

City of Olney
Police Pension Board Meeting
October 19, 2017

AGENDA #1 CALL TO ORDER: Sergeant Brian Nuttall called to order the City of Olney Police Pension Board meeting for October 19, 2017, at 8:30 a.m.

AGENDA #2 ROLL CALL: The following were present: Sergeant Brian Nuttall, Sergeant Josh Schlick, Gregg Brooks, Rick Runyon, and Mike Uhl. City Treasurer Charles Sanders, Assistant City Treasurer Jane Guinn, City Attorney Bart Zuber, and City Clerk Kelsie Sterchi were also present.

AGENDA #3 APPROVE MINUTES FROM POLICE PENSION BOARD MEETING ON AUGUST 17, 2017: The Board was provided with the minutes from August 17, 2017. Sergeant Schlick moved to approve the minutes from August 17, 2017, seconded by Mr. Brooks. A majority affirmative voice vote was received.

AGENDA #4 DISCUSSION: NEW BOARD MEMBERS ELECTED/APPOINTED: On October 10, 2017, the active Police Officers held an election for the two officer positions on the Police Pension Board. Ten votes were received to have Sergeant Nuttall retain his position on the Board, and 10 votes were also received to have Sergeant Schlick retain his position on the Board.

Mr. Sanders had sent a letter to the Police Officer retirees to see if anyone other than Gregg Brooks had any interest in running for a position on the Board since Mr. Brooks' term had expired. To date, Mr. Sanders had received word that Tim Dunahee was interested in running, and that Mr. Brooks was also interested in retaining his position on the Board. A ballot would then be sent to the retirees at the end of October with an election to be held in early November.

Mr. Runyon moved to accept the re-election of Sergeants Nuttall and Schlick to the Police Pension Board, seconded by Mr. Uhl. A majority affirmative voice vote was received.

AGENDA #5 DISCUSSION/POSSIBLE ACTION: BROKER AGREEMENT: City Attorney Zuber told the Board that he had reviewed the Edward Jones broker agreement by request of Mr. Sanders. In the agreement, the term "employer" was causing some confusion. Mr. Zuber indicated that the "employer" means to state the City of Olney Police Pension Fund. In future agreements, if only the City of Olney is listed, Mr. Zuber recommended that "Police Pension Fund" be written in addition. He pointed out that the City of Olney and the City of Olney Police Pension Fund were completely separate entities.

Mr. Sanders added that since the Board had last met, Edward Jones' broker agreement had changed. Now, Edward Jones recognized that the Police Pension Fund was not regulated by ERISA. The Police Pension Fund is actually regulated by the Illinois Department of Insurance, and that was now what the form reflected.

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Additionally, the updated agreement no longer required each trustee's signature. Instead, the Police Pension Board President was the only required signature. At this point, Mr. Sanders did recommend signing the agreement.

Mr. Runyon moved to authorize Board President, Sergeant Nuttall, to sign the Edward Jones broker agreement based on the advice of Mr. Zuber and Mr. Sanders, seconded by Mr. Brooks. A majority affirmative voice vote was received.

Sergeant Nuttall then signed the broker agreement.

City Attorney Zuber exited the meeting at 8:36 a.m.

AGENDA #6 TREASURER'S REPORT:

6-A "Discussion: Income and Expense May 1, 2017 – September 30, 2017" The Board was provided with an income and expense statement for May 1, 2017 – September 30, 2017.

Mr. Sanders told the Board that the Police Pension Fund had crossed the \$5,000,000.00 threshold and now totaled \$5,065,057.13. Mr. Sanders believed that the Board had anywhere from \$250,000.00 to \$300,000.00 to invest at this time.

6-B "Discussion: Investment Schedule and Maturities" The Board was provided with a current Investment Schedule.

Mr. Sanders reported that the money market account at Citizens National Bank currently held \$634,981.79 due to tax receipts from the levy. The final levy payment for the year would be received in November.

One CD was set to mature from TrustBank on November 9, 2017, at an expected amount of \$187,922.83. In 2018, two annuities would also be maturing.

