

**City of Olney  
Police Pension Board Meeting  
December 8, 2016**

**AGENDA #1 CALL TO ORDER:** Rick Runyon called to order the City of Olney Police Pension Board meeting for December 8, 2016, at 8:31 a.m.

**AGENDA #2 ROLL CALL:** The following were present: Gregg Brooks, Sergeant Brian Nuttall, Rick Runyon, and Mike Uhl. City Treasurer Charles Sanders, Assistant City Treasurer Jane Guinn, and City Clerk Kelsie Sterchi were also present.

Sergeant Josh Schlick entered the meeting at 8:33 a.m.

**AGENDA #3 APPROVE MINUTES FROM POLICE PENSION BOARD MEETING ON SEPTEMBER 1, 2016:** The Board was provided with the minutes from September 1, 2016. Mr. Brooks moved to approve the minutes from September 1, 2016, seconded by Mr. Uhl. The motion was approved by a vote of five in favor and zero opposed.

**AGENDA #4 TREASURER'S REPORT:**

4-A "Discussion: Income and Expense May 1, 2016 – November 30, 2016" The Board was provided with an income and expense statement for May 1, 2016 – November 30, 2016.

Mr. Sanders reported that all of the income from the 2016 tax levy had been received in the amount of \$572,155.23. Originally, \$571,600.00 had been levied, but \$555.23 more had been received because the County had collected some past due taxes from the prior year.

The year-to-date net income came in at \$296,911.12, but was out of proportion to what the net income would be at the end of the fiscal year.

4-B "Discussion: Investment Schedule and Maturities" The Board was provided with an investment schedule as prepared by Mr. Sanders.

Mr. Sanders told the Board that several dollars in CDs had recently matured. Another CD was set to mature in January of 2017. An amount of \$614,103.30 was in the Citizen's National Bank money market account. Mr. Sanders believed that the Board could invest up to \$500,000.00. He also noted that Edward Jones had made mention of dividend interest receipts that could be re-invested.

Mr. Sanders then distributed a listing of CD investment options.

Mr. Runyon made comment that the Board had been trying to ladder investments so there is money to invest each year. He noted that years 2019 and 2020 had room to grow, and recommended to arrange the \$500,000.00 in CDs that would come due in 2019 and 2020.

**AGENDA #5 LANAE MITCHELL, EDWARD JONES, INVESTMENT UPDATES AND DISCUSSION:** Lanae Mitchell was with the same thoughts as Mr. Runyon regarding the laddering of CDs. She also commented that there would be rising interest rates within the next few months.

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Because all low interest rate investments would be coming due in the near future, Mrs. Mitchell did not recommend a CD of more than three years. She also suggested adding funds to the American income portfolio so that 60% was invested in equities, and 40% was invested in fixed, to move closer to an overall 45% investment in equities.

Mr. Runyon wondered if \$175,000.00 should be invested into a CD to mature in 2019. Mrs. Mitchell thought so. In that case, a total of \$300,000.00 would be maturing in 2019. An amount of \$325,000.00 could then be placed in the income funds portfolio.

It was noted that approximately 6% had been received through American Funds' growth and returns this year.

Sergeant Nuttall moved to invest \$175,000.00 into a three year CD with Edward Jones, and to invest \$325,000.00 into the income funds portfolio with Edward Jones, seconded by Mr. Brooks. A majority affirmative voice vote was received.

Mrs. Mitchell then told the Board that new laws were being set by the Department of Labor that would allow her to be a fiduciary for the Police Pension Fund. After April 10 of 2017, she would have paperwork to be signed by the City to allow for this. Being designated as a fiduciary would allow Mrs. Mitchell to contribute even more recommendations to the Board.

Mr. Runyon noted that the Board was coming closer to its 45% cap on equity investments. He wondered if the Board should be looking at options within the bond markets. Mrs. Mitchell indicated that bonds may be an option, but that she would need to confirm with her compliance officer.

Mr. Runyon then asked what would happen if the Police Pension Fund hit its 45% cap on equities, but could not immediately meet to bring the investments back under 45%. Mrs. Mitchell told the Board that she would be keeping a close eye on the equities. Additionally, Mr. Sanders pointed out that if the amount in equities rose above 45% due to earnings and not investments, there would be no penalty. If this did happen, however, the Board would be prohibited from investing additional funds into equities until that percentage was readjusted.

Mr. Sanders then told the Board that the Edward Jones money market account held a balance of \$7,149.90. He was curious if the Board would like to leave the funds in that account or roll the funds into American Funds. Mr. Runyon felt that the money should be rolled back into the fixed income portion of American Funds.

Mr. Brooks moved to roll over the \$7,149.90 into the American Income portfolio at Edward Jones, seconded by Sergeant Nuttall. A majority affirmative voice vote was received.

Mrs. Mitchell exited the meeting at 8:52 a.m.

**AGENDA #6 AUTHORIZE ANY NEW INVESTMENTS OF FUNDS:** This topic was discussed and acted upon under Agenda #5.

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**AGENDA #7 POLICE PENSION TAX LEVY RECOMMENDATION:** The Board was provided with a comparison sheet of possible Police Pension tax levies and ranges.

Mr. Sanders told the Board that the City Council would be presented with a recommended tax levy from the Police Pension Board at its December 12, 2016, meeting. The actuarial report from the Illinois Department of Insurance (IDOI) had not yet been received. The recommended tax levy shown on the comparison sheet was based off of Art Tepfer's actuarial report.

Mr. Sanders recommended taking Mr. Tepfer's recommended minimum levy of \$617,085.00 and adding the fees for the annual report (\$1,800.00), fiduciary insurance (\$12,715.00), and actuarial services (\$2,200.00). Altogether, a total of \$633,800.00 was Mr. Sanders' recommendation for the Police Pension tax levy.

