PROCEEDINGS OF A SPECIAL MEETING
OF THE BOARD OF TRUSTEES OF THE FIREMEN'S PENSION FUND AND POLICE
PENSION FUND OF PEORIA, ILLINOIS

A Special Joint Meeting of the Board of Trustees of the Firemen's Pension Fund of Peoria, Illinois, and the Board of Trustees of the Police Pension Fund of Peoria, Illinois, was held on April 7, 2015, at 1:00 P.M. at City Hall, Room 404, 419 Fulton Street, Peoria, Illinois, with proper notice having been given for the purpose of conducting Firemen's Pension Fund and Police Pension Fund business.

ROLL CALL

Roll Call showed the following Fire Pension Board Members present: Ball, Nichting, Phillips, Troglio, President Nieukirk – 5; Absent: None.

Roll Call showed the following Police Pension Board Members present: Firebaugh, Nichting, Curry – 3; Absent: Bowers, Misener – 2.

Others present: Mr. Scott Carr of Heinold-Banwart, Ltd; Ms. Heidi Hobkirk of McGladrey & Pullen; Mr. Jason Franken of Foster & Foster (via teleconference); Mr. Derek Flessner of Lauterbach and Amen (via teleconference); Attorneys James Dobrovolny and Rick Reimer of Reimer, Dobrovolny & Karlson, LLC; Chief Deputy City Clerk Stefanie Rice.

DISCUSSION Regarding COMPLIANCE with GASB 67 AND 68 REQUIREMENTS, with Request for Direction to Give Actuaries for Proper Disclosure

Trustee Nichting advised there would be changes to the reporting requirements, and he introduced Mr. Scott Carr of Heinold-Banwart, Ltd. who would update both Boards on said requirements.

Mr. Carr said there were new accounting standards that were coming out: one which was effective immediately, and the other would be effective a year from now, known as Governmental Accounting Standards 67 and 68 (GASB 67 and GASB 68). He said GASB 67 related to the Pension Plans and GASB 68 related to the City of Peoria and how they would report the Pension Plans. He said these were both mandatory accounting standards that had to be adopted by the Plan and by the City. He said GASB 67, as it related to the Plans, was effective for any plan years that began after June 30, 2013, which was effective for calendar year 2014. He said GASB 67 was effective for this current year. He said GASB 67 was specific to the Plan, and he reported that it primarily changed some of the reporting requirements and it changed the financial statement disclosures. He said GASB added required supplementary schedules and impacted how the actuarial evaluation was completed. He said under old standards the actuarial evaluation was as of the last day of the previous year. Under this new standard, he said it required an actuarial valuation at least once every 24 months, but if that valuation was not done on the last day of the plan year, then the previous valuation had to be rolled forward. He said there was now a measurement date that was required to coincide with the financial statement date. He said the main change that would be seen would be with the valuation. He said the Plans needed to use the valuation done at the end of 2013 and roll it forward to 2014, or the Plans needed a complete valuation done at the end of 2014.
In response to Trustee Phillips’ question regarding rolling the valuation over from last year and whether those numbers would need to be adjusted, Mr. Jason Franken of Foster & Foster said the numbers would be based on the January 1, 2014, valuation. He said there would not be any changes made to the assumptions or methods. He said there would be no substantive changes to any of the numbers. He said they would keep the numbers discussed as of January 1, 2014, and roll them forward until the end of the year. However, he said they would need to collect asset data as of December 31, 2014. He said the valuation could not rely on the beginning of the Plan’s asset value and roll it forward. He said they would need to collect that asset information as of December 31, 2014. In terms of the liability, he said there are no material changes to the assumptions. He said the valuation would take the numbers from before and roll them forward until the end of the year.

In response to Attorney Dobrovolny’s question regarding the use of old valuations, Mr. Franken said old valuations could be used but the asset information would need to be updated. He said in order to do the valuation, personnel information needed to be collected. He said the member information for 2014 and 2015 would need to be reconciled and asset information collected prior to determining the liabilities for the actuarial valuation. He remarked that the actuarial valuation was done prior to the audit. He recommended scheduling a meeting to discuss the 2015 reports to ensure the Board approved them prior to the completion of the audit. He said this process would be done for the 2015 valuation. In terms of timing in order to complete the audit, he said the Board should rely on the 2014 valuation rather than wait on the completion of the 2015 valuation. He commented that approximately 90% of the plans he worked with pursued this approach. He said for this year the Plans would do a roll forward rather than wait for the current year valuation to be completed.

