

CITY OF OLNEY  
FIRE PENSION BOARD  
MARCH 21, 2017

AGENDA #1 “CALL TO ORDER” The City of Olney Fire Pension Board met in the Fire Station at 9:00 a.m. on March 21, 2017, with Chief Mike Hill presiding.

AGENDA #2 “ROLL CALL” The following members were present at roll call: City Treasurer Sanders, Retired Firefighter Clarence Smith, and Fire Chief Mike Hill. Dave Lobacz was absent. City Clerk Kelsie Sterchi, Assistant City Treasurer Jane Guinn, and Firefighter Taylor Akers were also present.

AGENDA #3 “APPROVE MINUTES FROM FIRE PENSION BOARD MEETING ON DECEMBER 7, 2016” Mr. Sanders moved to approve the Fire Pension Board minutes from December 7, 2016, seconded by Mr. Smith. A majority affirmative voice vote was received.

Chief Hill wished to address Agenda Item #9 “Discussion/Possible Action: Resignation of Fire Pension Board Member Michael Beam.” Mr. Sanders told the Board that Firefighter Michael Beam had submitted a letter of resignation from the department and Fire Pension Board. Mr. Sanders recommended accepting Firefighter Beam’s resignation.

Mr. Smith moved to approve the resignation of Firefighter Michael Beam from the Fire Pension Board, seconded by Mr. Sanders. A majority affirmative voice vote was received.

Chief Hill then wished to address Agenda Item #11 “Discussion/Possible Action: Board Member Replacement.” Chief Hill indicated that the remaining full-time firefighters held an election, and wished to appoint Firefighter Taylor Akers to the Fire Pension Board.

Mr. Sanders moved to appoint Firefighter Taylor Akers into the vacant position within the Fire Pension Board, seconded by Mr. Smith. A majority affirmative voice vote was received.

Firefighter Akers would continue the meeting as a voting member of the Board.

AGENDA #4 “TREASURER’S REPORT”

4-A “Discussion: Income and Expense May 1, 2016 - February 28, 2017” The Board was provided with a copy of an income and expense statement from May 1, 2016, through February 28, 2017.

Mr. Sanders told the Board that the Fire Pension Fund held a total of \$2,201,087.60. He did not feel that the Board had enough funds available to make any new investments.

Mr. Sanders continued that the Fire Pension Fund Revenue was trending to budget. Year-to-date expenses totaled \$182,163.93. Expenses were running ahead of the budget projections due to the unexpected retirement of Rusty Holmes. Because of this, pension payments would also exceed the budgeted amount.

4-B “Discussion: Investment Schedule and Maturities” The Board was provided with an investment schedule as of February 28, 2017.

No CDs were set to mature until December of 2017. Mr. Sanders added that the first installment of the tax levy would be received in June or July in an amount close to \$60,000.00. The other half of the levy would be collected a few months later.

The Citizens National Bank money market account reflected a total of \$158,612.80. A pending withdrawal was also noted, and would be addressed later in the agenda. Mr. Sanders reminded the Board that \$100,000.00 should remain in the money market account in order to continue earning an interest rate of .35%. While the Board could choose to make investments, Mr. Sanders did not advise it.

Mr. Sanders then reviewed the CD maturity schedule.

Mr. Sanders then reported that Morgan Stanley variable equity investments were standing at 11.5% of total investment. At this point, the Board would be prohibited from investing any more into variable equities because of the 10% cap. The overage should be rebalanced later in the year.

Chief Hill moved to approve the Treasurer’s Report, seconded by Firefighter Akers. A majority affirmative voice vote was received.

AGENDA #5 “DISCUSSION/PRESENTATION: INVESTMENT ADVISORS” Mr. Sanders distributed the 2016 fourth quarter report as prepared by Eric Laughlin of Morgan Stanley. Mr. Laughlin joined the meeting by conference call at 9:15 a.m.

Mr. Laughlin discussed how the market had been affected by President Trump’s new position in the White House, and generally discussed his quarterly report.

On overall performance, the fourth quarter added \$50,000.00, but had gone down by (\$13,845.22) in investment earnings. As of the end of December 31, 2016, the ending total value in the portfolio was \$1,392,129.92. Since inception, the portfolio had made \$91,593.18 in investment earnings.

AGENDA #6 “DISCUSSION: INVESTMENT FEES” Mr. Laughlin explained that the Fire Pension Fund had three accounts with Morgan Stanley. The Fixed Income Account held a .55% annual fee, the CD Account had no fee, and the Equity Mutual Fund Account had a blended rate of .74%. For 2016, the Fund paid Morgan Stanley \$6,524.25. Of that amount, Morgan Stanley kept \$5,232.76, and paid McDonnell \$1,291.49.