Even if the Police Pension levied the \$633,800.00, the overall City of Olney tax levy would remain flat even though dollar amounts were higher. Mr. Sanders explained that one reason for this was because the IMRF rates had gone down slightly. Mr. Sanders also reminded the Board that the Police Pension Fund was the largest actuarially underfunded pension plan that the City had.

Mr. Uhl asked how the underfunding levels' history had been over the past five years. Mr. Sanders replied that the funding level had been decreasing. This current year showed a minor improvement in the Police Pension Fund, a slight improvement in IMRF, and also a slight improvement in the Fire Pension Fund.

After a full and complete discussion, Sergeant Schlick moved to approve and recommend to the Olney City Council the proposed \$633,800.00 Police Pension Fund Tax Levy for the upcoming year, including the Fiduciary Liability Insurance premium of \$12,715.00, the estimated third party Actuarial Service fee of \$2,200.00, Kemper CPA Group LLP. Annual Report fee of \$1,800.00, in addition to Art Tepfer Consulting Group, LLC.'s suggested tax levy of \$617,085.00.

The motion was seconded by Mr. Brooks. The motion was approved by a vote of five in favor and zero opposed.

**AGENDA #8 REQUIRED REPORTING TO MUNICIPALITY:** The Police Pension Board took action on Agenda #9 before returning to this agenda item.

After taking action on Agenda #9, Mr. Sanders disbursed a draft of the Required Reporting to Municipality as required by 40 ILCS 5/4-134. The report summarizes the status of the Police Pension Fund. Once approved by the Board, the reporting would be presented to the City Council per State statute.

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Mr. Uhl noted the 41.5% funded ratio amount for the Police Pension and wondered how that number compared to the funded ratio of the Fire Pension. Mr. Sanders replied that the Fire Pension funded ratio was approximately 52%, and IMRF was approximately 59%. Mr. Uhl then asked if the Council understood those numbers. Mr. Sanders indicated that the Council is kept up to date on the funded ratios. The Council does have the ability to increase funding, but they do have limitations.

Mr. Uhl felt that the Police Pension Board as a whole had made a great effort in improving the funded ratio. Mr. Sanders agreed and was very pleased with the return on investments for the current year. Mr. Runyon commended the City Council for increasing their contributions over the past few years, as well.

Mr. Uhl moved to approve the Required Reporting to Municipality as of April 30, 2016, seconded by Mr. Brooks. The motion was approved by a vote of five in favor and zero opposed.

Mr. Runyon then signed the Required Reporting to Municipality.

**AGENDA #9 AUTHORIZE PAYMENT OF IPF CONSULTING (ART TEPFER)**

**INVOICE:** Mr. Brooks moved to authorize the \$2,000.00 payment to IPF Consulting, seconded by Sergeant Nuttall. A majority affirmative voice vote was received.

**AGENDA #10 AUTHORIZE PAYMENT OF FIDUCIARY LIABILITY INSURANCE**

**PREMIUM:** Mr. Sanders was in receipt of the fiduciary liability renewal premium. The premium was in the amount of \$12,715.00 and would be paid out of already levied funds.

After a full and complete discussion, Mr. Brooks moved to accept the Federal Insurance Company quote as provided by Arthur J. Gallagher for fiduciary liability insurance for the Police Pension Fund with a limit of \$2,000,000.00 and \$25,000.00 deductible. Further moved that the City Treasurer is hereby authorized to bind the coverage and pay the annual premium of \$12,715.00 from available Police Pension funds.

The motion was seconded by Sergeant Schlick. The motion was approved by a vote of five in favor and zero opposed.

**AGENDA #11 AUTHORIZE REIMBURSEMENT TO CITY OF OLNEY FOR KEMPER AUDIT CHARGE OF \$800.00:**

Sergeant Nuttall moved to reimburse the City of Olney for the Kemper CPA Group audit charge of \$800.00, seconded by Mr. Brooks. A majority affirmative voice vote was received.

**AGENDA #12 AUTHORIZE REIMBURSEMENT TO CITY OF OLNEY FOR KEMPER ANNUAL REPORT FEE OF \$1,800.00:**

Sergeant Schlick moved to reimburse the City of Olney for the Kemper annual report fee of \$1,800.00, seconded by Sergeant Nuttall. A majority affirmative voice vote was received.

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**AGENDA #13 APPROVE PENSION BENEFIT MONTHLY PAYMENT INCREASES**

**FOR 2017:** Mr. Sanders told the Board that each year, most retirees receive a 3% increase. Even though the increases are part of the pension plan, statute requires the Police Pension Board to approve the increases. Mr. Sanders did note that surviving spouses do not receive an increase. Additionally, Larry Knowlton and Rob Brown would not be eligible for increases until 2017, and Dana Berry was not yet receiving pension payments.

Mr. Uhl asked if electronic attendance was approved for the Police Pension Board. Mr. Sanders would look into the requirements and get back in touch with Mr. Uhl.

Mr. Uhl moved to approve the pension benefit monthly payment increases for 2017, seconded by Sergeant Nuttall. A majority affirmative voice vote was received.

**AGENDA #14 PUBLIC COMMENTS/PRESENTATIONS:** No one from the public was present.

**AGENDA# 15 SCHEDULING OF NEXT MEETING:** The next meeting of the Police Pension Board was scheduled for March 23, 2017, at 8:30 a.m. at City Hall.

**AGENDA #16 ADJOURN:** Mr. Brooks moved to adjourn, seconded by Sergeant Nuttall. A majority affirmative voice vote was received. The meeting of the Police Pension Board adjourned at 9:16 a.m.

Gregg Brooks  
Secretary