

**City of Olney  
Police Pension Board Meeting  
May 18, 2015**

**AGENDA #1 Call to Order:**

Sergeant Berry called to order the City of Olney Police Pension Board meeting for May 18, 2015, at 8:38 a.m.

**AGENDA #2 Roll Call:**

The following were present: Gregg Brooks, Sergeant Dana Berry, and Mike Uhl. City Treasurer Charles Sanders, City Attorney Bart Zuber, and City Clerk Kelsie Sterchi were also present. Sergeant Brian Nuttall was absent. Rick Runyon entered the meeting at 8:41 a.m.

**AGENDA #3 Approve Minutes from Police Pension Board Meeting from February 11, 2015:**

Mr. Uhl moved to approve the minutes from February 11, 2015, seconded by Mr. Brooks. A majority affirmative voice vote was received.

**AGENDA #4 Edward Jones and American Funds Representative Discussion:**

The Board was provided with a Quarterly Outlook booklet and What Makes American Funds Different booklet from American Funds. American Funds representative Phil Hanning was present.

Mr. Hanning gave the Board an overview on company structure, and how American Funds managed money. They held a unique outlook on investing. Their managers are diverse which allow for many ideas to be entertained and explored. The managers are focused on long-term results, and are not bonused on short-term results.

Mr. Hanning told the Board that while the economy could be better, it was not likely to get worse. The economy had significantly rallied since 2011. The United States economy of 2011 is now taking place in Europe. Europe is beginning to grow back, and should be much better next year.

American Funds was extremely encouraged by emerging markets. China's economy was strong, and they were large consumers. The United States and western Europe are the innovators of the world, and will benefit from the economies in China, southeast Asia and Africa.

Mr. Hanning wanting to make the Board aware of fixed income opportunities for future investments. Inflation and unemployment were low at the moment. Wages would increase before long. At that time, interest rates would raise. This should happen within six to twelve months.

The general mistake that investors make are assuming every rate on the rate curve can raise at the same time. The last time that rates uniformly raised was in 1994.

Mr. Hanning did not feel that tax free bonds made sense in pension management. Corporate bonds can work well in an improving economy. Diversifying into international investments, such as the Global Growth Fund variable annuity, would also be helpful.

Mr. Hanning went on to explain to the Board that profit margins cannot remain at a wide level. The margins will either break or lose elasticity. He felt that volatility would pick up in the United States. American Funds felt bullish on Europe and emerging markets over the next three to five years.

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Mr. Sanders understood that the Board's work with Edward Jones, and investing in American Funds, was being monitored to be sure that the Board was within compliance with the Illinois Department of Insurance. Mr. Hanning replied that LaNae Mitchell's role with Edward Jones was to help monitor and select appropriate investments. Mr. Hanning felt the Board was in good shape with its compliances.

Mr. Sanders then asked how American Funds related to Vanguard. Mr. Hanning replied that Vanguard invests in index, which would not be what he would recommend. American Funds does active management with a lens of perception that can analyze good from bad. They try to fare out bad companies in effort to make wise decisions. Mr. Hanning re-iterated that American Funds also looked towards long term results in order to deliver superior results.

Mr. Sanders then told Mr. Hanning that the Police Pension Fund was looking at reinvesting over \$800,000.00 in the Fall of 2015. A half million dollars had been earning 5.05% on a fixed annuity. He also noted that some maturities were coming up that would be hard to replace. Mr. Hanning thought that continuing at 3% for another year would not be a bad option. As the time to invest got closer, he would be happy to have a conference call in order to discuss options, although he would prefer if the Board worked through LaNae Mitchell.

Mr. Hanning exited the meeting at 9:23 p.m.

Mr. Sanders felt that the Board should have a person such as Mr. Hanning meet with the Board periodically. The Board agreed. Mr. Sanders encouraged the Board to consider Mr. Hanning's presentation as one hour worth of required investment training hours.

Mr. Brooks moved to have the American Funds presentation go towards one hour of the Board's required investment training, seconded by Mr. Runyon. A majority affirmative voice vote was received.

**AGENDA #5 Treasurer's Report:**

5-A "Discussion: Income and Expense May 1, 2014-April 30, 2015 (Preliminary)" The Board was provided with an Income and Expense listing from May 1, 2014, to April 30, 2015. Mr. Sanders explained that the handout represented the full fiscal year. The numbers were preliminary, as Kemper CPA had not yet completed the annual audit. Mr. Sanders would also be working with Kemper CPA on recognizing the market value of investments through the end of April, and that was why Gain on Investments Sold listed \$0.00. The Treasurer did expect the total amounts to be very close to budget.