In response to Attorney Dobrovolny’s question regarding the roll forward and whether the Plans would continue to roll forward each year and what affect it would have on the valuation, Mr. Franken recommended rolling forward each year, so next year when the valuation was conducted the Plans would use the 2015 valuation. He said the Plans would always rely on the valuation that was performed at the beginning of the fiscal year rather than the end of the fiscal year, and he commented that the valuation would always be updated. He emphasized that rather than using the end-of-the-year valuation, the Plans would use the beginning-of-the-year valuation.

Mr. Franken responded to Trustee Niching’s question regarding the difference between the valuations done in the past compared to going forward, stating that as of December 31, 2013, the Plans would rely on December 31, 2012, numbers. Essentially, he said, the Plans would use the same approach, but the only difference that GASB now required was it had to utilize the end of the current fiscal year numbers. He said the numbers had to be updated because he could no longer use December 31, 2013. Essentially, he said he would take those same numbers that would have been used in the past and roll it forward this year to the end of the year and use updated asset information. Going forward, he said the Plans would provide the GASB information prior to their actuarial valuation. Once all the data was done, he said the normal valuation would be completed, a report provided to the Boards followed by a meeting with the Boards to review the results. He said there was an interim step added wherein the Plans had to prepare an updated valuation for GASB purposes, but he said there was no
change to the funding part of the process because the GASB requirements had no bearing on the amount that was required to be contributed to the Plan. He said there was an interim step that had to be done, an extra valuation, but everything else would remain the same. He said he would roll forward the January 1, 2014, liabilities to December 31, 2014.

In response to Attorney Dobrovolny, Mr. Franken said the practical impact would be that the liabilities reported would be 2015 data versus 2014 data. He said there would be a small delta in the liabilities, but he remarked that in most cases that was immaterial. He said if there was an event in the Plan that created a material change, then the Plan could not rely on the roll forward numbers. He remarked that in cases such as those, the roll forward would be skipped, but he said in most years that would not happen.

In response to Trustee Nichting, Mr. Franken said a new mortality table would cause assumption changes. He said a roll forward valuation could still be used, but the changes would need to be included. In that case, he said he would go back to 2014, run the liabilities under the new mortality table, and then roll it forward. If assumptions changed, he said everything would have to be ran again dating back to 2014 and then rolled forward in order to account for the mortality change. He said any changes to any of the assumptions needed to be factored into the end-of-year numbers. If the Plans rolled their valuations forward, he said they would have to measure as of the beginning of the year and then roll forward. He said GASB required discussions of the impact of assumption changes, so the impact would be disclosed in the statements as well.

In response to Trustee Nichting’s question regarding changing the rate of return, Mr. Franken said if there was going to be a change in the assumed investment rate of returns as of the January 1, 2015, actuary, then it would need to be included in GASB. He said he would need to know the change before a roll forward was done.

 Discussions were held regarding the next meeting dates for each of the Funds and whether timing would be an issue if there was an assumption change. Mr. Franken remarked that, from a timing perspective, if there were no assumption changes, he would roll everything forward and then wait for the GASB information. However, he said if there were assumption changes, he would not be able to continue the valuation until he received that information.

In response to Mr. Franken’s questions regarding a deadline date for GASB 67 information, Mr. Carr said a draft of the financial statements were due May 1, 2015, and the final version was due May 15, 2015. He said he would need the information a week prior to the deadline. For purposes of the draft, however, he said he may be able to compile without having the required information. He requested the GASB 67 information by the first of May or sooner, if possible.

Mr. Franken said the statement only required 10 years prospectively. He said the 2014 report would just have 2014 numbers, the 2015 report would have 2014 and 2015, etc., until there was 10-years’ worth of information. He said the statement would not require the Plans to go back 10 years to provide that information. He said a 10-year history would be created starting now.
Mr. Carr commented that, in the past when financial statements for the plan were issued, there were comparative financial statements. He said the disclosure requirements were changing, so the notes to the financial statements were going to be low but different, with some additional information. If a comparative financial statement was done, he said comparative note disclosures would have to be included in those financial statements. He said the other option was to issue a single-year financial statement for 2014, which would have all those required disclosures for 2014, but 2013 would not be included. Then, in 2015, he said the Funds would go back and have comparative financial statements. He said the Boards needed to decide whether they wanted comparative financial statements presented. He said last year’s information under the old accounting standards would be provided.

