

CITY OF OLNEY
FIRE PENSION BOARD
NOVEMBER 28, 2017 - **DRAFT**

AGENDA #1 “CALL TO ORDER” The City of Olney Fire Pension Board met in the Fire Station at 9:00 a.m. on November 28, 2017, with Firefighter Taylor Akers (Vice President) presiding.

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

AGENDA #3 “APPROVE MINUTES FROM FIRE PENSION BOARD MEETING ON OCTOBER 2, 2017” Mr. Sanders moved to approve the Fire Pension Board minutes from October 2, 2017, seconded by Mr. Smith. A majority affirmative voice vote was received.

AGENDA #4 “TREASURER’S REPORT”

4-A “Discussion: Income and Expense May 1, 2017 - October 31, 2017” The Board was provided with a copy of an income and expense statement from May 1, 2017, through October 31, 2017.

Mr. Sanders reported that the final installment of real estate taxes had been received. The receipt came after October 31, 2017, so it was not included on the income and expense statement. Total receipts from the tax levy came to approximately \$133,000.00.

4-B “Discussion: Investment Schedule and Maturities” The Board was provided with an investment schedule as of October 31, 2017.

Mr. Sanders said that the amount invested in the Fund was at a total of \$2,219,904.82. He added that while the new money market account had been set up at First National Bank, approximately \$30,000.00 still remained in the money market account at Citizens National Bank until all outstanding checks cleared. The amount currently in the money market account at First National Bank was \$100,032.87 and was earning 1%.

A CD was set to mature from the Investment Centers of America on December 27, 2017, in the amount of \$100,000.00. The next CD was set to mature on March 8, 2018,

The amount invested at Morgan Stanley totaled \$1,449,163.03.

Looking out over four months, Mr. Sanders believed that the Fire Pension Board could invest up to \$100,000.00, if they so chose. He did note that it would run the funds tight later into the next year. Mr. Sanders recommended to leave the eligible \$100,000.00 in the money market

account at First National Bank and then revisit investing that amount in March of 2018, after the two CDs matured.

AGENDA #5 “BROKER REVIEW” Katie Fehrenbacher, of Investment Centers of America, was present to speak to the Board. Ms. Fehrenbacher told the Board that the Investment Centers of America had recently been bought out by LPL Financial. The transaction was set to take place on December 1, 2017. Some paperwork would need to be re-signed due to the change.

Ms. Fehrenbacher continued that the brokerage account would no longer be through Pershing because LPL Financial was self-clearing. As far as fees were concerned, LPL Financial would have no charge upon CD maturities, would have no charge on redemption fees, would have a \$5.00 fee for CD purchasing, and a \$35.00 annual non-activity fee.

The two annuities currently held with Ms. Fehrenbacher would have no changes other than being held directly through Voya and Hartford.

Mr. Sanders anticipated that the indemnification agreements for LPL Financial would be similar to those with the Investment Centers of America. A short Fire Pension Board meeting would be necessary to authorize the signing of those documents. Ms. Fehrenbacher added that the agreements would need to be signed before the CD matured on December 27, 2017.

Ms. Fehrenbacher reported that the Hartford annuity earned a fixed rate of 3% and would mature in 2019. After maturity, the Fire Pension Board would need to decide within 21 days if they would like to renew with Hartford or transfer to another annuity.

With the Voya annuity, Ms. Fehrenbacher explained that a portion was earned with fixed rates earning 2.25%, and the other portion could earn from 0% to 5%, depending on the stock market. Mr. Sanders pointed out that the Hartford annuity was worth \$69,826.06, and the Voya annuity was worth \$367,617.97.

Mr. Lobacz asked if the Voya annuity could be changed to have more in one or the other portion. Ms. Fehrenbacher replied that such changes could be made a certain number of days before the anniversary date.

Mr. Lobacz then wondered what Ms. Fehrenbacher was hearing in regards to what the markets were considering. Ms. Fehrenbacher stated that there were no foreseeable downturns in the future for the stock market. She had heard that the market may be staying stable, but would not continue to produce the high growth that had been shown as of late. Ms. Fehrenbacher recommended leaving the Voya allocations where they were for the time being.