Mr. Uhl asked if anything could be done in regard to the fiduciary liability insurance premiums. It seemed as if there were no options currently available to provide for better premiums.

5-B "Discussion: Investment Schedule, Maturities, and Investment of Funds" The Board was provided with a listing of CD Investment Options. Mr. Sanders reported that a CD just matured earlier in May that had \$110,000.00 moved to a money market account that was earning .35%. Mr. Sanders recommended investing \$10,000.00 into an Edward Jones account with American Funds.

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Variable funds were almost 26% of the total portfolio. Mr. Sanders had confirmed with the Illinois Department of Insurance that if over \$2.5 million in total investments, then it is 45% on variables.

Mr. Runyon felt that the Global Growth Fund would be a good area to invest. He would like to see another meeting scheduled at the end of August.

Mr. Sanders told the Board that the County should be mailing out tax bills soon. He also added that the estimated EAVs were not as high as originally estimated. Mr. Sanders thought the EAV would go up 4.5%, but it actually only went up 3.6%. The EAV amounts do not impact the pension tax liability because that is a set dollar amount.

Sergeant Berry moved to place \$10,000.00 in the Global Growth Fund, seconded by Mr. Brooks. A majority affirmative voice vote was received.

**AGENDA #6 Authorize Payment of Compliance Fee:** Mr. Sanders told the Board that the Board's compliance fee was \$800.44. The amount was about \$20.00 more than the prior year.

Mr. Brooks moved to authorize payment of the \$800.44 compliance fee, seconded by Sergeant Berry. A majority affirmative voice vote was received.

**AGENDA #7 Review Final Budget for 2015-2016:** The Board was provided with a copy of the Police Pension section of the 2015/2016 budget that was approved in April of 2015. Mr. Sanders explained that the revenue for the 2015/2016 budget year was higher than the prior year's actual. The reason was primarily due to the Police Pension tax levy being higher. Expenses were also expected to be higher.

Art Tepfer did suggest an infusion of cash from the City. Mr. Sanders said that if approved, additional contributions tend to take place in December. He would place the suggestion on the agenda for vote at the next Police Pension meeting. If the Board voted in agreement, the suggestion would then go before the Council.

**AGENDA #8 Discuss Engaging Art Tepfer (Tepfer Consulting Group, Ltd.)**

**Actuarial Services for Upcoming Year:** Mr. Sanders explained that when Mr. Tepfer visited the Board a few weeks ago, he requested that Kemper CPA be present during one of the meetings. Kemper CPA representative Curt Benson was present at one of the meetings.

Mr. Tepfer was convinced that the City needs to have an additional report created for the General/Governmental Accounting Statements Board (GASB) reporting requirements. Mr. Tepfer had indicated that this was needed because municipalities must include additional reporting on pension liabilities and incorporate financials. Mr. Sanders indicated that such information was disclosed in all footnotes.

Mr. Benson and Mr. Tepfer discussed the GASB issue. Even after the discussion, Mr. Benson did not agree with Mr. Tepfer's GASB report recommendation. Mr. Benson believed that

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the Police Pension Fund was a modified cash flow basis form of accounting and was not subject to the new GASB requirement.

Since Mr. Tepfer's visit, Mr. Sanders sent an e-mail to Mr. Tepfer asking his fees to continue to provide his services. Mr. Tepfer replied that he would need \$2,000.00 to create the funding report, and \$2,000.00 for the GASB report. Mr. Sanders would soon reply to Mr. Tepfer and indicate that the Board does not want the GASB report. Mr. Sanders advised going with Mr. Benson's recommendation.

Also during Mr. Tepfer's visit, he indicated that he has had very preliminary discussions with another group of actuaries to take over his municipal actuary business. Mr. Sanders believed that Mr. Tepfer was ready to retire. Mr. Runyon commented that he would like to see the candidates that Mr. Tepfer was considering for the sale of his business. He would also like to see a quote of fees from the new company.

Mr. Sanders asked if the Board was still interested in having a third party actuary. The Board felt that the State had not done a good job with their calculations and would most likely want to move forward with a third party actuary.

Mr. Sanders would be working on Fire and Police Pension annual reports. Once complete, Mr. Tepfer could begin on his reports.

**AGENDA #9 SCHEDULING OF NEXT MEETING:** Mr. Sanders told the Board that an election of officers should take place at the next meeting. The next meeting of the Police Pension Board was set for August 19, 2015, at 8:30 a.m.

**AGENDA #10 ADJOURN:** Mr. Brooks moved to adjourn, seconded by Sergeant Berry. A majority affirmative voice vote was received. The meeting of the Police Pension Board adjourned at 10:00 a.m.

Gregg Brooks  
Assistant Secretary