The percentage currently invested in variable funds was at 44.71%.

The Board then decided to cancel their previously scheduled November 16, 2017, meeting date and instead hold their next meeting on November 27, 2017, at 8:30 a.m. at City Hall.

Sergeant Nuttall asked what CD rates were currently available. LaNae Mitchell, of Edward Jones, provided a listing of CD rates. Mr. Sanders noted that a fixed investment would need to be made. American Funds offered fixed investments that were doing very well.

Mrs. Mitchell told the Board that year to date, the American Funds Global Growth had returned 24.78%, Balanced had returned 13.84%, Income had returned 9.66%, Growth and Income had returned 15.29%, Growth had returned 20.29%, and Preservation had returned 1.56%.

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Mrs. Mitchell continued that last year, a capital gain of \$75,000.00 had been received. At this point, the current year's capital gain was expected to be around \$63,000.00. Changes could be made in the portfolio that would allow another \$40,000.00 to be received in capital gains. The amounts that Mrs. Mitchell had provided were based on lower end estimates and could certainly produce more.

The CD rates at Edward Jones were as follows: 1 year at 1.45%, 2 year at 1.75%, 3 year at 2%, 4 year at 2.15%, and 5 year at 2.35%.

Mrs. Mitchell then offered that American Funds High Income Trust could be a good option. The High Income Trust was a bond fund that would be 100% fixed income. It would return 5.43% and would extend four to six years. The return could be reinvested, or the Board could choose to take a monthly dividend. Mrs. Mitchell suggested taking the monthly dividend.

Mr. Sanders asked if the 5.43% would still be received if the Board chose to reinvest instead of take the dividend. Mrs. Mitchell replied that they would receive the 5.43%. The interest rate would never fluctuate, but the value would because it was a bond fund.

Based on the information received, Mr. Uhl felt that reinvesting would be the best option.

AGENDA #7 AUTHORIZE ANY NEW INVESTMENTS: Mr. Runyon moved to invest \$300,000.00 into the American Funds High Income Trust bond fund at a 5.43% return rate, and to reinvest the monthly interest, seconded by Mr. Brooks. A majority affirmative voice vote was received.

Mrs. Mitchell recommended that at the next Police Pension Board meeting, the capital gains should be restructured to get the most benefit.

The Edward Jones money market account currently held \$9,484.17 and was earning .35% interest. Mrs. Mitchell asked Mr. Sanders if he would like a check to be issued for the amount. Mr. Sanders confirmed.

Mr. Runyon moved to have Mrs. Mitchell issue a check in the amount of \$9,484.17 from the Edward Jones money market account, seconded by Sergeant Schlick. A majority affirmative voice vote was received.

Mrs. Mitchell and Sandra Doser exited the meeting at 9:01 a.m.

AGENDA #8 DISCUSSION/POSSIBLE ACTION ON BANK ACCOUNTS:

8-A "Open New Account" Mr. Sanders reminded the Board that a money market account had existed at Citizens National Bank for several years where excess funds are kept. If the account held at least \$100,000.00, .35% of interest had been earned. The bank had recently changed its policy to where if at least \$100,000.00 was in the account, the interest rate was now set to earn .2%. If at least \$250,000.00 was in the account, an interest rate of .3% would be assigned.

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Mr. Sanders had requested that the bank continue to honor the .35% interest rate for the Fire Pension's money market account, but that could not be accommodated.

Mr. Sanders had also requested that Citizens National Bank require that the City Treasurer and Police Pension President both be signatories on the account. Because this could cause a problem if one or the other was unavailable, Mr. Sanders also requested that the bank accept a facsimile signature. A facsimile signature would be a stamp providing both signatures. While the bank indicated that they would accept facsimile signatures, they were unable to mandate that two signatures be required for the account. In Mr. Sanders' opinion, that decision was unacceptable.

