

CITY OF OLNEY
FIRE PENSION BOARD
JULY 9, 2019

AGENDA #1 CALL TO ORDER The City of Olney Fire Pension Board met in the Fire Station at 9:00 a.m. on July 9, 2019, with Firefighter Taylor Akers presiding.

AGENDA #2 ROLL CALL The following members were present at roll call: Retired Firefighter Clarence Smith, Firefighter Taylor Akers, City Treasurer Jane Guinn, Firefighter Mitchell Pflaum, and Dave Lobacz. City Clerk Kelsie Sterchi was also present.

AGENDA #3 APPROVE MINUTES FROM FIRE PENSION BOARD MEETING ON MARCH 26, 2019 Firefighter Pflaum moved to approve the Fire Pension Board minutes from March 26, 2019, seconded by Mr. Lobacz. A majority affirmative voice vote was received.

AGENDA #4 TREASURER'S REPORT

4-A "Discussion: Preliminary Income and Expense May 1, 2018 – April 30, 2019" The Board was provided with a copy of an income and expense statement (preliminary) from May 1, 2018, through April 30, 2019.

Mrs. Guinn reported that the statement was preliminary because no audit adjustments had yet been made. She reminded the Board that the City Council had authorized a \$100,000.00 infusion into the Fund at the end of the 2018/2019 fiscal year. Even with that, the Fire Pension Fund still ended the fiscal year with an unfavorable amount of (\$656.31).

4-B "Discussion: Income and Expense May 1, 2019 – June 30, 2019" The Board was provided with a copy of an income and expense statement from May 1, 2019, through June 30, 2019.

Mrs. Guinn pointed out that not much income had yet been received. Around August, the first installment of the tax levy should be received. Mrs. Guinn expected that three months worth of pension payments would be needed until that installment was received. The Fund had \$684,852.60 worth of total cash on hand. Monthly pension payments would total \$20,744.21 per month.

The First National Bank account did not have the comfortable safety amount of \$100,000.00, and was instead at a total of \$83,491.29.

4-C "Discussion: Investment Schedule and Maturities" The Board was provided with an investment schedule as of July 1, 2019.

Mrs. Guinn told that \$312,419.24 worth of maturities would be coming due this year. In 2021, \$384,784.68 worth of maturities would also be coming due.

Mr. Lobacz had recalled prior discussion about taking the amount needed for safety in the First National Bank account from \$100,000.00 to about \$50,000.00. Mrs. Guinn remembered the discussion, but pointed out that no formal action was taken one way or the other. Mrs. Guinn made the pension payments out of that account. Over the next three months, the \$83,491.29 would be taken down quite a bit. She believed that the need to have \$100,000.00 in that account at all times was because when such funds were at Citizens National Bank, a \$100,000.00 minimum was needed to keep the interest rate.

Mrs. Guinn believed the Board could invest \$527,005.49.

AGENDA #5 MORGAN STANLEY INVESTMENTS – ERIC LAUGHLIN The conference call with Eric Laughlin began at 9:05 a.m.

Mr. Laughlin reported that since he last spoke with the Board, interest rates had gone down and bonds had gone up. He did not feel comfortable adding to the bond market for the time being. He did, however, feel comfortable utilizing the money market account that was yielding 2.3%. A new sweep feature was available where any cash that comes due would automatically be swept into that money market account. The only disadvantage to this would be that the interest rate was not locked in, so the Fed could lower interest rates.

Mr. Laughlin had sent in a quarterly report and also an Eaton Vance portfolio transition analysis. Mr. Laughlin explained that the McDonnell money manager had been purchased by Loomis, Sayles & Company. The Fire Pension accounts were bound by strict rules and policies. He was concerned because at the beginning, Loomis did not wish to abide by such restrictions. Because of this, Mr. Laughlin reached out for an alternative. Mr. Laughlin would now recommend that the Board switch from McDonnell/Loomis to Eaton Vance.

Mrs. Sterchi exited the room at 9:12 a.m. and re-entered at 9:16 a.m.

Because the McDonnell switch happened so fast, Mrs. Guinn signed the necessary forms to avoid interruption. Loomis took control as of July 1, 2019. The Board would have the option to switch if they so desired.

Mr. Laughlin then briefly reviewed the second quarter performance report. Because equities were already at 10%, Mr. Laughlin did not recommend adding any more into that category.

Quarter to date, the portfolio saw 1.60% in growth. Year to date, the portfolio has seen 4.29% in growth. Since inception in 2012, there had only been three years of negative returns.

Currently, the portfolio held 26.7% in cash, 10.2% in equities, 45.5% in fixed income and 17.6% in annuities.

Referencing the Eaton Vance report, Mr. Laughlin had the Board review the visual that showed the Fire Pension Fund's current McDonnell/Loomis portfolio compared to Eaton Vance's sample portfolio.

Mr. Lobacz asked what the fee differences were between Loomis and Eaton Vance. Mr. Laughlin replied that Loomis would be the same as McDonnell at .20% on the assets. Eaton Vance would collect .16% on assets.

