When we run the asset allocation studies for our clients it is usually 10 years into the future. Based on what I have seen for other plans the probability of 7% would with these constraints stipulated by the Statuettes is very low. Whether is it 6.75 using the DOI numbers or going a little more conservative? The friction is the consolidation coming whatever assumption they are going to be using plus their asset allocation will probably support higher threshold than were you are at I am not certain. If you were moving forward 7% would be a high number with the current limitations.

Trustee Campbell asked if the Fund stayed at 7%, and the new Fund established their expected rate of return at 6.5 or 6.75 which would be an increase to the levy and would be fairly significant.

Mr. Marchese does not feel most villages would want to take on more liability. An asset allocation would bring a high return relatively giving additional volatility. At the end of the day, the Board must exercise their fiduciary responsibility and do what is best for the Fund. From what I know the Consolidated Board is looking at 7%.

Trustee Campbell questioned if the 6 year actuarial returns averaged with approximately 6.95%.

Trustee Campbell asked the Board to consider – if the Fund's expected rate of return is at 7% and next year the new Fund shows an expected rate at 6.5% it will be a significant increase to the levy that will go out to the village of Downers Grove residents. Also, advice from both our actuary and our investment advisor that the 7% may be to the high end. Coupled with the fact that we are in a ratio of benefits to market value of .44% above what our rate of return is costing more than we are earning, is it time to lower .25 point considering it would increase the contribution by 8.4% moving it from $4.9 million to $5.3 million. It is a significant increase to the levy. We could prudently say that we have done this on the advice of the experts that we have hired to give us this advice. Also, there might be a future hedge for paying when we cannot control the actuarial assumptions.

Trustee Campbell asked for thoughts from the Board:

Trustee Kuchta – we are talking about moving on something that is going to be somewhat beholding to that rate decreasing anyways. 1- I have a lot of objections, the concept of our forward looking assumptions based on the current allocation. We will not be able to meet this current allocation for long. This is based on what we are told is a ten year number. Frankly, when you look at a pension fund, especially one like this that is well funded, as a consolidated fund it should go on in forever using a 20-30=40 year assumption. 2) I think there is a conflicting message of that we are going into an investment pool at some point that is supposed to get us a higher rate of return but we are still worrying about return assumptions. I feel there is a conflicting message. If there is anything discretionary on our end as far as raising our levy, I will not back that. If there is a statute or law saying our hands are tied and we have to pay the levy they are telling us, then we will have to do it. Something discretionary – I will not vote for it.

Trustee Campbell commented:
The new consolidated fund will replace the department of insurance as far as providing funds an actuarial report regarding what their levy should be. The only issue that may occur is that if they choose to do that at a 90% funded target, as a Board and village we may decide to pursue 100%, which would require us to get our own actuarial report.

Trustee Ludwig –voiced that she would feel conflicted on whether the Board should take action on changing the expected rate of return.

Trustee Campbell commented that the actuarial was still going to complete his report. No action would be taken until the August meeting. This is a fact finding discussion at this time.

Trustee Moy – agrees with Trustee Kuchta

Trustee Bacidore – agrees with Trustee Kuchta

Ms. Buttney inquired as to what the statutory minimum is?
Lauterbach advised that the board previously requested that the dollar amount not be included in the report.

Trustee Campbell advised that it was not included in the last report because of the actuarial assumption mortality tables etc. L&A recommended contribution was less than the DOI's.

Trustee Campbell asked if all Trustees what Lauterbach to move forward with the 7% rate of return. All trustees agreed with that.

Lauterbach will move forward and bring a finalized report with them in August.

Trustee Campbell asked who was going to be up for the review for the Department of Insurance annual statement.

Eric advised that a draft was sent out a couple of weeks ago. There were a few changes to the reports. The department of Insurance is now asking for statements and more retirement calculations, active member information regarding applications. This information is due June 30.l

MOTION: A motion was made by Trustee Campbell to approve the annual approve the report from Lauterbach & Amen. Seconded by Trustee Bacidore,
Motion carried by a vote of 5-0.

Roll call was taken:

Trustee Campbell	Aye
Trustee Bacidore	Aye
Trustee Kuchta	Aye
Trustee Moy	Aye
Trustee Ludwig	Aye

TREASURER'S REPORT

Agenda Item 6 - A
Payment of Bills

Finance Director Buttny requested that the DGFD Pension Fund Board approve as reported by Marquette & Assoc. on Pages 11-1 and 11-2 the Vendor Check Report February 1, 2021 through April 30, 2021 in the amount of $191,293.33.

