

CITY OF OLNEY
FIRE PENSION BOARD
NOVEMBER 18, 2015

AGENDA #1 “CALL TO ORDER” The City of Olney Fire Pension Board met in the Fire Station at 9:03 a.m. on November 18, 2015, with Dave Lobacz presiding.

AGENDA #2 “ROLL CALL” The following members were present: Retired Firefighter Clarence Smith, Firefighter Michael Beam, and Dave Lobacz. Firefighter Mike Hill was absent. City Clerk Kelsie Sterchi, Accounting Clerk Jane Guinn, City Treasurer Chuck Sanders, and Katie Fehrenbacher were also present.

AGENDA #3 “APPROVE MINUTES FROM FIRE PENSION BOARD MEETING ON OCTOBER 28, 2015” Firefighter Beam moved to approve the Fire Pension Board minutes from October 28, 2015, seconded by Mr. Smith. A majority affirmative voice vote was received.

AGENDA #4 “TREASURER’S REPORT”

4-A “Discussion: Income and Expense May 1, 2015 - October 31, 2015” The Board was provided with a copy of and income and expense statement from May 1, 2015, through October 31, 2015.

Mr. Sanders explained that the Fire Pension Fund held \$2,222,002.46 as of October 31, 2015.

4-B “Discussion: Investment Schedule, Maturities and Authorize Any Investments” The Board was provided with an investment schedule as of October 31, 2015, and a list of CD investment options.

The CD at First National Bank was set to expire the date of this meeting. The protective fixed annuity with a value of \$441,362.85 matured on November 16, 2015. That balance was prepared to be transferred to the money market account at Citizens National Bank.

Mr. Sanders felt that looking out six months, \$88,000.00 would need to be available. With that in mind, the Board had \$704,763.99 to invest.

The investment options showed that rates at the local banks were less than what Investment Centers of America or Morgan Stanley could provide.

The Board tabled the decision of authorizing investments until after Agenda #5 and Agenda #6.

Once the conference call concluded with Mr. Laughlin, the Board discussed possible investments to place along the laddering concept.

Mr. Lobacz moved to invest \$350,000.00 to Morgan Stanley for CD ladder years 2018 and 2019, and to invest \$350,000.00 with Investment Centers of America for ladder year 2021 for

the fixed index annuity, seconded by Firefighter Beam. After some discussion, the original motion and second was voided and amended.

Mr. Lobacz moved to have \$350,000.00 invested in CDs with Morgan Stanley for ladder years 2018 and 2019, and to invest \$350,000.00 with a 2021 maturity in a Fixed Indexed Annuity with Investment Centers of America with 50% fixed and 50% indexed, seconded by Firefighter Beam. A majority affirmative voice vote was received. It was noted that the Investment Centers of America investments were contingent upon approval from the Illinois Department of Insurance.

Ms. Fehrenbacher exited the meeting at 10:09 a.m.

AGENDA #5 “INVESTMENT CENTERS OF AMERICA INVESTMENTS - KATIE FEHRENBACHER” Ms. Fehrenbacher reminded the Board that at the last meeting, a five year annuity through Midland National had been discussed. The rate for that annuity was now at 2.8%. If continuing with the laddering concept, this annuity should be considered for the five year slot with CDs being considered for the second, third and fourth year slots.

Ms. Fehrenbacher then mentioned a different concept that could be beneficial. She felt the Board would have the option of investing in a fixed index annuity. To date on a six year version of this annuity, the rate would cap at 4.95%, but would depend on the market. In this annuity version, there would be no possibility of a loss, only earning.

While in favor of the concept, Mr. Sanders and Mr. Lobacz wanted to be certain that such an investment would not be considered variable.

Mr. Smith asked what determined the index of the fixed index annuity. Ms. Fehrenbacher responded that the index followed the S&P 500. She also added that if the market was down each year of the annuity, a credit of .9% to 1% may be credited per year of that time frame.

AGENDA #6 “MORGAN STANLEY INVESTMENTS - ERIC LAUGHLIN VISIT” Eric Laughlin joined the meeting by conference call at 9:27 a.m.