Mrs. Guinn asked if Eaton Vance had more experience with fire and police pension accounts. Mr. Laughlin replied that Eaton Vance did not have a history of experience in that category, but was confident about their capabilities as fire and police pension laws were pretty cut and dry. Mr. Laughlin liked Eaton Vance's low cost and proposed ladder portfolio. He added that Eaton Vance was more than willing to dive into the fire and police pension categories. In addition, Morgan Stanley still had Clearwater analyzing everything within the portfolios to make sure all was in

compliance.

Mr. Lobacz moved to transfer what was being held under Loomis, Sayles & Company to Eaton Vance Company, seconded by Mrs. Guinn. A majority affirmative voice vote was received.

Mr. Lobacz moved to maintain the cash in the Morgan Stanley money market account, seconded by Mr. Smith. A majority affirmative voice vote was received.

Mr. Lobacz moved to transfer the \$86,000.00 from the sweep fund to the money market account, seconded by Mr. Smith. A majority affirmative voice vote was received.

Mr. Lobacz was curious if the Board would be required to move funds out of equities if gains made the total go over the cap. Mrs. Guinn felt such gains should be moved out by the end of the year. Mr. Laughlin stated that the Illinois Department of Insurance felt that as long as any overage was not a result of new investments, that was allowable. He did note that such issue may come up in audits, however. Overall, Mr. Laughlin was not too worried about overages due to gains. If the gains went to 15%, he would definitely want to see some rebalancing.

Mrs. Guinn pointed out that if adding the cash in from the Fire Pension account, the total would really only be at 9.74%.

Mr. Lobacz then wondered if the Board should infuse equities each time the percentage went below 10%. Mr. Laughlin would not recommend that option because he felt it would be very difficult to monitor and take action.

The conference call with Mr. Laughlin ended at 9:51 a.m.

AGENDA #6 DISCUSSION/APPROVE ANY INVESTMENTS Action on this item was taken under Agenda #5.

AGENDA #7 DISCUSSION/APPROVE LOOMIS, SAYLES & COMPANY AS MANAGER OF FIRE PENSION FUND REPLACING MCONNELL INVESTMENT MANAGEMENT WHO IS BEING INTEGRATED INTO LOOMIS Action on this item was taken under Agenda #5.

AGENDA #8 AUTHORIZE REIMBURSEMENT/PAYMENT OF INVOICES Mrs. Guinn told the Board that an invoice had been received and paid by the City of Olney in the amount of \$414.48 for the yearly compliance fee. Mrs. Guinn was seeking authorization to reimburse the City of Olney for that payment.

Mrs. Guinn moved to reimburse the City of Olney an amount of \$414.48 for payment of the annual compliance fee, seconded by Mr. Smith. A majority affirmative voice vote was received.

AGENDA #9 APPROVE SHARON FOSTER TO RECEIVE SURVIVING SPOUSE FIRE PENSION BENEFITS BEGINNING JUNE 13, 2019 Mr. Lobacz asked if Mrs. Foster would be receiving half of the pension benefits. Mrs. Guinn indicated that Mrs. Foster would be receiving 100%. Mr. Lobacz wondered if Mr. Foster was given such a choice upon retirement. Mrs. Guinn did not believe so. Most likely Mr. Foster fell into a different benefit tier per State statutes.

Mrs. Guinn moved to approve Sharon Foster to receive surviving spouse Fire Pension benefits beginning June 13, 2019, seconded by Firefighter Akers. A majority affirmative voice vote was received.

AGENDA #10 AUTHORIZE ART TEPFER'S CONSULTING FIRM TO PERFORM 2019 ACTUARIAL VALUATIONS Mrs. Guinn told the Board that Mr. Tepfer would be keeping his fee at \$2,000.00 should the Board wish to continue his services for the year.

Mr. Smith moved to authorize Art Tepfer's consulting firm to perform 2019 actuarial valuations, seconded by Mr. Lobacz. A majority affirmative voice vote was received.

AGENDA #11 ELECTION OF OFFICERS Mrs. Guinn moved to keep Firefighter Akers as President, Firefighter Pflaum as Vice President, Mr. Smith as Secretary, and Mr. Lobacz as Assistant Secretary, seconded by Mr. Lobacz. A majority affirmative voice vote was received. Per State statute, Mrs. Guinn as City Treasurer was mandated to serve as Treasurer for the Fire Pension Board.

AGENDA #12 PUBLIC COMMENTS/PRESENTATIONS No one from the public was present.

AGENDA #13 SCHEDULING OF NEXT MEETING The next meeting of the Fire Pension Board was scheduled for October 8, 2019, at 9:00 a.m.

AGENDA #14 ADJOURN Mr. Smith moved to adjourn, seconded by Mrs. Guinn. A majority affirmative voice vote was received.

The Fire Pension meeting adjourned at 9:59 a.m.

Clarence Smith
Secretary