MOTION: A motion was made by Trustee Moy to approve the Vendor Check Report of February 1, 2021 through April 30, 2021 in the amount of $191,293.33. Seconded by Trustee Bacidore.
Motion carried by a vote of 5-0.

Roll call was taken:

Trustee Ludwig	Aye
Trustee Campbell	Aye
Trustee Bacidore	Aye
Trustee Kuchta	Aye
Trustee Moy	Aye

New Employee's / Retirees / Issuance of a refund

Agenda Item 6 – B
A request for a refund

Trustee Campbell advised that a past member of the department who had not previously requested a refund would like to now request a refund. – No action

MOTION: A motion was made by Trustee Campbell to admit new employee; Matthew Hossfeld with his date of hire April 5, 2021, Birthdate of September 28, 1994 and he will be a Tier II employee due to no prior service. Seconded by Trustee Bacidore.
Motion carried by a vote of 5-0.

Roll call was taken:

Trustee Ludwig	Aye
Trustee Campbell	Aye
Trustee Bacidore	Aye
Trustee Kuchta	Aye
Trustee Moy	Aye

MOTION: A motion was made by Trustee Campbell to admit new employee; Nicholas Cassidy with his date of hire April 5, 2021, Birthdate of October 9, 1998 and he will be a Tier II employee due to no prior service. Seconded by Trustee Bacidore.
Motion carried by a vote of 5-0.

Roll call was taken:

Trustee Ludwig	Aye
Trustee Campbell	Aye
Trustee Bacidore	Aye
Trustee Kuchta	Aye
Trustee Moy	Aye

OLD BUSINESS

Agenda Item 6 -
Bonsonto Reciprocity

The City of Chicago finally advised of FF/PM Bonsonto information regarding his request for reciprocity. It was found that the statuette that would allow him to transition that pension is not the same and more closely related to a portability. L & A then calculate. He is now looking at

<u>Agenda Item 8 – A</u>
FPIF Vendor Authorization

Trustee Campbell brought up the IFAP Authorization Form
The form that was sent out in January was a request for Authorization to share information with vendors. At the time this Board decided not to take any action on it at the advice of legal counsel because they had not yet selected any of the vendors we were asked to share information with. As indicated in the presentation, that has changed, vendors have been chosen – Marquette and Northern Trust have been selected.

Legal counsel advised that there are two separate issues:

1) Authorization to share information with Vendors.
2) Resolution to appoint two authorized agents so that whoever is chosen would be sharing information with vendors. From the lawyers perspective, it is not known if it specific enough. Mr. Atwood alluded to the next Resolution to come out would be a much more defined.

MOTION: A motion was made by Trustee Campbell to sign the IPAF Authorization form. Seconded by Trustee Bacidore,
Motion carried by a vote of 5-0.

Roll call was taken:

Trustee Campbell	Aye
Trustee Bacidore	Aye
Trustee Kuchta	Aye
Trustee Moy	Aye
Trustee Ludwig	Aye

Trustee Campbell placed the Resolution to Appoint agents will be tabled until the next meeting.

Agenda item
Election of Officers

Trustee Campbell advised there was an election after the last quarter meeting for position of President Trustee Campbell was reelected by acclamation.
Trustee Campbell announced the Election of officers moving forward:

Nomination for President: Anthony Bacidore nominated Matt Campbell
Earl Moy seconded the nomination

Roll call was taken:

Trustee Ludwig	Aye
Trustee Campbell	Abstained
Trustee Bacidore	Aye
Trustee Kuchta	Aye
Trustee Moy	Aye

Motion carried 4-0 Motion

Nomination for Secretary Matt Campbell nominated Anthony Bacidore
Jeff Kuchta seconded the nomination

Roll call was taken:

Trustee Ludwig	Aye
Trustee Campbell	Aye
Trustee Bacidore	Abstained
Trustee Kuchta	Aye
Trustee Moy	Aye

Motion carried 4-0 Motion

PUBLIC COMMENT
None

ADJOURN
MOTION: Trustee Kuchta made a motion to adjourn.
Trustee Moy seconded the motion.
Motion carried 4-0.

Roll call was taken:

Trustee Campbell	Aye
Trustee Bacidore	Aye
Trustee Kuchta	Aye
Trustee Moy	Aye

The meeting adjourned at hrs. **7:24 p.m.**

Respectfully submitted.

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Firefighter/Paramedic Anthony Bacidore, Secretary

AB:pp All Files/Pension/2021 – 5-6-21 Quarterly Meeting Minutes