

CITY OF OLNEY
FIRE PENSION BOARD
JULY 12, 2012

AGENDA #1 "CALL TO ORDER" The City of Olney Fire Pension Board met in the Fire Station at 9:26 a.m. on July 12, 2012, with President Rusty Holmes presiding.

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

AGENDA #3 "APPROVE MINUTES FROM FIRE PENSION BOARD MEETING MAY 2, 2012, SPECIAL MEETING MAY 17, 2012 AND SPECIAL MEETING MAY 22, 2012" Retired Firefighter Smith moved to approve the minutes from the Fire Pension meeting on May 2, 2012, Special meeting May 17, 2012, and special meeting May 22, 2012, seconded by Mr. Sanders. A unanimous voice vote was received.

AGENDA #4 "TREASURER'S REPORT"

4-A "Discussion: Income and Expense May 1 - June 30, 2012" Mr. Sanders presented and reviewed the income and expense summary. On July 5 \$63,336.15 was received for the first installment of real estate taxes. During the first two months of the new budget year, the Fire Pension Fund experienced a net loss of \$17,878.14. The next certificate of deposit to mature will be in October for \$150,000. Mr. Sanders reported approximately \$245,000 was available for investment. The Board has already approved \$250,000 to invest with Morgan Stanley, but Mr. Sanders was not concerned with \$5,000 shortfall.

4-B "Discussion: Investment Schedule and Maturities" Mr. Sanders presented and reviewed the investment schedule. The Fire Pension Fund has had an account with the Illinois Funds for several years, but it has not been used because of low interest rates. Currently, the balance is \$195.54. There is also a money market account at First National Bank with a balance of \$35,221.43 paying .15% interest which is not being used. Since the Citizens National Bank money market account is paying .50% interest, Mr. Sanders suggested closing the Illinois Funds and First National Bank accounts and transferring balances to Citizen National Bank which has a better interest rate.

Mrs. Henton moved to approve the closing of the Illinois Fund and First National Bank accounts and transfer funds to the Citizens National Bank money market account, seconded by Retired Firefighter Smith. A unanimous voice vote was received.

Mr. Sanders presented local investment rates, but if the Board proceeds with investing with Morgan Stanley, there will not be any additional funds to invest.

4-C “Discussion: Standard Operating Guidelines” During the training Mr. Sanders recently attended in Mt. Carmel, he learned that all pension funds should have standard operating guidelines. Mr. Sanders prepared standard operating guidelines which states the Fire Pension Fund will be conducted based on Robert’s Rules of Order.

Fire Chief Holmes moved to approve the standard operating guidelines, seconded by Retired Firefighter Smith. A unanimous voice vote was received.

4-D “Discussion: Investment Policy Statement” Morgan Stanley has prepared an investment policy statement for the Fire Pension Fund. The policy has been reviewed by City Attorney Taylor. A question was raised concerning collateralization. Past practice has been if an investment exceeds the \$250,000 FDIC limit, the bank pledges collateral for the amount above the \$250,000. Generally, the banks pledge a little more than necessary. The safekeeping receipts are kept in the vault at City Hall. Morgan Stanley was in agreement with this practice. Mr. Sanders compared the proposed policy to a couple of other policies. The proposed policy has all the same provisions, but it has been fine tuned for the Olney Fire Pension Fund. Once the policy is approved, it will need to be filed with the Illinois Department of Insurance.

Mrs. Henton moved to approve the proposed investment policy as presented and file it with the Illinois Department of Insurance, seconded by Fire Chief Holmes. A unanimous voice vote was received.

4-E “Discussion: Morgan Stanley Smith Barney Client Service Agreement” Mr. Sanders and Mr. Taylor have reviewed the proposed Client Service Agreement for Morgan Stanley Smith Barney. The fund will be charged a 1% fee, which is asset based, and will cover services from Morgan Stanley and McDonnell Investment Management, LLC. At this time no money has been transferred to Morgan Stanley. Fees will be withdrawn quarterly from the account and reflected on the monthly statement. Mr. Sander asked Morgan Stanley what would happen if the account dropped below the minimum \$250,000 due to a depressed market or fees. Morgan Stanley told Mr. Sanders if the balance stays below the \$250,000 for some time the fund would be asked to bring it back to \$250,000. The account will be set up for two signatures. It was determined the two signatures should be Mr. Sanders and Fire Chief Holmes.

Retired Firefighter Smith moved to approve the Client Service Agreement, seconded by Mrs. Henton. A unanimous voice vote was received.

4-F “Discussion: McDonnell Investment Management, LLC Advisory Agreement” Mr. Sanders and Taylor have also reviewed the McDonnell Investment Management Advisory Agreement, and all questions have been resolved. McDonnell works through Morgan Stanley as the fund’s money manager. Representatives from Morgan Stanley and McDonnell plan to attend the next Fire Pension Board meeting. They asked if the meeting could be set for approximately 1:00 p.m.

Fire Chief Holmes moved to approve the McDonnell Investment Management Advisory Agreement, seconded by Retired Firefighter Smith. A unanimous voice vote was received.

4-G “Discussion: Non Substantive Related Documents” Mr. Sander provided the Board with a copy of the Illinois Pension Plan Strategy Investment Management Guidelines and a brochure from McDonnell Investment Management, LLC. He will also be providing Morgan Stanley with W-9's.

4-H “Discussion: Transfer of Funds to Morgan Stanley” If the Board agrees to proceed with the transfer of funds to Morgan Stanley, Mr. Sanders will have signature cards completed and transfer the money today from Citizens National Bank to Morgan Stanley.

Retired Firefighter Smith moved to transfer \$250,000 to Morgan Stanley for investment, seconded by Fire Chief Holmes. A unanimous voice vote was received.

4-I “Discussion: Training” Mr. Sanders prepared a spreadsheet indicating training requirements and training hours completed for each of the board members. Several board members recently attended a training session in Mt. Carmel. There are several other topics that need to be discussed during future training sessions. Mr. Sanders is trying to find more training opportunities for the board members.

4-J “Discussion: Edward Jones Presentation” Mr. Sanders recently met with Lanae from Edward Jones. Edwards Jones’ attorney in St. Louis told her not to meet with the Fire or Police Pension Boards until they adopt an investment policy. Mr. Sanders will provide her with a copy of the approved policy.

AGENDA #5 “SCHEDULE NEXT MEETING (INCLUDING REPRESENTATIVE FROM MORGAN STANLEY AND MC DONNELL INVESTMENT MANAGEMENT)” The Board agreed to schedule the next meeting on October 11, 2012 at 1:30 p.m.

AGENDA #6 “APPROVAL FOR REIMBURSEMENT TO GENERAL CORPORATE FOR COMPLIANCE FEE” Retired Firefighter Smith moved to approve the reimbursement of \$403.62 to General Corporate for the annual compliance fee, seconded by Fire Chief Holmes. A unanimous voice vote was received.

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

The meeting of the Fire Pension board adjourned at 10:14 a.m.

Belinda C. Henton
Secretary