Mr. Laughlin began by stating that for now, he would recommend CDs for the ladder and adding to the bond portfolio over time.

Mr. Sanders asked if Mr. Laughlin knew whether or not a fixed index annuity would classify as a true fixed investment. Mr. Laughlin recommended clarifying that question through the Illinois Department of Insurance.

Mr. Sanders knew that American Funds had fixed, variable, and mixed investments. He wondered if the Board should look into more fixed investments with American Funds. Mr. Laughlin did not believe so because of the way the statutes read. Additionally, he has never seen anyone with a bond mutual fund.

Lastly, Mr. Sanders stated that about \$961,000.00 was invested with Morgan Stanley. He was curious where the next plateau was located for a fee reduction. Mr. Laughlin replied that fees are only issued for managed money. Equity and fixed are managed monies. Once those are over \$1,000,000.00, the fees would be lower.

Mr. Laughlin concluded his call at 9:47 a.m. The Board then revisited item 4-B for action.

AGENDA #7 “DISCUSS AND ACT ON KEMPER CPA PROPOSAL TO PREPARE ANNUAL FIRE PENSION REPORT” Mr. Sanders explained that Kemper CPA had been used in the past to prepare the annual Fire Pension and Police Pension annual reports. Since Mr. Sanders was hired as the City Treasurer, he had indicated that he could take over the reporting responsibility. As time has gone on, the reporting has become increasingly burdensome. Mr. Sanders then had a conversation with the City Manager regarding the matter. It was also his recommendation to relieve Mr. Sanders of the reporting.

Kemper CPA had provided a quote range of \$1,500.00 to \$1,800.00 for preparation of the report. Mr. Sanders also indicated that this fee could be recommended to the Council to be included in the tax levy.

Mr. Smith asked if there were any other firms that could provide a quote for such a service. Mr. Sanders knew of one other company in the northern part of the state that he was certain would charge more. Additionally, Kemper CPA does other business with the City that has factored into the quote.

Mr. Lobacz moved to recommend having Kemper CPA prepare the annual Fire Pension reports and to request that the Council include Kemper’s fees in the tax levy, seconded by Firefighter Beam. A majority affirmative voice vote was received.

AGENDA #8 “DISCUSS ACTUARIAL REPORTS FOR FIRE PENSION” The Board was provided with an Actuarial Valuation Report from the Illinois Department of Insurance, the Actuarial Valuation Report from Art Tepfer, and a summary sheet prepared by Mr. Sanders.

According to the Illinois Department of Insurance, the Olney Fire Pension Fund was still 57% funded. The reports also gave recommendations for tax levy amounts.

AGENDA #9 “DISCUSS AND ACT ON PROPOSED FIRE PENSION TAX LEVY” The Illinois Department of Insurance recommended a tax levy of \$121,621.00. With other expected fees from preparation of the annual report, fiduciary insurance, and actuarial services, the City would need to levy \$134,234.00 if using the State’s recommendations.

Mr. Tepfer recommended a levy amount of \$108,461.00. Again with the same expected fees, the City would need to levy \$121,074.00 if using Mr. Tepfer’s recommendations.

Mr. Lobacz moved to request a levy of \$134,234.00 with a range of \$121,000.00 to \$154,000.00 to the City Council, seconded by Mr. Smith. A majority affirmative voice vote was received.

Mr. Lobacz asked for an update on the continuing education that had been recently cancelled. Mr. Sanders replied that the instructor had to cancel due to medical issues. He has since tried to make contact with the individual with no response. He would try one more time before exploring other options.

AGENDA #10 “SCHEDULE NEXT MEETING” The next meeting of the Fire Pension Board was set for April 12, 2016, at 9:00 a.m. at the Fire Station.

AGENDA #10 “ADJOURN” Mr. Smith moved to adjourn, seconded by Firefighter Beam. A majority affirmative voice vote was received.

The Fire Pension meeting adjourned at 10:51 a.m.

Clarence Smith
Secretary