

CITY OF OLNEY  
FIRE PENSION BOARD  
OCTOBER 28, 2015

AGENDA #1 “CALL TO ORDER” The City of Olney Fire Pension Board met in the Fire Station at 1:02 p.m. on October 28, 2015, with Firefighter Mike Hill presiding.

AGENDA #2 “ROLL CALL” The following members were present: Retired Firefighter Clarence Smith, Firefighter Michael Beam, and Firefighter Mike Hill. City Treasurer Sanders was absent. City Clerk Kelsie Sterchi, Accounting Clerks Peggy Eimer and Jane Guinn, and Katie Fehrenbacher were also present.

AGENDA #3 “APPROVE MINUTES FROM FIRE PENSION BOARD MEETING ON JULY 29, 2015” Mr. Smith moved to approve the Fire Pension Board minutes from July 29, 2015, seconded by Firefighter Hill. A majority affirmative voice vote was received.

AGENDA #4 “TREASURER’S REPORT”

4-A “Discussion: Income and Expense May 1, 2015 - September 30, 2015” The Board was provided with a copy of and income and expense statement from May 1, 2015, through September 30, 2015.

Mrs. Guinn told the Board that total income was at \$148,485.44 with \$74,762.25 net income. The prior Fire Pension tax levy was currently unfavorable to the budget, however another payment was expected that should make up the difference. A total of \$461,539.99 was available cash on hand. Pension payments for the next two months would be \$29,321.58. The amount available to invest was \$406,746.84.

4-B “Discussion: Investment Schedule, Maturities and Investments” The Board was provided with an investment schedule as of September 30, 2015, and a list of CD investment options. Mrs. Guinn wanted the Board to keep in mind that in 2016, only \$51,000.00 was set to mature in current funds. More liquid funds would be needed to make the pension payments in 2016. Additionally, an annuity of \$436,563.69 would be coming due on November 16, 2015, that should be re-invested.

4-C “Protective Annuity Maturity, November 16, 2015” Firefighter Hill noted that if no action was taken within 14 days of the annuity’s maturity, it would automatically renew. The rate of renewal was not desirable.

Dave Lobacz entered the meeting at 1:07 p.m.

Firefighter Beam moved to approve the Treasurer’s Report, seconded by Mr. Smith. A majority affirmative voice vote was received.

AGENDA #5 “INVESTMENT CENTERS OF AMERICA INVESTMENTS - KATIE FEHRENBACHER” The Board was provided with a memo and portfolio report from Katie Fehrenbacher. Regarding the upcoming maturity for the protective annuity, Ms. Fehrenbacher found that Midland National had a five year annuity with a 2.95% rate. She had spoken with Mr. Sanders on this recommendation.

Regarding the \$406,746.84 available to invest, Mr. Sanders had told Ms. Fehrenbacher that the Board would most likely split the funds between Investment Centers of America and Morgan Stanley. With this in mind, she put together a listing showing four bond with an average maturity of three years and an average yield of 3.17%.

Mrs. Guinn added that \$120,000.00 from a CD would come due in November 18, 2015, that could be transferred to Citizens National Bank to help make the pension payments.

Mr. Lobacz recommended waiting until after November 16, 2015, to re-invest the annuity in case interest rates would raise. Then, the Board could have a special meeting in November to take action.

Mr. Lobacz moved to give Ms. Fehrenbacher permission to liquidate the account on its maturity date to go into a cash position, seconded by Firefighter Beam. A majority affirmative voice vote was received.

Eric Laughlin entered the meeting at 1:20 p.m.

AGENDA #6 “MORGAN STANLEY INVESTMENTS - ERIC LAUGHLIN VISIT” The Board was provided with a third quarter report for the Fire Pension Fund as prepared by Eric Laughlin. With many new faces in the room, Mr. Laughlin gave a brief overview of his history in public service.

Mr. Laughlin detailed that he felt interest rates would soon be rising. If so, bond prices would go down. These facts would hurt funds that did not have \$2.5 million or more.

