

BOARD OF TRUSTEES
DOWNERS GROVE FIREFIGHTERS PENSION FUND MEETING
Downers Grove Fire Department Station 2, 5420 Main,
Fire Prevention Conference Room and Electronic Conference
June 17, 2020 – 1700 hrs.

Trustee Campbell called the meeting to order at 1700 hrs. in the Fire Prevention Conference Room of the Downers Grove Fire Department Station 2, 5420 Main, Downers Grove, IL.

Trustee Campbell made a recommendation that a motion be made to allow electronic attendance. He also advised that there was a physical quorum present in the conference room

MOTION: A motion was made by Trustee Campbell to allow an electronic attendance for the meeting. Seconded by Trustee Baccidore.
Motion carried by a vote of 5-0.

Members Present

In person: Trustee Matt Campbell, Trustee Anthony Baccidore, Trustee Jeff Kuchta

Electronically: Trustee Retired FF Earl Moy, Trustee Ellen Ludwig and Non-voting Downers Grove Finance Director Judy Buttny

Members Absent:

None

Guests

Paul Marchese – MarquetteAssociates (electronically)

James Ritchie (Actuary) – Lauterbach & Amen, LLP (electronically)

Eric Endriukaitis - Lauterbach & Amend, LLP (in person)

Brian Labardi, Attorney - Reimer & Karlson LLC (electronically)

MINUTES

Trustee Campbell advised that the February 27, 2020 quarterly meetings had minor amendments from Trustee Campbell and Judy Buttny.

MOTION: A motion was made by Trustee Campbell to approve as amended. Seconded by Trustee Moy.

Motion carried by a vote of 5-0

Agenda Item - 3

Report from MarquetteAssociates

Handout

MarquetteAssociates DGFD Pension Fund
Second Quarter 2020 - Quarterly Executive Summary Booklet

Mr. Marchese referred to last quarterly meeting's discussion regarding CS McKee and their management changes by selling their business to North Star Investments. Counsel was looking for a new contract (management agreement) Articles 3 and 4 with this new entity to be in compliance with the State Statuette. He presented the finalized version which was agreed upon by both counsels. He is looking for Board approval along with signatures. This document will be sent to Trustee Campbell via email. After it is signed Trustee Campbell should scan and return the document so it can be submitted to CS McKee and the new agreement will be in place.

Atty. Lambardi advised that Atty. Reimer had reviewed the document and feels that the Board should approve and sign this agreement. Reimer and Assoc. will file with the DOI.

May 2020 market environment was presented by Mr. Marchessi and he went through the quarterly report as how the economy and market was affected by the pandemic.

MOTION: Motion to approve the Management Agreement with CS McKee was made by Trustee Kuchta. Seconded by Trustee Campbell.
Motion carried by a vote of 5-0.

It was agreed between Mr Marchese and Mr. Lambardi that Reimer and Assoc would file the signed Agreement with the DOI.

Mr. Marchese reviewed the presented performance report in detail.

Mr. Marchese advised that MarquetteAssociates is not advocating for any change of investments at this time due to current world events. He would recommend putting FA Templeton on Alert status for performance reasons. Marquette will revisit at a later time as far as asset allocations to decide if any changes need to be made.

Trustee Kuchta questioned because of the current financial climate would it make sense to index everything, cut the Pension Fund costs while able and make the transition as smooth as possible when the whole economy moves. Mr. Machese advised that it has been gaining momentum as far as some of the more underperforming managers. Marquette is staying on top of the current volatility. Trustee Kuchta requested that for the next quarterly meeting Marquette stay on top of this and be ready to move on it.

Mr. Marchese reviewed real estate in the current environment and advised that they are keeping close watch on performance. He advised that he will bring recommendations regarding asset reallocations to the next meeting with probably looking for indexing.

Mr. Marchese questioned if Village Finance Director Buttny could let him know what the tax flow looks like for the end of May. Wanted to know if receipts to levy was anticipated for June. Ms. Buttny advised that the Village was getting some distributions in June but waiting to hear what the most recent amount was and would forward that information tomorrow to Mr. Marchese. She advised that there is a standing order with this Board. Mr. Marchese asked if she knew about how much the Village and would be received and Ms. Buttny advised that yes the amount should be close to the levy for June.

Mr. Marchese reviewed performance. Advise CS McKee has underperformed their benchmark. Two problem areas are Templeton (wrong more than right lately but should revisit at next meeting). TMA was down 19% an performance was not good and we will keep an eye on them. Trustee Campbell asked if at the next meeting Marquette would have alternatives to Templeton? Mr. Marchese advised he would. Trustee Kuchta questioned U.S. Equities structure – and requested if Marquette could advise at the next meeting the all in cost structure but also consolidating all the U.S. Equities into the total stock market especially in this current market. He would like to talk about any monies going out or coming should be consolidated the various pieces it would be ease of rebalancing or their reasoning for overbalancing mid-cap and small for the next year because of current events.

