Village of Arlington Heights
Board of Trustees of the Firefighters Pension Fund

Arlington Heights Fire Department
Administrative Headquarters
1150 N. Arlington Heights Road
Arlington Heights, IL 60004
December 1, 2014
9:00 AM

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

A. Minutes - August 18, 2014

IV. PUBLIC COMMENTS

V. CLOSED SESSION

VI. TREASURER'S REPORT

VII. PAYMENT OF BILLS

VIII. REPORTS

A. Fund Consultant, Marquette Associates

IX. OLD BUSINESS

A. Tim Franzen Disability Appeal update

X. NEW BUSINESS

A. Application for Benefits:
- Matthew Walters, New hire effective September 15, 2014
- Brian Buchek, New hire effective September 15, 2014
- FF/PM Greg Wikierak retired November 19, 2014

XI. OTHER BUSINESS

XII. ADJOURNMENT

Persons with disabilities requiring auxiliary aids or services, such as an American Sign Language interpreter or written materials in accessible formats, should contact David Robb, Disability Services Coordinator, at 33 S. Arlington Heights Road, Arlington Heights, Illinois 60005, (847)368-5793 (Voice), (847)368-5980 (Fax) or drobb@vah.com.

Item: Firefighters Pension Board

Department: Fire

ATTACHMENTS:

Description	**Type**
Minutes - August 18, 2014	Minutes

ARLINGTON HEIGHTS
FIREFIGHTERS' PENSION BOARD

Minutes of the Regular Meeting held on August 18, 2014

Arlington Heights Fire Department Administrative Headquarters
1150 No. Arlington Heights Road – Arlington Heights IL 60004

Members in Attendance:	Carl Brandon Thomas Kuehne Kert Evans Doug Ruhnke
Others in Attendance:	Cary Collins, Pension Board Attorney Ray Caprio, Marquette Associates Jim Obog, Finance Department Melissa Cayer, Public Guest

CALL TO ORDER

Carl Brandon called the meeting to order at 9:08 AM. Roll was called with board members Carl Brandon, Thomas Kuehne, Kert Evans and Doug Ruhnke present. Fire Chief Ken Koeppen was not present due to vacation time.

Also present were Cary Collins, Pension Board Attorney, Ray Caprio, representing Marquette Associates, and Jim Obog, Finance Department. Resident Melissa Cayer was present as a public observer.

APPROVAL OF MINUTES

The minutes from the last regular meeting on May 5, 2014 were reviewed.
A motion was made and seconded (T. Kuehne/K. Evans) to approve the minutes.
All voted in favor, motion carried.

TREASURER'S REPORT

Tom Kuehne distributed the Treasurer's report through July 31, 2014 and briefly reviewed the highlights. The financial numbers were very good.

He next reviewed pages 2-3, check register/journal voucher. Tom asked for approval of checks 431 through check 439 (JV 538 through JV 187).
Motion was made and seconded (D. Ruhnke/K. Evans) to approve disbursement of checks 431 (JV 538) through check 439 (JV 187).

Roll was called.
Ayes: C. Brandon, T. Kuehne, K. Evans and D. Ruhnke
Nays: None
Ayes - 4; Nays – 0.

Motion carried.

Tom also distributed and reviewed the Actuarial Valuation results as of May 1, 2014. He reminded the Board that just two years ago we reduced the interest rate from 7.5% to 7.0%, and last year 7.0% to 6.75% and at the same time decreased the salary wage assumption from 5.5% to 4.75%. These changes are reflected in the report.

He reviewed some of the pages in the report in greater detail.
Page 1 – Funded ratio at 64.6%
Page 3 – Smoothing for losses over a period of three years and this is reflected in B8, B9 and B10. We had a loss in last two years (2012, 2013) but had gains during this year. One more good year and the loss from Fiscal Year 2012 will fall off the record.
Page 11 – Paragraph 3 has a change from "rate of investment return of 7.0% for the same period" should be 6.75% (this number is correctly reflected in the assumptions).
Page 18 – Twenty-Year Cash Flow chart (GASB Statement). Year 2015 is on target and includes the same $5,055,000 as noted on page 1 Annual Required Contribution.

Motion was made and seconded (K. Evans/D. Ruhnke) to approve the annual required contributions as shown on Page 1, Item #8 Annual Required Contribution for GASB Statement No. 25 of $5,055,378.

Roll was called.
Ayes: C. Brandon, T. Kuehne, K. Evans and D. Ruhnke
Nays: None
Ayes - 4; Nays – 0.
Motion carried.

REPORTS

Investment Review – Marquette Associates

Ray Caprio distributed and reviewed the Executive Summary ending June 30, 2014.