Mr. Laughlin then began to explain the third quarter report. Bond indexes were up in the third quarter, other than high yield, and most had positive returns. International equities were down across the board. Most of these equities had since bounced back due to much activity in the past 20 days.

In 2014, U.S. Large Cap was the best performer. The year-to-date for 2015 showed Japan and Europe leading.

Quarter-to-date, the fund started with \$958,206.35. An amount of (\$100,111.37) had been taken from a mature CD, and earnings were down (\$10,903.68), leaving a total value of \$847,191.30.

The fixed income manager account had \$634,648.24 in its portfolio. Quarter-to-date showed the account up 2.2% and year-to-date up .61%. The mutual/equity funds account had \$212,393.05 in its portfolio. Quarter-to-date was down (8.02%), but much had been rallied since September 30, 2015. Year-to-date was also down by (5.44%). The cash/CD account had \$150.00.

The top 10 equity holdings were in American Funds and Vanguard Index Funds. Mr. Laughlin may recommend changes in the future as Europe was making its comeback.

Mr. Laughlin told the Board that only a few years ago, pension funds were not allowed to own any corporate fixed incomes. Pension funds may now own corporate fixed incomes, but only by

hiring a separate account manager (McDonnell). The third party fee is .20% and Morgan Stanley's fee at .74%. The fees were all-encompassing.

Mr. Lobacz asked for the definition of a "taxable muni." Mr. Laughlin replied that it was a municipal bond without federal tax of the advantages.

Mr. Lobacz mentioned a conversation with Mayor Vaughn where they wondered if it would be possible to merge another community's Fire Pension Fund with the City of Olney's in order to hit desired goals more quickly. Mr. Laughlin had never heard of such a concept, but doubted that would be allowed for many reasons. He advised asking the Department of Insurance that question.

Mr. Laughlin then disbursed a "Strategy for Cash" sheet. He explained that the main strategy would be to keep \$100,000.00 to \$200,000.00 in the Citizens bank account, and start a CD ladder over a five year period. Ms. Fehrenbacher agreed that the CD laddering would be the best thing to do. Mrs. Guinn added that Mr. Sanders had told her he also agreed.

Mr. Lobacz moved to transfer \$4,000.00 from the American Growth Fund and \$4,000.00 from American Investments into the American Europacific Growth Fund, seconded by Firefighter Beam. A majority affirmative voice vote was received.

Mr. Lobacz moved to accept the CD laddering recommendation, seconded by Mr. Smith. A majority affirmative voice vote was received.

Mr. Lobacz moved to transfer \$100,000.00 from the amount available to invest to Morgan Stanley, and another \$100,000.00 from the amount available to invest to Investment Centers of America for either twelve or nine month CDs, dependent upon best availability, seconded by Mr. Smith. A majority affirmative voice vote was received.

Mr. Lobacz exited the meeting at 2:55 p.m.

AGENDA #7 "APPROVE FIDUCIARY LIABILITY POLICY RENEWAL AND PREMIUM PAYMENT" Firefighter Hill reported that the policy quote was the same amount as the prior year. The Board would need to authorize the renewal of the policy.

Mr. Smith moved to approve renewing the fiduciary liability policy and authorize the premium payment, seconded by Firefighter Beam. A majority affirmative voice vote was received.

AGENDA #8 "AUTHORIZE REIMBURSEMENT TO CITY OF OLNEY FOR PAYMENT OF 2014/2015 AUDIT FEE" Firefighter Hill told the Board that the \$800.00 fee was the Fire Pension Board's portion of the City's audit fees for review of the Fire Pension books.

Firefighter Beam moved to authorize reimbursement of the 2014/2015 \$800.00 audit fee to the City of Olney, seconded by Mr. Smith. A majority affirmative voice vote was received.

AGENDA #9 "SCHEDULING OF NEXT MEETING" The Fire Pension Board scheduled a special meeting for November 18, 2015, at 9:00 a.m. at the Fire Station.

AGENDA #10 “ADJOURN” Mr. Smith moved to adjourn, seconded by Firefighter Beam. A majority affirmative voice vote was received.

The Fire Pension meeting adjourned at 2: 58 p.m.

Clarence Smith  
Secretary