

Fire Pension Board Meeting

Nov. 12, 2019

PRESENT:

Justin Hale
Jeff Becker
Randy Hurd
Chief John Knapp

Pat Donnelley of Graystone Consulting
Attorney Jim Dobrovoney - via phone
Steve Cushing from Retzer, Gerber & Associates

ABSENT:

John Raymer

The meeting was called to order at 9:58 a.m.

TREASURER'S REPORT

Steve Cushing from Retzer, Gerber & Associates presented the treasurer's report. Justin Hale reported that the checking account balance is \$826,285.10.

Motion to approve the pension payments for September in the amount of \$154,539.52 and October in the amount of \$154,332.88:

Motion made by Hale, seconded by Randy Hurd. Roll call vote; all vote aye 4-0.

Cushing announced that the Retzer, Gerber & Associates fee will increase to \$500 starting Jan. 1, 2020.

APPROVAL OF MINUTES

Motion to approve the minutes from the Aug. 13, 2019 Fire Pension Board meeting:

Motion made by John Knapp, seconded by Jeff Becker. All vote aye 4-0.

DISCUSSION ON PROPOSED CONSOLIDATION

Attorney Jim Dobrovoney discussed the proposed statewide pension consolidation. He said nothing really happened during the first three days of the veto session. A bill was put forth in the Senate and Gov. J.B. Pritzker is supporting it. Sen. John Cullerton is also in favor. Rep. Mike Madigan is the wildcard and historically has never done anything with police and fire pensions unless everyone was on board. Initially fire was on board, but police was not. Now the Fraternal Order of Police has reached some kind of accommodation. He expects there will be a bill that concerns both police and fire as they are now on board. If the bill passes in the veto session there will be separate boards for police and fire, and they will just manage the money and do nothing administratively. Dobrovoney thinks the bill will pass. There is an area in the statute that tourism promotion will also be included. He said there is much misinformation about the present pension boards losing millions of dollars and the amount spent to send the trustees to the annual convention. With consolidation there will be fewer investment managers and consultants. Information is being spread that this will help with savings, but Dobrovoney said studies he has seen show that is not the case. There was some language that all pension funds will be treated equally, but he does not see how that will happen when there are pension funds that are broke. This is a complex problem, and Dobrovoney does not believe consolidation will solve it. He does not think this will affect the retirement benefits of current members.

Hale asked how the consolidated pension board members will be selected. Dobrovoney said they will be from throughout the state and will be elected or selected by the largest union organizations and also appointed by the governor.

Dobrovoney said the city's portion of what it is liable for now will not change, and possibly will increase to help cover the struggling communities' pension obligations.

Hurd thought one of the selling points was if some funds were broke, this consolidation was to help everyone. Dobrovolney does not think that is necessarily going to happen. Giving underperforming funds the same investment powers would help but that is not being considered. Allegedly there will be segregated fund accounts, but somehow the funds that are broke need to be shored up as well.

Hale asked if a letter detailing the consolidation can be put together for the retirees. Dobrovolney said this can be done but nothing is going to happen with the benefits of the current retirees.

FINANCIAL UPDATE

Pat Donnelley of Graystone Consulting discussed the financial update. The capital markets are good. The key U.S. stock market index returns have helped grow the fund. International equities have not done as well, and the returns have been less at the five- and seven-year levels. Bonds posted gains in the third quarter. Interest rates fell in the third quarter and as interest rates fall, bond values increase. There are good returns in the portfolio. Donnelley explained that the secular bull market is intact but cyclical consolidation has not ended. The holiday season is expected to be good and a recession is not anticipated at this time. Earnings and the market are now fairly close and that shows that stocks are valued. The market is at an all-time high and Donnelley has no recommendation for the board to add to stocks.

The total fund value as of Oct. 31, 2019 is \$26,766,000. The asset allocation is:

- Domestic Equity – 45.10%
- Mid Cap Equity - 3%
- International Equity – 17.58%
- Alternatives - 0.74%
- Fixed Income – 36.58%

Returns are good and the fund's performance is doing well. Money is actively going into the fire pension fund allowing it to grow. This is a testament to the board and to the community that there have been efforts to make sure the pension is fully funded.

Motion to approve the iShares Core S&P 500 ETF to be liquidated and converted into the Vanguard 500 Index Admiral Mutual Fund and that the Vanguard Value ETF be liquidated with half of the value going into the Vanguard 500 Index Admiral Mutual Fund and the remaining half to be invested by Clearbridge Investors:

Motion made by Hale, seconded by Knapp. Roll call vote; all vote aye 4-0.

Motion to approve selling the SPDR S&P Mid Cap 400 ETF and convert it to and purchase Vanguard Mid Cap Mutual Admiral shares:

Motion made by Hale; seconded by Hurd. Roll call vote; all vote aye 4-0.

QUILDRO RECEIVED FOR ACTIVE MEMBER OF FUND

A Qualified Illinois Domestic Relations Order was received for East Peoria Firefighter Donald Wieburg and Dana Guppy, who were divorced in 2006. It spells out what marital portion of Wieburg's pension Guppy will be eligible for, and the \$50 QUILDRO fee was sent to the pension board. The QUILDRO will be forward to the board's attorney. It is possible a court calculation order might also need to be submitted.

Motion to receive and file the QUILDRO for Donald Wieburg and Dana Guppy:

Motion made by Hale; seconded by Hurd, all vote aye 4-0.

ADOPTION OF TAX LEVY

Motion to adopt the tax levy of \$2,061,583:

Motion made by Hale, seconded by Knapp. Roll call vote; all vote aye 4-0.

PUBLIC PARTICIPATION:

East Peoria resident Don Norbits asked about pension rollbacks. Dobrovolney said Tier II is not being rolled back although there could be added benefits.

AJOURNMENT

Motion to adjourn the meeting:

Motion made by Hurd, seconded by Hale. All vote aye 4-0.

Next meeting: Dec. 10, 2019 at 10 a.m.

Submitted by Jill Peterson