Mr. Sanders reminded the Board that the amount invested in equity annuities was at 12.8%. The State mandates a 10% cap on equity annuities. The current overage was due to

returns and not additional investments. It was recommended to amend the investments at this meeting.

Mr. Sanders then distributed the quarterly report from Morgan Stanley. A conference call with Eric Laughlin, of Morgan Stanley, began at 9:19 a.m.

Mr. Laughlin briefly reviewed the quarterly report. He noted that the U.S. markets were slowly recovering, emerging markets were doing well, and that China's growth was slow, but still impressive.

Mr. Laughlin continued to say that there were usually 3% to 5% pullbacks at least twice per year, but no pullbacks had happened in over a year's time. Even though the markets were due for a pullback, it would not necessarily be a bad thing.

Quarter-to-date ending value totaled \$1,443,401.49. That amount was up \$17,058.93 for the quarter. Year-to-date, the ending value had increased by \$51,271.57. Since inception, the value had increased \$142,864.75.

Mr. Laughlin recommended rebalancing some funds from the American Growth to American Europacific. He felt it made sense to slowly start adding to international equities while they were cheap.

AGENDA #6 "AUTHORIZE ANY NEW INVESTMENTS" Mr. Laughlin told the Board that some government pension funds never rebalance their equities if they are over the 10% cap due to returns, but he did understand it was the Board's preference to rebalance at or under the 10% cap. If doing so, an amount of \$62,151.00 would need to be rebalanced. Mr. Laughlin reiterated that he would also recommend taking \$10,000.00 from the American Growth to the International Portfolio.

Mr. Lobacz wondered what the breakdown was on the bond portfolio. Mr. Laughlin did not have the breakdown in front of him, but noted that it was a blend. If he had to guess, he said it would be close to 50/50. It was Mr. Lobacz's preference to lean heavier on government versus corporate. Mr. Laughlin pointed out that because the bond portfolio was given to a manager, the Board would have to let the manager decide how it should be allocated.

Mr. Sanders commented that the third party actuary's report recommended a tax levy that would be approximately \$140,000.00. The actuary also recommended that the City make additional cash infusions into the Fire and Police Pension Funds. All of that information had been provided to the Council.

Mr. Laughlin wondered if the cash infusion was for long term purposes or just to help the Fund get to the \$2,500,000.00 mark. Mr. Sanders replied that both of those reasons were why the actuary had recommended the infusion. The actuary considered both pension funds to be stressed.

Mr. Lobacz asked what rates Morgan Stanley had for CDs. Mr. Laughlin replied that a one year was at 1.6%, one and a half year at 1.7%, two year at 1.9%, and two and a half year at 2.9%. Mr. Sanders felt that the Board should consider the two year CD.

Mr. Smith moved to rebalance equities by taking \$62,151.00 from the American Growth and purchasing a two year CD at Morgan Stanley's best rate, seconded by Mr. Sanders.

Mr. Sanders asked if there was enough money in the American Growth fund to follow through on the motion. Mr. Laughlin replied that he would liquidate from across the board, so the money would come from all funds.

A majority affirmative voice vote was received.

Firefighter Akers moved to move \$10,000.00 from the American Growth Fund and add the funds to the American Europacific Growth Fund, seconded by Mr. Smith. A majority affirmative voice vote was received.

Ms. Fehrenbacher commented that she had heard a speaker from American Funds recently that agreed that more global exposure would be positive right now.

The conference call ended at 10:03 a.m.

AGENDA #7 "AUTHORIZE PAYMENT OF INVOICES" Mr. Sanders told the Board that an invoice had been received from Art Tepfer in the amount of \$2,000.00 for this year's actuarial report. He reminded the Board that the \$2,000.00 had been budgeted for the year.

Mr. Smith moved to approve payment of \$2,000.00 to Art Tepfer for actuarial services, seconded by Mr. Lobacz. A majority affirmative voice vote was received.

AGENDA #8 "REVIEW ART TEPFER ACTUARIAL REPORT FOR THE FIRE PENSION FUND" Mr. Sanders distributed the cover letter from Art Tepfer, and Mr. Tepfer's actuarial report. According to Mr. Tepfer, the pension funds were not in good shape. He encouraged the City to make cash infusions above and beyond his actuarial calculated amount.