Mr. Marchese would like to look for a recommendation to put DFA on Alert for performance reasons.

MOTION: A motion was made by Trustee Campbell to place DFA and Templeton on Alert due to performance reasons. Seconded by Trustee Kuchta.
Motion carried by a vote of 5-0.

Due to a few of the Board members attending this meeting remotely, Trustee Campbell requested that Mr. Marchese send via email a copy of the report to all Board members so that they can read the full report.

There was discussion regarding fees being charged and alternatives.

MOTION: A motion was made by Trustee Campbell to approve the 2nd Quarter report from Marquette Associates. Seconded by Trustee Moy.
Motion carried by a vote of 5-0.

Agenda Item 8 - C
NEW BUSINESS

Approval of Fiduciary Liability Insurance

Village Finance Director Judy Buttney began discussion on previously sent information regarding the Fiduciary Liability Insurance. She advised that she had already renewed this insurance as it expired in April 2020. Nothing has changed on the coverage and the premium for this year is \$9,118.00.

Trustee Campbell asked if Alliant and Mesirov are one and the same broker. Ms. Buttney advised they are all one company and the broker we have been dealing with for the past few years. Chubb is the insurer. Ms. Buttney advised that the coverage is exactly the same as the past few years – no changes were made.

MOTION: A motion was made by Trustee Campbell to approve Fiduciary Liability Insurance Policy in the amount of \$9,118.00 as proposed. Seconded by Trustee Ludwig.

Motion carried by a vote of 5-0.

Roll call was taken:

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

Trustee Kuchta requested that Ms. Buttney obtain documentation regarding the change in the name of the Alliant/Mesirov firm. Ms. Buttney advised she would request that documentation.

Agenda Item 8 - E

Adoption of Amended Investment Policy

Trustee Kuchta requested that information regarding this subject be presented. Paul Marchesse (MarquetteAssociates) advised that it was largely administrative due to the Illinois Sustainability Act with regards to adding some language pertaining to all public funds in Illinois to a statute as well as the cleaning up of some of the benchmarks that were included in Agenda in the actual quarterly reports. Also whatever you see in the report is reflective of the policy statement.

Trustee Kuchta asked Mr. Labardi if his firm had looked over this policy. Mr. Labardi advised they did work on this with MarquetteAssociates and agreed that it was regarding a statutory change, not changing the way the Fund is investing but changes the information being presented and the language is taken straight from the statute and Reimer & Associates are fine with it. Mr. Labardi advised that a motion to approve this policy was needed.

MOTION: A motion was made by Trustee Campbell to approve the Adoption of the Amended Investment Policy to add the sustainable investment including benchmark changes. Seconded by Trustee Moy.

Motion carried by a vote of 5-0.

Mr. Labardi requested a copy of the signed document from Mr. Marchesse.

Agenda Item 8 - B

NEW BUSINESS

Annual Tax Levy

James Ritchie (Lauterbach & Amen) some changes have been made due to Tier II Benefit improvement through legislation which will impact the Fund as well as changes to the Assumptions. Professional Standards were required to look at Mortality Tables and there are some changes to that with further explanation in the report.

Recommended contribution showing on report from last year to this year there was an increase of just over \$750,000 giving a current valuation of \$4,785,434. In 2019 there was a greater return with an increase of almost 4.5%. However with market volatility smoothing over a 5 yr basis there was a decrease overall. But it does provide for a deferred asset being recognized going forward given the current markets could offset any shortfalls for this year of meeting the 7% return. Unfunded liability right now is just over \$59 million. There was approximately a \$102,000 increase in assumptions in addition to Plan changes. Looking at the new mortality tables that brought increases. The providers of the assumption table (about half of the tables that were looked at) they looked at how well were the benefits projecting out as far as increase to longevity of life added approximately \$3,000 a month in benefits added significantly above the median line. They are now also looking at spousal benefits showing that it is now more than 5% additional increases as well.

Tier II Plan changes from the legislature which should be more of a single year increase. It is not expected that it should be increasing each year but more of a one year catch up for all Tier II for the additional benefits they are now entitled to. Any future impacts should be picked up in the normal cost for the year.

