

CITY OF OLNEY
FIRE PENSION BOARD
APRIL 10, 2013

AGENDA #1 “CALL TO ORDER” The City of Olney Fire Pension Board met in the Fire Station at 9:07 a.m. on April 10, 2013, with President Rusty Holmes presiding.

AGENDA #2 “ROLL CALL” The following members were present: Fire Chief Rusty Holmes, Firefighter Mike Hill, Retired Firefighter Clarence Smith, City Treasurer Chuck Sanders and City Clerk Belinda Henton.

AGENDA #3 “APPROVE MINUTES FROM FIRE PENSION BOARD MEETING JANUARY 24, 2013” Firefighter Hill moved to approve the minutes from the Fire Pension meeting on January 24, 2013, seconded by Retired Firefighter Smith. A unanimous voice vote was received.

AGENDA #4 “TREASURER’S REPORT”

4-A “Discussion: Income and Expense May 1, 2012 - March 31, 2013” Mr. Sanders distributed and reviewed the income and expense report for May 1, 2012 through March 31, 2013. Net income was \$47,042.49.

4-B “Discussion: Investment Schedule and Maturities” Mr. Sander also distributed and reviewed the investment schedule. The next investment to mature will be a certificate of deposit at LPL on July 16, 2013 for \$101,338. Mr. Sanders noted that the interest rate on the money market account at Citizens National Bank has decreased from .5% to .35%.

Mr. Sanders presented the local banks and investment companies’ investment rates. Mr. Sanders believed \$50,000 could be invested at this time. Approximately \$53,000 should be received in July from the tax levy.

The Board was given a copy of the proposed 2013/2014 budget for the Fire Pension fund. The proposed total revenue was \$150,694 and total proposed expenditures were \$169,850.

4-C “Update: Pension Funding” During the Mayoral campaign there has been some discussion concerning the under funding of pension funds. Mr. Sanders presented a recap of the Fire Pension fund. According to audit reports dated April 30, 2009 the fund was 82.95% funded and on April 30, 2012 it was 82.51% funded. According to the May 1, 2012 actuarial tax levy report, the fund was 56.00% funded. The actuarially determined tax levy of \$106,371 was based on the 56% funded ration. The increase in under funding included actuarial assumption changes such as reducing the assumed return on investments from 7% to 6% and increasing the life expectancy of retirees and active participants. As agreed by the Fire Pension Board, the City levied what was recommended by the Illinois Department of Insurance. The actuarially determined tax levy is based on the fund being sufficiently funded within 28 years.

AGENDA #5 “UPDATE: MORGAN STANLEY INVESTMENTS”

Mr. Sanders provided Morgan Stanley with an investment schedule and the income and expense schedule.

Eric Laughlin and Dan Anderson, Morgan Stanley representatives, joined the meeting through a conference call at 9:23 a.m.

Prior to the meeting, Board members were provided with a quarterly report from Morgan Stanley. The Morgan Stanley representatives summarized the stock market which has been up during the last few months. They reported that the economy is slowly improving. The stock market is moving forward, but the bond market has been pulling back this quarter. Bonds have decreased because people are wanting better yields and investing more with stocks. When interest rates start to go up, the bond prices will go down.

The total return for the Fire Pension investments at Morgan Stanley is up .4% for the quarter.

The representatives from Morgan Stanley reviewed the bond maturity distribution chart. A majority of the bond investments have a maturity of less than 10 years which have less risk. McDonnell Investment Management has the ability to buy and trade the bonds as needed.

The equity investments showed a total gain of 2.6% for the quarter. The gains stated in the reports did not reflect the percent of fees charged by Morgan Stanley. Currently, equities are slightly more than the allowed 10%. Morgan Stanley suggested taking a certain amount out of the Nationwide fixed annuity and moving it into a Morgan Stanley variable equity investment. Mr. Sanders reminded the Board there is \$136,597 invested in the Nationwide fixed annuity for 3% interest. Morgan Stanley explained when the fund reaches \$2,500,000, 45% of the fund can be invested in equity mutual funds.

Concerning the \$50,000 which is available for investment, Morgan Stanley suggested investing $\frac{1}{2}$ in a local certificate of deposit maturing in 2016 and $\frac{1}{2}$ with Morgan Stanley for investment in bonds managed by McDonnell. They explained eventually bonds will have better returns in the long run, but until the bond market environment changes they suggest $\frac{1}{2}$ and $\frac{1}{2}$.

The Morgan Stanley representatives suggested the Board pass a resolution to authorize the payment of the fees from the equity account. The quarterly fee is approximately \$130. The other option is to mail a check for the fees. Mr. Sanders preferred that the fees be taken from the equity account and allow Morgan Stanley to sell equities as needed for the fees.

The next regular meeting of the Fire Pension Board will be July 11, 2013 at 9:00 a.m. Morgan Stanley will plan to attend the October 10, 2013 meeting at 1:30 p.m.

The conference call between the Board and Morgan Stanley ended at 10:17 a.m.

Firefighter Hill moved to allow Morgan Stanley to sell equities as needed to fund the Morgan Stanley fees, seconded by Mr. Sanders. A unanimous voice vote was received.

The Board discussed if something should be done with readjusting the 3% fixed annuity to Morgan Stanley. Mr. Sanders thought it would be a good idea to gradually move money from the Nationwide fixed annuity to equities at Morgan Stanley. The Board decided to wait and transfer money depending on the market performance.

Firefighter Hill moved to invest \$50,000 in a certificate of deposit with an interest rate of 1% for 3 years at Citizens National Bank unless this investment is not available then Mr. Sanders was directed to invest the \$50,000 in a certificate of deposit with an interest rate of 1% for 3 years at Edward Jones, seconded by Fire Chief Holmes. A unanimous voice vote was received.

AGENDA #6 “SCHEDULING NEXT MEETING” The next meeting was scheduled for July 11, 2013 at 9:00 a.m. at the Fire Station.

AGENDA #7 “ADJOURN” Firefighter Hill moved to adjourn, second by Retired Firefighter Smith. A unanimous voice vote was received.

The meeting of the Fire Pension Board adjourned at 10:21 a.m.

Belinda C. Henton
Secretary