

CITY OF OLNEY
FIRE PENSION BOARD
NOVEMBER 5, 2020

AGENDA #1 CALL TO ORDER The City of Olney Fire Pension Board met in the Fire Station at 9:00 a.m. on November 5, 2020, with Firefighter Taylor Akers presiding.

AGENDA #2 ROLL CALL The following members were present: Firefighter Taylor Akers, Firefighter Daron Harmon, Leon Stallard, and City Treasurer Jane Guinn. Retired Firefighter Clarence Smith was absent. City Clerk Kelsie Sterchi was also present.

AGENDA #3 APPROVE MINUTES FROM FIRE PENSION BOARD MEETING ON MAY 28, 2020 Firefighter Harmon moved to approve the Fire Pension Board minutes from May 28, 2020, seconded by Mr. Stallard. A majority affirmative voice vote was received.

AGENDA #4 TREASURER'S REPORT

4-A "Discussion: Final Income and Expense May 1, 2020 – October 31, 2020" The Board was provided with a copy of a final income and expense statement from May 1, 2020, through October 31, 2020.

Mrs. Guinn reported that so far for the fiscal year, total income was at \$247,894.60. Expenses for the fiscal year were at \$126,413.89.

Mrs. Guinn expected that one more tax levy payment would be received by the end of 2020. Employee contributions were running on track, but she expected Corporate Replacement Tax revenue to come in a bit less than the prior year.

Based on the income and expense statement, Mrs. Guinn believed that the Board could invest up to \$800,000.00, if they wished.

4-B "Discussion: Investment Schedule and Maturities" The Board was provided with an investment schedule as of October 31, 2020.

Mrs. Guinn told the Board that an amount of \$184,082.52 was available in cash at the First National Bank in Olney. That account was being used to make pension payments. The Morgan Stanley money market account currently held \$865,473.00.

The Fund still was over the \$2,500,000.00 threshold at \$2,527,671.35. This meant that 45% could be invested into equities. As pension payments were made throughout the year, Mrs. Guinn expected that the balance could fall under \$2,500,000.00.

Mr. Stallard noted that the account at First National Bank in Olney was receiving 1%. This rate was good for the time being. He asked what the current rate was at Morgan Stanley in the money market account. Mrs. Guinn was not sure what the rate was at the moment, but the last time she checked it was at .02%.

AGENDA #5 MORGAN STANLEY INVESTMENTS – ERIC LAUGHLIN The conference call with Eric Laughlin began at 9:04 a.m.

Mr. Laughlin discussed how the 2020 presidential election and the COVID-19 pandemic were affecting the economy.

He then moved on to briefly discuss the third quarter performance report. Mr. Laughlin did point out that QTD through September 30, 2020, showed an ending total value of \$1,950,776.00 which indicated \$19,971.00 in earnings and a return of 1.03%. YTD performance showed a return of 2.22%.

Mr. Laughlin recommended taking \$125,000.00 from the Morgan Stanley money market account and investing it into equities. He recommended that the investment be spread equally across all of those accounts except for Vanguard Mid Cap, Vanguard Small Cap, and the American Growth Fund.

Mr. Stallard noticed that one-third of the equities were invested in international. He wondered if that was typical or if the one-third was a bit heavy. Mr. Laughlin was not concerned.

For the Board's information, Mr. Laughlin announced that Morgan Stanley was attempting to purchase Eaton Vance. If the purchase went through, the process would take some time. Also if the purchase went through, discussions would be needed since the purchase would then become a conflict of interest.

AGENDA #6 DISCUSSION/APPROVE ANY INVESTMENTS Mr. Stallard was in favor of investing more into equities and felt that Mr. Laughlin's recommendations were sound. He felt that whatever pull back was seen due to the election would be short lived.

Mrs. Guinn asked if the Board would need to rebalance investments if the Fund went under \$2,500,000.00. Mr. Laughlin replied that the IDOI did not allow for new investments into equities if the Fund went under \$2,500,000.00. If equity investments grew simply based on performance, that would not be a problem.

Mrs. Guinn wondered if more than 5% should be invested into equities since more tax levy income would not be received until 2021.

Considering Mrs. Guinn's question, Mr. Stallard asked when the State would take over management of downstate pension funds. Mrs. Guinn replied that the entire process of consolidation should take about 30 months. Mr. Laughlin stated that he heard that the Fire Pension consolidations could come as soon as July of 2021.

Mr. Stallard was concerned with how the State would re-arrange investments. Mr. Laughlin indicated that when the consolidation was finalized, the State would not have to follow the same investment rules that were put on to local pension boards. He expected that the State would invest more into equities straight away.

Firefighter Harmon felt that the Board should invest about 10% into equities instead of 5%. He understood that risk was involved with every investment, but felt that 10% should be fine. Mr. Stallard agreed.

Firefighter Harmon moved to invest \$250,000.00 into equities, and invest that amount equally among the accounts, seconded by Mr. Stallard. A majority affirmative voice vote was received.

AGENDA #7 UPDATE INVESTMENT POLICY FOR ASSET ALLOCATION GUIDELINES

Mrs. Guinn explained that the proposed amendment to the investment policy simply clarified that as the Fund transitioned over \$2,500,000.00 in total assets, the asset classes could be invested into equity between 35% and 45% and the fixed income/cash should be between 55% and 65%.

Mr. Laughlin clarified that the State statutes already had such provision, and the Fire Pension Board's current investment policy likely covered them to the extent of State statute, but the proposed amendment was simply more specific.