Mr. Sanders then inquired with First National Bank on whether or not they could mandate two signatories and accept facsimile signatures. The bank indicated that would not be a problem. Additionally, First National Bank would offer 1% interest on the Police Pension's money market account. Because of those facts, Mr. Sanders recommended that the Board close the money market account at Citizens National Bank and open a new money market account at First National Bank. He also recommended that the Board authorize the City Treasurer and Board President as mandatory signatories, and recommended that the Board authorize facsimile signatures. The Board agreed that would be the right thing to do.

Mr. Uhl moved to close the money market account at Citizens National Bank and open a new account at First National Bank, and to authorize the City Treasurer and Board President as signatories and to authorize facsimile signatures, seconded by Mr. Brooks. A majority affirmative voice vote was received.

Mr. Brooks thanked Mr. Sanders for monitoring details so closely.

8-B "Authorize Bank Account Signatories" Action on this item was taken under 8-A.

AGENDA #9 AUTHORIZE PAYMENT OF INVOICES: Mrs. Guinn reminded the Board that they had levied for the expenses related to the audit and preparation of annual reports. The City had since received invoices from the Kemper CPA Group in the amount of \$800.00 for the audit and \$1,800.00 for the preparation of the annual reports. The City of Olney had paid the invoices, and would need reimbursement from the Police Pension Fund.

Mr. Brooks moved to authorize reimbursement to the City of Olney in the amount of \$800.00 for the audit and \$1,800.00 for the preparation of the annual reports, seconded by Sergeant Schlick. A majority affirmative voice vote was received.

AGENDA #10 AUTHORIZE ENGAGEMENT OF ACTUARIAL FIRM: For the past few years, the Police Pension Board had utilized Art Tepfer as a third party actuary, and the Illinois Department of Insurance's actuarial reports, to help the Board determine what to levy. Mrs. Guinn and Mr. Sanders recommended using Art Tepfer again, in addition to the information received from the State. The Board had levied an amount of \$2,200.00 to utilize Mr. Tepfer.

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Mr. Runyon asked for a refresher on the difference between Mr. Tepfer's reports versus the State's. Mr. Sanders replied that Mr. Tepfer's report included three different scenarios. The one ultimately recommended had typically been a couple of hundred thousand dollars more than the State's numbers. If the Board funded at the higher level, it would hold the future year fundings from escalating dramatically. Mr. Sanders pointed out that the State even admitted that funding at their level would cause great increases in the future.

Mr. Runyon moved to utilize Art Tepfer and the Illinois Department of Insurance's actuarial services, seconded by Mr. Uhl. A majority affirmative voice vote was received.

AGENDA #11 REVIEW & APPROVE THE 2016/2017 POLICE PENSION ANNUAL REPORT: The annual report for the Police Pension Board had been completed and was ready to file. Mrs. Guinn told the Board that the report included information on the Board members and their positions on the Board, financial statements, pension payees/receivers, etc. Mrs. Guinn offered that Board members could review the report, if they wished. Mrs. Guinn was seeking the Board's approval to have the President and Treasurer sign the reports so they could be filed.

Mr. Brooks moved to approve the Police Pension Annual Report and allow the Police Pension Board President and Treasurer to sign the Police Pension Board Annual Report, seconded by Sergeant Schlick. A majority affirmative voice vote was received.

AGENDA #12 AUTHORIZE TRAINING HOURS WITH ROBERT BEAL: In the past, the Board had opted to book Robert Beal to provide necessary training in Olney. Mr. Beal's rate was at \$80.00 per person. The Board then expressed their interest in Mrs. Guinn and Mr. Sanders booking Mr. Beal for their annual training.

AGENDA #13 PUBLIC COMMENTS/PRESENTATIONS: No one from the public was present.

AGENDA #14 SCHEDULING OF NEXT MEETING: This item was taken up under 6-B.

AGENDA #15 ADJOURN: Mr. Brooks moved to adjourn, seconded by Sergeant Schlick. A majority affirmative voice vote was received. The meeting of the Police Pension Board adjourned at 9:17 a.m.

Gregg Brooks
Secretary