

CITY OF OLNEY  
FIRE PENSION BOARD  
MAY 2, 2012

AGENDA #1 “CALL TO ORDER” The City of Olney Fire Pension Board met in the Fire Station at 9:05 a.m. on May 2, 2012, 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 12, 2012” Firefighter Hill moved to approve the minutes from the Fire Pension meeting on January 12, 2012, seconded by Retired Firefighter Smith. A unanimous voice vote was received.

AGENDA #4 “TREASURER’S REPORT”

4-A “Income and Expense May 1, 2011-April 30, 2012” Mr. Sanders distributed and reviewed the income and expense report. He also distributed the 2012/2013 Fire Pension budget. The tax levy receivable in 2012 will substantially increase due to a projected loss in the fund. Income for the fund has decreased due to lower interest income and the maturing of investments with higher interest rates.

4-B “Investment Schedule and Maturities April 2012” Mr. Sanders presented and reviewed the investment schedule. He projected that there is approximately \$205,046.65 available for investment. Four certificates of deposit have matured since the last board meeting. Proceeds from the matured certificates of deposit are currently in the Edward Jones cash account. The next maturing certificate of deposit is October 8, 2012 at the First National Bank in the amount of \$150,000.

Mr. Sanders presented investment options. The best certificate of deposit rate for 5 years was 1.75%. The best fixed annuities for 10 years were 3.4%.

The First National Bank is phasing out the money market account that the Fire Pension Fund is currently using. The new type of account will double the interest paid to .2%. Mr. Sander had signature cards available if the Board wished to make a change to the new money market account at First National Bank. The Citizens National Bank money market account is paying .5%.

Mr. Sanders handout out a list of investment maturities for the Fire Pension Fund.

4-E “Training Requirements for Pension Board Members”

4-F “Written Investment Policy-Illinois Compiled Statutes Public Funds Investment Act”

Mr. Sanders pointed out that the State of Illinois requires that public pension funds 1) have an investment policy and 2) requires the board members to complete training each year. Both regulations have been around for some time, but many pension funds have not bothered to adhere to the regulations. Due to lower investment returns, the State is being more concerned with the handling of public funds. Mr. Sanders has received information about a couple of different training opportunities, but they are expensive. New board members appointed after August 2009 are required to complete 32 hours of training and 16 hours each year thereafter.

Mr. Sanders also wanted the Board to be aware of the need for an investment policy and provided the Board with a copy of the statute concerning this requirement.

Mr. Sanders has met with LaNae at Edward Jones. She provided him with an investment policy from Aurora, Illinois. Mr. Sanders presented the Board with a letter from Morgan Stanley Smith Barney, and they are willing to help develop an investment policy. Morgan Stanley would like to make a presentation to the Fire and Police Pension Boards. When the Police Pension Board met, they indicated they would like to keep investments local and were not interested and listening to Morgan Stanley.

Mr. Sanders has followed up with Edward Jones and LPL concerning an investment policy and training. LPL referred Mr. Sanders to an Illinois website concerning training, and was not interested in helping with an investment policy. Edward Jones pursued these issues with their corporate office in St. Louis. Their legal department informed the local agent she should not get too involved because that would cause them to assume a fiduciary responsibility they do not want.

Morgan Stanley told Mr. Sanders they welcome the fiduciary responsibility. Mr. Sanders' strategy is to have Edward Jones make their presentation and give them every opportunity to help. If they cannot help, then he would recommend that the Board allow Morgan Stanley to make their presentation. He also suggested that the Police Pension Board members be invited to listen to the presentation.

Mr. Sanders felt strongly that the Board needs to have an investment policy and pursue training. Morgan Stanley would like to have some investment business from the Fire Pension Board, and Mr. Sanders thought they will want to assign an investment manager for the fund.

Mr. Sanders explained Illinois has relaxed their restraints on certain types of investments. Morgan Stanley will help maximum returns without putting principal at undue risk. They would develop targets and strategies. Mr. Sanders thought Morgan Stanley might have someone that could provide training.

Mr. Sanders stated with returns on certificates of deposits being so low, the Board has a responsibility to maximize returns and safeguard the investments. There are several different investment options other than certificates of deposit which Morgan Stanley could provide insight.

If the Board is considering investing with Morgan Stanley, Mr. Sanders suggested leaving the \$200,000 in the bank until they hear Morgan Stanley's presentation. Once they make a presentation, an investment decision can be made.

Mr. Sanders noted that no other brokers have approached him for the Fire Pension's business.

The Board was not opposed to allowing Morgan Stanley to make a presentation. Fire Chief Holmes suggested that Mr. Sanders contact the other brokers in town to see if they would be interested in providing services to the Board. Mr. Sanders will contact Tony Beal with Raymond James and Tom Saxe with Primvest.

Mr. Sanders will schedule a date for Morgan Stanley to make a presentation to the Fire Pension Board.

Firefighter Hill moved to close the old money market at First National Bank and open the new money market account which pay .2% interest, seconded Fire Chief Holmes. A unanimous voice vote was received.

Firefighter Hill moved to transfer \$200,000 from the Edward Jones cash account to Citizens National Bank money market account until the next meeting, second by Mrs. Henton. A unanimous voice vote was received.

#### 4-C "Investment Brokers, Presentations and Information Provided to Brokers"

Mr. Sanders explained the investment schedule which lists all of investments is shared with Edward Jones, but typically has not been provided to LPL. Mr. Sanders asked if the Fire Pension Board objected to sharing this information with any broker the fund works with in the future. The Board did not object with sharing the investment schedule with other brokers.

4-D "Illinois Public Pension Fund Association (IPPPFA)" Mr. Sanders recently received a mailing from the Illinois Public Pension Fund Association soliciting membership. Membership in this organization costs \$1,000. The Olney Fire Pension Fund has not been a member in the past. The Board was not interested in becoming a member at this time.

4-G "Special Joint Meeting with Police Pension Board-Edward Jones Presentation May 10" Mr. Sanders has arranged for LaNae from Edward Jones to make a presentation to both the Fire Pension Board and Police Pension Board on May 10, 2012 at 8:30 a.m. at the Fire Station training room. The Police Pension Board will have a meeting after the joint presentation.

AGENDA #6 "ADJOURN" Firefighter Hill moved to adjourn, seconded by Retired Firefighter Smith. A unanimous voice vote was received.

The meeting of the Fire Pension Board adjourned at 10:03 a.m.

Belinda C. Henton  
Secretary