

CITY OF OLNEY
SPECIAL FIRE AND POLICE PENSION BOARDS
OCTOBER 30, 2013

AGENDA #1 “CALL TO ORDER” The City of Olney Fire and Police Pension boards met at the Fire Station at 8:56 a.m. on October 30, 2013, with President Mike Hill and President Rick Runyon presiding.

AGENDA #2 “ROLL CALL” The following members were present: Fire Pension-Firefighter Mike Hill, Retired Firefighter Clarence Smith, City Treasurer Chuck Sanders and City Clerk Belinda Henton. Firefighter Michael Pipher was absent. Police Pension-Rick Runyon, Officer Dana Berry, Officer Brian Nuttall, City Clerk Belinda Henton and City Treasurer Chuck Sanders. Retired Officer Gregg Brooks was absent. Cindy Harlan was also in attendance.

AGENDA #3 “DISCUSSION OF FIDUCIARY INSURANCE” Mr. Sanders explained that the desire and need to obtain fiduciary insurance was discussed at a recent City Council meeting. The Council has been made aware that neither pension fund has fiduciary insurance and premiums were estimated to be no more than \$10,000 for the Police Pension board and no more than \$7,500 for the Fire Pension board. The Council was receptive to funding the premiums, but no action was taken. Funding the premiums through the respective boards would only increase the under funding which would eventually affect levy.

Mr. Sanders explained a request for a quote was made to A. J. Gallagher, broker for the City’s liability insurance. They came back with a proposal from Federal Insurance Company (a Chubb Company). Mr. Sanders provided the board members with a spreadsheet detailing the various quotes.

	Premium	<u>Police</u>	<u>Firefighters</u>
Limit	\$1,000,000		
	Retention \$10,000	\$7,250	\$5,000
	Retention \$25,000	\$6,868	\$4,737
	Retention \$50,000	\$6,487	\$4,474
Limit	\$2,000,000		
	Retention \$10,000	\$9,425	\$6,500
	Retention \$25,000	\$8,929	\$6,158
	Retention \$50,000	\$8,433	\$5,816

A. J. Gallagher’s quotes included a \$1,000,000 limit with retentions of \$10,000, \$25,000 or \$50,000 and \$2,000,000 limits with the same retentions. Two local brokers, Runyon Insurance and Blank’s Insurance, were then contacted for quotes.

Blank’s Insurance submitted a quote which combined both boards for a \$1,000,000 limit

with \$10,000, \$25,000 or \$50,000 retentions. Julie Blank from Blanks Insurance cautioned the boards because this quote excluded any claims related to under funding which is the main reason for the insurance. Runyon Insurance could not obtain a quote because A. J. Gallagher had already requested a Chubb quote.

Mr. Sanders explained if a suit is filed against either of the boards, even though it may not be valid, insurance would be needed to pay for a legal defense. The Chubb quote from Gallagher does not have that exclusion. The Chubb quotes are separate for Fire and Police and were quoted on \$1,000,000 and \$2,000,000 limits.

It was Mr. Sanders' opinion that both the Fire and Police boards each have the responsible and authority to agree to obtain fiduciary insurance, but they need the Council's cooperation to fund the coverage if it is funded by the City instead of each pension fund. The boards could vote to obtain the fiduciary coverage with certain limits and retentions or they could recommend certain limits and retentions. This recommendation could then be taken to the Council and hopefully receive the Council's consent and agreement to reimburse the pension funds for the premiums costs. Because the pension funds are the policy holders, Mr. Sanders believed it was important for each pension fund pay for their premiums out of the pension fund accounts and if approved, the City could then reimburse each fund.

Mr. Runyon asked if the City has ever provided fiduciary coverage for the pension boards. Mr. Sanders explained neither pension board has ever had fiduciary coverage. The pension plans are not under the direct control of the City and have never been included in the City's liability plan.

Mr. Runyon was uncomfortable that the board members were not covered by fiduciary insurance.

Mr. Runyon questioned the retention and how it would affect the board members. Mr. Sanders explained within the investment policy of both funds the members are indemnified. Mr. Runyon believed the board members need a specific agreement of indemnification.

The two boards discussed the limits and retentions. Mr. Sanders recommended the boards vote to recommend a specific limit and retention and request the Council's approval.

Firefighter Hill moved to recommend fiduciary insurance through A. J. Gallagher with a \$2,000,000 limit and \$10,000 retention, seconded by Retired Firefighter Smith. All Fire Pension board members voted yes.

Officer Berry moved to recommend fiduciary insurance through A. J. Gallagher with a \$2,000,000 limit and \$25,000 retention, seconded by Officer Nuttall. All Police Pension board members voted yes.

If the Council does not agree with the limits and retentions recommended, this matter will be brought back to the boards.

AGENDA #4 “UPDATE OF ANNUAL PENSION REPORTS” Mr. Sanders reported that he has filed both the Fire and Police annual reports with the Illinois Department of Insurance. He also informed the boards that he will be working on the tax levy for next year. Hopefully, he will be receiving the actuarial report from the Illinois Department of Insurance by early to mid-November. The actuarial report is critical to accurately calculate the levy. Mr. Sanders questioned if the Fire and Police boards want to recommend additional tax levies to make up for the under funding quicker than 28 years which is projected in the actuarial report. The ultimate decision of the tax levy amount is the Council’s responsibility, but the pension boards are entitled to a recommendation. Pension board meetings will be scheduled as soon as the levy is ready.

Mr. Sanders informed the Police Pension board there will be several certificates of deposit maturing around November 18. A board meeting is being anticipated for November 19 or 20 depending on the board members’ schedules. Mr. Sanders will deposit the funds from the matured certificates of deposit into the Citizens National Bank money market account until further investment decisions are made.

AGENDA #5 “AUTHORIZE REIMBURSEMENT OF AUDIT EXPENSE TO GENERAL CORPORATE BY POLICE PENSION” No discussion was need for the item. Approval was received at the last meeting.

Mr. Sanders also noted that Neal Bemont recently passed away and a surviving spouse benefit is being calculated for his widow Carolyn Bemont. Approval of the exact amount of the surviving spouse benefit will be brought back to the board at the next meeting, but her benefits will not be withheld until that time.

AGENDA #6 “ADJOURN” Mrs. Henton moved to adjourn, seconded by Firefighter Hill. A unanimous voice vote was received from both boards.

The meeting of the Fire and Police pension boards adjourned at 9:33 a.m.

Belinda C. Henton