Asset returns were less than expected for the year more of an issue in relation to the smooth assets. There was actually a significant increase in assets overall for the last year. Contributions less than expected due to a lower payroll (no salary increases therefore contributions) and not due to the funded ratio the Village provides (which is usually 100%). Therefore also looked at as a timing issue. Mr. Ritchie further explained that there is approximately a two year lag due to tax levies not going in until the end of December as well as salary increases are not what was anticipated, contributions therefore are less also being a shortfall.

Trustee Kuchta asked to go back to the assumption change. He was under the assumption that the mortality tables had already been changed a year or two ago, therefore he is surprised at another significant increase this year.

Mr. Ritchie advised that the biggest change was the certain mortality improvement rates. Some increases are expected when it is updated because of the new valuations showing people living longer. The new public sector mortality table on a nationwide basis shows earning \$3,000 in monthly benefits as a middle line and that projections for someone and how long they are living earning that or above had a greater impact than any other data studied.

This is an assumption that was not really looked at before when tables were previously generated. The Actuarial Society indicated that this was a better predictor of the increases having a much greater impact. Trustee Kuchta asked if this could confirm that it is a nation-wide issue and not a State of Illinois issue. Mr. Ritchie confirmed that it is a nation-wide table for the public sector 2010 table that was looked at. Also looked at are Article 4 Pension Funds within the State of Illinois weighting that information with the tables position. Also looking at weighting for Downers Grove which has been done for a number of years.

Trustee Kuchta asked if Atty. Labardi was seeing this now being implemented across the board and is there nothing we can do about that table being used. Atty. Labardi advised he could not confirm but that he is seeing significant increases in many of the clients largely due to the Tier II benefit increases included with the consolidation legislation.

Ms. Buttny advised that the Board does not need to vote on this issue on that meeting and could take time to read over the presented materials and vote on the assumptions as the next quarterly meeting. Trustee Campbell agreed to that proposal. He also asked if the Board needed to sit with Village Manager Fieldman and talk about options. Ms. Buttny agreed with that suggestion.

Statutory minimum was then discussed. Same assumption but a different funding method that the State prescribes as well as a targeted amortization for 90% funded by 2040 with a statutory recommendation of \$3,867,536 which is under what is being received this year and would like to see it continued to be receiving above that with the funding the Village has been providing.

Atty. Labardi advised that something they have been saying at all the pension board meetings they have been attending is that the number being reflected is using Lauterbach & Amenn assumptions not the assumptions the Department of Insurance is going to use. Specifically the return on investment is the assumption that the DOI will use is going significantly lower than your assumption. The result of that will be the piece of paper you receive from the DOI will say here is what your statutory minimum is and is going to be higher than the number you see on this page. Atty. Labardi advised that one thing the Actuary can control, is that he is not obligated to provide this page whatsoever.

It has been his recommendation for his clients to instruct Mr. Ritchie to remove the statutory minimum page from the L&A report. It is something the Village will receive from the Department of Insurance but again using different assumptions and essentially allowing the Village to potentially plunge to a lower floor if you leave this in the report which is not required. It is a decision for the Board to discuss and decide.

MOTION: A motion was made by Trustee Campbell to instruct Lauterbach & Amen to remove the Statutory Minimum contribution page from their report. Seconded by Trustee Ludwig.
Motion carried by a vote of 4-1.

Mr. Ritchie advised that he will remove that page from his report moving forward.

Agenda Item 5 - A

Report from Lauterbach & Amen, LLP

ATTACHMENT
Lauterbach & Amen, LLP
Monthly Financial Report
For the Month Ended April 30, 2020

Eric Endriukaitis, of Lauterbach & Amen, reviewed the Monthly Financial Report for month ended April 30, 2020.

MOTION: A motion was made by Trustee Campbell to accept the Lauterbach & Amen Monthly Financial Report for month ended April 30, 2020. Seconded by Trustee Baccidore.
Motion carried by a vote of 5-0.

TREASURER'S REPORT

Agenda Item 6 - A

Payment of Bills

Finance Director Buttney requested that the DGFDP Pension Fund Board approve the Vendor Check Report February 1, 2020 through May 31, 2020 in the amount of \$260,235.98

MOTION: A motion was made by Trustee Campbell to approve the Vendor Check Report of February 1, 2020 through May 31, 2020 in the amount of \$260,235.98. Seconded by Trustee Moy.
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

New Employee's / Retirees / Issuance of a refund

Agenda Item 6 – B-1

Gerald Bonsonto Reciprocity

Lauterbach & Amen is corresponding with the actuary advised that there is a question as to how the Village wants to calculate the interest on this reciprocity. Trustee Campbell will meet with Ms. Buttny to discuss this issue and come up with a plan by the next quarterly meeting.