Ms. Fehrenbacher then told the Board that Voya and Hartford did not have any fees associated with the accounts. No annual or internal fees were taken from the interest credited to the accounts.

With the CDs held with Investment Centers of America, Pershing charged a \$4.00 ticket fee for CD purchases and a \$10.00 ticket fee when the CD matures. There was also a \$25.00 inactivity fee if no purchases were made within the account during a calendar year.

The conference call with Eric Laughlin ended at 9:35 a.m.

AGENDA #7 “DISCUSSION/POSSIBLE ACTION: PRELIMINARY FIRE PENSION BUDGET FOR FISCAL YEAR 2017/2018” Mr. Sanders distributed the preliminary Fire Pension budget for fiscal year 2017/2018.

Firefighter Akers exited the meeting at 9:37 a.m.

Mr. Sanders told the Board that the preliminary budget would be presented to the City Council at their meeting on March 27, 2017.

Firefighter Akers re-entered the meeting at 9:38 a.m.

By statute, the Fire Pension Board would need to approve the preliminary budget before any action could be taken by the City Council. If the Council wished to make any changes, they had the authority to do so.

In reviewing the preliminary budget, Mr. Sanders reported that the 2016/2017 budget listed a revenue of \$206,731.00. Mr. Sanders believed the true revenue for 2016/2017 would be \$197,137.00. Employee contributions would be less due to staffing changes, and tax receipts were expected to be slightly less.

In expenses, expected fees were fairly standard. Mr. Sanders anticipated a need in 2017/2018 for \$240,681.00 worth of pension payments to be disbursed. The audit and annual report fees together were expected to again be \$2,600.00. Miscellaneous Charges would include Illinois Department of Insurance fees and training fees. Mr. Sanders would also plan to budget \$2,200.00 again for Actuarial Services and \$7,500.00 for the Morgan Stanley Investment Advisor. Mr. Sanders added that he did expect about a \$260.00 increase in fiduciary liability insurance fees.

For the 2017/2018 year, Mr. Sanders anticipated a deficit of (\$66,393.00). Because of this, Mr. Sanders expected that the 2018/2019 tax levy would increase.

Chief Hill asked if there were any changes that could be made to help absorb some of the deficit. Mr. Sanders replied that there really were no options. The current tax levy could not be increased, and contributions were fixed. Corporate Replacement Tax was a bit of a gamble, and equity investments had a 10% cap. The unexpected retirement of the Fire Chief contributed to the deficit.

Ms. Fehrenbacher asked for a reminder as to when the Fire Pension Board could go over the 10% equity cap. Mr. Sanders replied that when the Fund hit a total of \$2,500,000.00, the amount of equity investments could be increased. He did not expect that to happen any sooner than 2020.

Mr. Smith moved to approve the 2017/2018 preliminary Fire Pension budget, seconded by Firefighter Akers. A majority affirmative voice vote was received.

AGENDA #8 "DISCUSSION/POSSIBLE ACTION: ELECTRONIC ATTENDANCE FOR FIRE PENSION BOARD" Mr. Sanders told the Board that they may want to consider allowance for attending Fire Pension Board meetings electronically based on what was allowed by State statute. Board members could only attend meetings electronically if they were ill or disabled, could not attend due to employment or official business of the public body, or if there is a family or other emergency.

Mr. Smith moved to authorize electronic attendance per State statute, seconded by Mr. Sanders. A majority affirmative voice vote was received.

City Clerk Sterchi would e-mail the formal resolution at a later date.

AGENDA #9 "DISCUSSION/POSSIBLE ACTION: RESIGNATION OF FIRE PENSION BOARD MEMBER MICHAEL BEAM" Action on this topic was taken under Agenda Item #3.

AGENDA #10 "DISCUSSION/POSSIBLE ACTION: AUTHORIZATION FOR WITHDRAWAL OF PENSION FUND CONTRIBUTIONS" In accordance with Firefighter Michael Beam's resignation, he had submitted a letter requesting a withdrawal of his pension fund contributions. The withdrawal would only be for funds he paid during his time as an employee. Firefighter Beam was not vested in the pension. Mr. Sanders expected the amount pending withdrawal to be \$11,696.13. Administrative Assistant Cindy Harlan would make sure that number was correct after this next pay period.

Firefighter Akers moved to approve the withdrawal of Firefighter Michael Beam's pension contributions, seconded by Mr. Smith. A majority affirmative voice vote was received.

AGENDA #11 "DISCUSSION/POSSIBLE ACTION: BOARD MEMBER REPLACEMENT" Action on this topic was taken under Agenda Item #3.

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 would be held on June 20, 2017, at the Fire Station.

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

The Fire Pension meeting adjourned at 9:58 a.m.

Clarence Smith  
Secretary