Mr. Tepfer's recommended minimum contribution was an amount of \$127,498.00, which was 110.91% of current payroll. Mr. Sanders explained that the problem with the \$127,498.00 amount was that the Fund would be breaking even, if not losing money, in total overall funds.

Mr. Sanders then distributed the schedule for the proposed tax levy. He recalled that last year, the City levied approximately \$134,000.00. This year, the recommended levy amount would be \$141,951.00. The actuarial report from the Illinois Department of Insurance had yet to be received, but Mr. Sanders hoped to have that report before the December 11, 2017, City Council meeting. The Supervisor of Assessments believed that the EAV would go up an average of 5%. If more than a 4.99% increase is levied, a Truth in Taxation Hearing must be held.

Ms. Fehrenbacher exited the meeting at 10:11 a.m.

AGENDA #9 “REVIEW & APPROVE THE REQUIRED REPORTING TO THE MUNICIPALITY REPORT” Mr. Sanders reminded the Board that the City’s pension funds had a statutory reporting requirement. As part of the actuarial service with Mr. Tepfer, he would prepare the report that the Fire Pension Fund would then need to approve and have authorized by the Fire Pension Board President before being presented to the City Council. Mr. Sanders hoped to present the report to the City Council at their December 11, 2017, meeting.

The unfunded accrued liability came to a total of \$1,317,629.00.

Mr. Lobacz asked how the assumed investment returns were determined for the report. Mr. Sanders replied that the assumptions are found in Mr. Tepfer’s actuarial report, and Mr. Tepfer’s information came from the Fund’s annual report. When the most recent annual report was completed, the Fire Department was short by two firefighters.

Mr. Lobacz did not feel that the unfunded accrued liability was a realistic expectation based on the stringent rules for the pension funds. He wondered what percentages were being paid into the pension. Mr. Sanders believed that the firefighters paid about 9% into their pensions.

Mr. Lobacz then asked what contributions the County made towards the Fire Pension Fund. Mr. Sanders replied that the County did not make any contributions, but that the Olney Fire Protection District pays the City approximately \$120,000.00 each year that goes into the Fire Department’s revenue, but not necessarily into the pensions. Mr. Sanders did note that the County was paying the first 10 years of loan payments on the new fire truck.

Mr. Lobacz asked what areas of the County that the Olney Fire Department served. Firefighter Akers answered that the Department was a City department, but also was contracted through three townships.

Mr. Smith moved to approve the Required Reporting to Municipality by the Fire Pension Board for fiscal year ending on April 30, 2017, seconded by Mr. Lobacz. A majority affirmative voice vote was received.

AGENDA #10 “REVIEW & APPROVE THE RECOMMENDED 2017/2018 TAX LEVY FOR THE FIRE PENSION” The amount recommended for the 2017/2018 tax levy was in the amount of \$141,951.00. The amount was based off of Mr. Tepfer’s highest recommendation plus additional expenses such as audit and annual report fees.

Mr. Lobacz moved to recommend an amount of \$141,951.00 for the 2017/2018 tax levy for the Fire Pension, seconded by Firefighter Akers. A majority affirmative voice vote was received.

AGENDA #11 “AUTHORIZE TRAINING HOURS WITH ROBERT BEAL SCHEDULED FOR DECEMBER 12, 2017” Mr. Sanders reminded the Board that Robert Beal’s training session

would be at the Fire Station on December 12, 2017, at 10:00 a.m. The purpose of the training would be to receive the mandatory 16 hour certification, including the Freedom of Information Act and Open Meetings Act online trainings. The training session with Mr. Beal would be at a cost of \$115.00 per person. This amount was higher than the \$80.00 per person fee from the prior year, but still much better than any other alternative that would also require room and board.

Mr. Lobacz moved to approve the December 12, 2017, training session with Mr. Beal in the amount of \$115.00 per person, seconded by Mr. Sanders. A majority affirmative voice vote was received.

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 on December 18, 2017, at 10:00 a.m. at the Fire Station

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

The Fire Pension meeting adjourned at 10:31 a.m.

Clarence Smith
Secretary