Mr. Stallard moved to update the investment policy for asset allocation guidelines, seconded by Firefighter Akers. A majority affirmative voice vote was received.

Mrs. Guinn then had members sign the updated policy.

The conference call with Mr. Laughlin ended at 9:32 a.m.

AGENDA #8 REVIEW/ACCEPT IDOI ACTUARIAL REPORT Mrs. Guinn showed the Board the actuarial valuation as provided by the IDOI. The IDOI reported that the Fund's accrued liability was \$4,609,976.00 with an actuarial value of assets at \$2,466,228.00. Therefore, the Fund was 53% funded and 47% underfunded.

The IDOI also suggested that the City would need to contribute a minimum amount of \$166,493.00 for the next year.

Firefighter Harmon asked about the current year. Mrs. Guinn said that the City had levied for extra this year with about \$241,000.00 budgeted.

Mr. Stallard moved to accept the IDOI actuarial report, seconded by Firefighter Harmon. A majority affirmative voice vote was received.

AGENDA #9 DISCUSSION: COMPARISON OF IDOI REQUIRED FUNDING WITH THE PRIOR YEAR'S ACTUAL Mrs. Guinn showed the Board a comparison sheet that showed how the IDOI's recommendations compared to the third party actuary's over the past few years.

Mrs. Guinn said that for Fire Pension, the IDOI's recommendations were historically higher than the third party actuary's. She noted that was the opposite situation for the Police

Pension. For example, last year, the IDOI recommended a contribution of \$172,121.00 and the third party recommended a contribution of \$138,627.00.

AGENDA #10 REVIEW/ACCEPT THE REQUIRED REPORTING TO THE MUNICIPALITY

Mrs. Guinn reminded the Board that each year, they needed to accept the Required Reporting to the Municipality Report that would then need to be presented to the Council per State statute. In the past, the third party actuary had prepared this report. Since the Board was no longer using the actuary, Mrs. Guinn did her best to prepare the report, and had the Kemper CPA Group review the report for accuracy.

Firefighter Harmon temporarily exited the meeting at 9:36 a.m.

Mr. Stallard moved to accept the Required Reporting to the Municipality Report, seconded by Firefighter Akers. A majority affirmative voice vote was received.

Mrs. Guinn received the necessary signature on the report.

AGENDA #11 REVIEW/APPROVE THE RECOMMENDED 2020/2021 TAX LEVY FOR THE FIRE PENSION FUND For the last tax levy, Mrs. Guinn reminded the Board that that a total amount of \$242,421.00 had been levied. That number included the recommended amount of \$172,121.00 from the IDOI, the cost of expenses, and an additional contribution in the amount of \$55,000.00.

Firefighter Harmon re-entered the meeting at 9:39 a.m.

This year, the IDOI recommended a contribution amount of \$166,493.00. Adding in the cost of expenses would take that total to \$179,593.00. Mrs. Guinn suggested that an additional \$75,000.00 could be requested, but the City Council may not vote in favor of that. If the Council did vote in favor, the recommended levy amount for next year would total \$254,593.00.

Next year's projected expenses looked to total about \$277,900.00. Total income, including the tax levy, employee contributions, and Corporate Replacement Tax would total \$283,215.00.

Mr. Stallard asked if it was correct that the levy amount increased each year with apparently no end in sight. Mrs. Guinn indicated so. She expected that the IDOI would continue to increase their recommended contribution amount unless their calculation for funding was changed. Currently, the IDOI worked off of having the Fund be 90% funded by 2040.

Firefighter Harmon moved to approve the recommended 2020/2021 tax levy for the Fire Pension Fund, seconded by Mr. Stallard. A majority affirmative voice vote was received.

AGENDA #12 APPROVE THE FIRE PENSION INCREASES EFFECTIVE JANUARY 1, 2021 Mrs. Guinn explained that State statute mandated a 3% pension payment increase for qualifying retirees each year. Even so, the Board would need to formally approve the increase.

Mr. Stallard moved to approve the 3% Fire Pension increases for qualifying retirees effective January 1, 2021, seconded by Firefighter Harmon. A majority affirmative voice vote was received.

AGENDA #13 AUTHORIZE PAYMENT/REIMBURSEMENT OF INVOICES Mrs. Guinn requested that the Board approve reimbursement to the City in the amounts of \$1,800.00 for the annual report fee, \$800.00 for the audit fee, and then \$175.00 for the review fee on the Required Reporting to the Municipality.

Firefighter Harmon moved to approve reimbursement to the City in the amounts of \$1,800.00 for the annual report fee, \$800.00 for the audit fee, and \$175.00 for the review of the Required Reporting to the Municipality, seconded by Mr. Stallard. A majority affirmative voice vote was received.

AGENDA #14 UPDATE: STATE OF ILLINOIS CONSOLIDATION OF DOWNSTATE PENSION PLANS AND TRAINING REQUIREMENTS Mrs. Guinn reminded the Board that the second part of the required four-hour training would be held on November 10, 2020, at 10:00 a.m. She would need the certificate of completion when finished.

AGENDA #15 PUBLIC COMMENTS/PRESENTATIONS No one from the public was present.

AGENDA #16 SCHEDULING OF NEXT MEETING The next meeting of the Fire Pension Board was scheduled for February 25, 2021, at 9:00 a.m.

AGENDA #17 ADJOURN Mr. Stallard moved to adjourn, seconded by Firefighter Akers. A majority affirmative voice vote was received.

The Fire Pension meeting adjourned at 9:45 a.m.