

CITY OF OLNEY
SPECIAL FIRE PENSION BOARD
DECEMBER 18, 2012

AGENDA #1 “CALL TO ORDER” The City of Olney Fire Pension Board met in the Fire Station at 11:04 a.m. on December 18, 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 “DISCUSSION: REINVESTMENT OF LPL NATIONWIDE VARIABLE ANNUITY” Mr. Sanders explained Morgan Stanley has evaluated the fund’s two fixed and three variable annuities.

Mr. Sanders called Morgan Stanley for a conference call with Dan Anderson and Eric Laughlin.

Mr. Sanders recently received a letter from McDonnell Investment Management, LLC announcing that they are being acquired by Natixis Global Asset Management. Morgan Stanley explained acquisition of management companies such as McDonnell is common. Natixis is keeping the same team in place. Morgan Stanley will continue to monitor their work, and they saw no problem with the Olney Fire Pension Board signing the necessary forms to approve the change.

Morgan Stanley provided the Board with an overview of the 5 annuities. Mr. Anderson and Mr. Laughlin reviewed of the accounts and gave their recommendations. They recommended keeping both of the fix annuities.

State statutes only allow pension funds to have 10% of their assets invested in equity investments such as variable annuities. At this time the Fire Pension has 13.49% invested in 3 variable annuities. Morgan Stanley suggested that investments be rebalanced so only 10% is invested in equities.

During their evaluation, Morgan Stanley discovered the LPL Nationwide variable annuity had a feature that would allow the Fire Pension Fund to convert the variable annuity to a fixed annuity with a 3% guaranteed return. The fixed investment would not pay the 2.11% annual fee. The Department of Insurance would still recognize the investment as an equity. Because of DOI’s determination, Morgan Stanley did not recommend that the investment be changed to fixed. They explained since only 10% can be invested in an equity, they did not believe it would be beneficial to have the investment tied up at 3% when long term equity investments typically out perform another types of investments.

Morgan Stanley did offer to manage the fund’s equity accounts. The existing variable annuities are charged fees of 1.51%, 2.4% and 2.11%. Morgan Stanley pointed out their fees

would be less. With additional investments with Morgan Stanley their fee would drop from .8% to .65%.

The Board discussed a variety of options to rebalance the fund. Mr. Sanders recommended exercising the option to convert 100% of the Nationwide annuity number 013170341 to a guaranteed fixed income of not less than 3% within the same annuity, surrender the Hartford annuity number 711251485 and Hartford Putnam annuity number 710029692 by converting it to cash and transfer the funds from the Hartford and Hartford Putnam annuities to the Morgan Stanley account. Mr. Sanders also recommended that he be authorized to consult with Morgan Stanley representatives to invest a portion of the fund in an equity account portfolio and the balance in a fixed income account in such a manner to balance the total equity investments near, but not more than 10% of the total investments. Mr. Sanders also needs to be authorized and directed to sign all necessary documents to accomplish these investment actions.

Morgan Stanley asked to be recognized as agent for the Nationwide fixed annuity. This change would require a Changing of Broker Dealer form to be signed by Mr. Sanders.

Retired Firefighter Smith moved to approve Mr. Sander's recommendation, seconded by Firefighter Hill. A unanimous voice vote was received.

Mr. Sanders reported that the next investment will mature on January 18, 2013, but a special meeting will not be needed for a reinvestment decision because he has anticipated this maturity for monthly pension payments.

AGENDA #4 "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 12:17 p.m.

Belinda C. Henton
Secretary