Trustee Nichting said he did not see the value of going back, and he said as long as the Funds continued forward from this day, they would have a two-year history.

**Fire Pension Board**

Trustee Nichting moved to roll forward the valuation date from January 1, 2014, to December 31, 2014; seconded by Trustee Ball.

   Approved by roll call vote.
   Yeas: Ball, Nichting, Phillips, Troglio, President Nieukirk – 5;
   Nays: None.

**Police Pension Board**

Trustee Nichting moved to roll forward the valuation date from January 1, 2014, to December 31, 2014; seconded by Trustee Curry.

   Approved by roll call vote.
   Yeas: Curry, Firebaugh, Nichting – 3;
   Nays: None.

Trustee Nichting commented that the motion dealt with whether there was a single-year financial versus a comparative financial. He said a single-year would not go back in history and after this year there would be comparatives, which would then be consistent with both GASB 67 and GASB 68. He said it would be a single-year financial.

Ms. Heidi Hobkirk said GASB required Plans to go back, if comparative statements were done, and restate any years that were within those financial statements; however, she said it was not required. She said if the Plans only did a single-year, they would only have to implement the GASB 67 for Fiscal Year 2014 and adjust the opening balance.

Trustee Nichting said after this year the Plans would automatically have comparatives, so each Plan would compare this year to next year and every year thereafter would be compared to the previous year.
Fire Pension Board

Trustee Nichting moved to use a single-year roll-up financial for 2014; seconded by Trustee Phillips.

Approved by roll call vote.
Yea: Ball, Nichting, Phillips, Troglio, President Nieukirk – 5;
Nay: None.

Police Pension Board

Trustee Nichting moved to use a single-year roll-up financial for 2014; seconded by Trustee Firebaugh.

Approved by roll call vote.
Yea: Curry, Firebaugh, Nichting – 3;
Nay: None.

Mr. Franken said that prior to this change, the accounting and the funding reports were the same. Now, he said, with the new standards, the funding and accounting have essentially divorced and there were two separate calculations. He said GASB dictated the reporting for the accounting side and only allowed the entry age normal cost method, which was used for accounting purposes. He said two separate valuations would be conducted, the funding valuation and the accounting valuation. He said the assumptions and methods used to determine the annually required contribution for funding purposes for the cash going into the plan would not change. He said the accounting and funding reports were now two separate valuations which had no bearing on one another.

Ms. Hobkirk said, on the financial reporting side, the City now had to show the net pension liability, the total net pension liability from an accounting standpoint in opposed to a funding standpoint. She said GASB 68 would be implemented by the City next year, a year after the pension plans have to implement GASB 67. She said the City would take information from the Pension Plans, but that net pension liability at the plan level was the responsibility of the City’s, and they had to record that liability. She said now the City would have to add a liability to their financial statements in regards to the pension liability.

Mr. Carr said, in response to Attorney Dobrovolny’s question as to where these reports would be reflected, it would become a part of the government-wide statements of net assets. He said it would reflect a higher expense than a cash contribution at this point and would increase liabilities.

In response to Trustee Troglio, Mr. Franken said his firm had implemented a pension plan three years ago based on entry age normal. He said the state statutory requirement was based on projected unit credit cost method by statute. He said GASB would not allow that cost method. He said the Plan could be funded based on projected unit credit, but for accounting purposes, it could not report the liability based on the cost method, as outlined in the Illinois Pension Code.
PUBLIC COMMENTS

It was determined there were no citizens to address the Board of Trustees.

ADJOURNMENT

Trustee Nichting moved to adjourn the Special Firemen's Pension Board Meeting; seconded by Trustee Ball.

Approved by viva voce vote.

Trustee Firebaugh moved to adjourn the Special Police Pension Board Meeting; seconded by Trustee Nichting.

Approved by viva voce vote.

The Special Joint Meeting of the Board of Trustees of the Firemen's Pension Fund of Peoria, Illinois, and the Board of Trustees of the Police Pension Fund of Peoria, Illinois, concluded at 1:55 P.M.

Beth Ball
Beth Ball, MMC, City Clerk
Trustee and Board Secretary,
Firemen's Pension Fund of Peoria, Illinois