OLD BUSINESS

Agenda Item 7 - A

Schultz Beneficiary Trust

Trustee Campbell reviewed that Lt. Schultz has passed away and his ex-wife is the guardian for his two children. Rebecca Schultz was instructed by the Pension Board to establish a Trust in care of the children. Payment of their surviving benefit payment would be paid into this Trust. Up to this date she has failed to do so. The Pension Board has not been notified that she has established a Trust.

Trustee Campbell stated he did receive a text message from Ms. Schultz today informing him that she had retained legal counsel and hoped to set up the Trust soon. Trustee Campbell inquired of Atty. Labardi if he has had any correspondence with her to date.

Atty. Labardi advised that his firm has not.

Agenda Item 7 - B

Scheduling of Annual Physicals for Disabled Members

Due to COVID-19 scheduled exams for disabled members were cancelled and rescheduled.

Atty. Labardi advised Mr. Dravo was being rescheduled so the results should be available by the next meeting.

Atty. Labardi advised that Mr. Lambert was able to reschedule his exam. From this exam Mr. Lambert was found still disabled and unable to return as a firefighter.

MOTION: A motion was made by Trustee Campbell to approve continuing disability benefits for Edward Lambert subject to subsequent annual medical evaluation in accordance with the Pension Fund. Seconded by Trustee Bacidore .

Motion carried by a vote of 5-0

NEW BUSINESS

Agenda Item 7 - A **Election of Officers**

Trustee Campbell advised that Trustee Cavenaile has been replaced by Anthony Bacidore as Secretary for a 3 year term. Now that the new Board member is in place an election of officers needs to take place.

Trustee Campbell accepted nominations for the position of President of the Pension Board.

Nomination: A nomination was made by Trustee Bacidore to name Trustee Campbell as President.

Seconded by Trustee Ludwig.

Nomination carried by a vote of 5-0.

Trustee Campbell accepted nominations for the position of Secretary of the Pension Board.

Nomination: A nomination was made by Trustee Campbell to name Trustee Bacidore as Secretary.

Seconded by Trustee Ludwig.

Nomination carried by a vote of 5-0.

Concludes appointment of officers.

Agenda Item 7 -d **Brainard Subpoena**

MOTION: A motion was made by Trustee Campbell to authorize approval of the Amended QILDRO. Seconded by Trustee Moy.

Motion carried by a vote of 5-0

Atty. Labardi reviewed contact made with the other attorney on June 8, 2020. Trustee Campbell advised that a check has been received by the Pension Board. Atty. Labardi advised that a Calculation Order still has not been received. Trustee Campbell advised that the only items received by the Pension Board were the subpoena and check.

Mr. Endriukaitis advised they had received a QILDRO fee payment with a calculation from the Village. He will forward the payment and calculation from the Village to Atty. Labardi. Atty Labardi will review this information and advise the Pension Board of correspondence that will go out.

Trustee Campbell passed the check the Pension Board received to Mr. Endriukaitis.

Ms. Buttny advised that both a check and the Calculation Order were received today by the

Village. Atty. Labardi will review all of the correspondence regarding this matter.

Atty. Labardi gave a Legal update.

1. COVID Legislation: On Friday the Governor signed new Bill making a permanent amendment to the Open Meetings Act that will allow Boards to meet remotely with a couple of qualifiers during periods of a gubernatorial disaster declaration. The Governor continues to extend this in 30 day increments.
2. Regarding the State-wide Cosolidation both the Fire and Police Boards have meet several times since our last meeting. No discussion of movement of assets at this point. Legislation says it needs to be done no later than 30 months from the date of the Legislation which would be June 2022. Both Boards are getting infrastructure in place and Fire has hired 3 law firms, an accounting firm, are leasing offices and have hired an executive director recently.

You should have seen in your email recently are two things from the state-wide Fire Board.

1. Information on training. Requiring 4 hours of training about the Consolidation Bill that was proposed. IPFA will be offereing that online on July 2, 2020. The State-wide Board did send out an email that they were offereing that as a two hour class and a later two hour class for free sometime next week.

2. The other email you should be receiving from the State-wide Board regards elections. This is a big undertaking for both the Police and Fire because of no State-wide database of all firefighters eligible to vote in the first ever State-wide election on this topic. An email asking the DGFDP Pension Board to provide data for people eligible to vote for certain offices. Lauterbach & Amen should be involved in compiling that data.

PUBLIC COMMENT

None

ADJOURN

MOTION: Trustee Campbell made a motion to adjourn.
Trustee Bacidore seconded the motion.
Motion carried 5-0.

The meeting adjourned at 1835 hrs.

Respectfully submitted.

Firefighter/Paramedic Anthony Bacidore, Secretary