Tom Kuehne advised the pension board and Ray Caprio that the Village Board recently voted to change the accounting fiscal year from the May 1 start to a January 1 start (calendar year). The same will be true of the Pension Board fiscal year. Next year, from May 2015 to December 2015, the fiscal year will be a short eight months. The new fiscal calendar year begins January 1, 2016. This is due to Village Board members wanting to better understand the entire budget when they are passing the property taxes. By making this change, they can see the property taxes and the budget as one basis.

Ray pointed out that the performance based on the May 1 fiscal year for the past 10 years is shown on page 9.

Page 3 shows the Total Fund Composite of $89.8 million with the breakdown *(in $ millions)* as follows: Fixed Income $28.7; U.S. Equity $41.1; International Equity $9.6; Global Tactical $2.9, Real Estate $5.4; and Cash $2.1.

Page 10 - Effectively we've earned 7.1% on an annualized basis over the past seven years, so the fund has done very well. The asset allocation model is working well in projecting what the portfolio will earn when a decision is made to change that. Since this is always changing, every couple of years we need closely review the allocation model. Thus, we will probably do another allocation study at the end of this year. Overall the portfolio has out-performed. The drivers have been Fixed Income at 5.2% and U.S. Equity at 7.2%. International has also added a lot of value to the portfolio. Real Estate has been up 11.1% in the last 12 months and the expectation is between 7-8% in total return.

In terms of rebalancing, Ray does not believe we need to do anything at this time.

Exhibit I – Ray included a flash report as of July 31 and the overall market had a slight downward trend. He also reviewed some of the numbers. Annualized performance as of July 31 is at $88.6. The fund managers are all doing very well.

As far as Segall Bryant, Ray believes we should keep them "on alert" until the end of the year (for a period of 12 months). They continue to do a great job.

Ray next did a brief review of the Fee Schedule (page 13) – Overall we're below average fees for the size of our fund.

Marquette Investment Consulting Fee - Carl advised that Marquette has submitted a proposal for a fee increase from $50,000 to $62,500 for a five year period through August 2019. Ray explained the fund was at $45 million seven years ago and since then the fund has done extremely well. Marquette tries to keep the fee between five and seven basis points. The figure of $62,500 is closer to seven basis points. After some negotiation, it was agreed to accept a fee of $60,000.

Motion was made and seconded (T. Kuehne/K. Evans) to accept the proposal from Marquette of $60,000 for five years as the Investment Consulting Fee through August 31, 2019.

Roll was called.
Ayes: C. Brandon, T. Kuehne, K. Evans and D. Ruhnke
Nays: None
Ayes - 4; Nays – 0.
Motion carried.

OLD BUSINESS

- Tim Franzen Appeal Disability Update
  Attorney Collins explained that Tim and his lawyer filed the appeal as an administrative review. In order to take advantage of the "placebo benefit" Tim and his attorney have filed a suit against the Village. Cary will contact Human Resources Director Mary Rath to coordinate matters.

NEW BUSINESS

- **Application for Benefits**

  Firefighter Francis (Tripp) Wilson retired as of August 14, 2014.

  Motion was made and seconded (K. Evans/D. Ruhnke) to approve a monthly pension of $5,551.63 for retired Firefighter Francis Wilson.

Roll was called.
Ayes: C. Brandon, T. Kuehne, K. Evans and D. Ruhnke
Nays: None
Ayes - 4; Nays – 0.
Motion carried.

Retired Firefighter Kevin Treu passed away July 27, 2014.
His wife, Jane Rundell Treu, applied for survivor benefits from the pension fund.

Motion was made and seconded (K. Evans/T. Kuehne) to approve a monthly pension of $2,645.63 for spousal benefits to Jane Treu, wife of deceased Firefighter Kevin Treu.

Roll was called.
Ayes: C. Brandon, T. Kuehne, K. Evans and D. Ruhnke
Nays: None
Ayes - 4; Nays – 0.
Motion carried.

CLOSED SESSION
There is no closed session at this meeting.

PUBLIC COMMENTS

Carl asked Melissa Cayer if she had any questions or comments. Melissa wanted to know how the retired and/or survivor benefits were apportioned as a percentage of average household property taxes. A discussion followed about the difficulty of determining pension fund allocations against property taxes. The total property taxes includes commercial (40%) and residential taxes (60%), plus you would have to consider the cost of managing and administrating the pension fund. In addition, the collective property tax includes many other entities outside of the Village. The cost of the pension fund is nominal compared to the entire budget of the village. The Board is diligent to keep our budget down. It would be very cumbersome to try to determine how much each pension allocation is per household property tax.

Melissa acknowledged but had no other questions.

OTHER BUSINESS
No other business.

ADJOURNMENT

As there was no other business to present before the board, the motion was made and seconded (T. Kuehne/K. Evans) to close the meeting.
All were in favor. Meeting adjourned 10:25 AM.

Respectfully submitted,

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Laura Potts
Recording Secretary

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Doug Ruhnke
Secretary