

CITY OF OLNEY
FIRE PENSION BOARD
JULY 29, 2015

AGENDA #1 "CALL TO ORDER" The City of Olney Fire Pension Board met in the Fire Station at 9:13 a.m. on July 29, 2015, with Firefighter Mike Hill presiding.

AGENDA #2 "ROLL CALL" The following members were present: City Treasurer Charles Sanders, Retired Firefighter Clarence Smith, Dave Lobacz and Firefighter Mike Hill. Firefighter Taylor Akers was absent. City Clerk Kelsie Sterchi and City Manager Allen Barker were also present.

AGENDA #3 "APPROVE MINUTES FROM FIRE PENSION BOARD MEETINGS ON JANUARY 22, 2015, AND MARCH 19, 2015" Mr. Lobacz moved to approve the Fire Pension Board minutes from January 22, 2015, and March 19, 2015, seconded by Mr. Sanders. A majority affirmative voice vote was received.

AGENDA #4 "TREASURER'S REPORT"

4-A "Discussion: Income and Expense May 1, 2014 - April 30, 2015 (Preliminary)" Mr. Sanders explained that the Fire Pension fund had \$2,117,664.29 in total investments. The total investment in variable accounts was at 10.9% as of the end of June 2015. The fund is capped at 10%, so the Board was not permitted to make any additional investments into variables for the time being.

4-B "Discussion: Income and Expense May 1, 2015 - June 30, 2015" The Board was provided with an income and expense statement for May 1, 2015 - June 30, 2015 as prepared by Mr. Sanders.

The income and expense schedule from May 1, 2015 - June 30, 2015, showed an actual total income of \$5,779.98. Actual expenses were pension payments in the amount of \$29,321.58. The deficit between the two would turn around after receiving the first payment of Fire Pension Tax that had been levied.

4-C "Discussion: Investment Schedule and Maturities" The Board had also been provided with an investment schedule as of June 30, 2015. The total cash on hand was in the amount of \$230,166.55. An amount of \$100,000.00 would need to be maintained in that money market account in order to receive .35% interest.

In November, a CD at First National Bank is set to mature, and is currently at \$120,000.00. Also in November, an Edward Jones fixed annuity is set to mature, and is currently at \$432,867.12. The next year's maturities would be at \$151,000.00 and the following year's maturities looked to be \$156,000.00.

As a note, Mr. Sanders commented that when the Fire Pension fund hit \$2.5 million, the 10% cap would change to a 45% cap on equity investment. He had confirmed those numbers with the Illinois Department of Insurance.

Mr. Lobacz asked for clarification on where Corporate Replacement Tax was generated. Mr. Sanders replied that the tax essentially replaced Personal Property Taxes. The Corporate Replacement Tax is received by the City every other month and is divided among the Fire Pension, Police Pension, General Corporate, and Library funds.

AGENDA #5 "MORGAN STANLEY INVESTMENTS CONFERENCE CALL" Eric Laughlin joined the meeting via phone call. Katie Fehrenbacher, of Investment Centers of America, also joined the meeting at 9:30 a.m.

The Board was provided with a second quarter report for the Fire Pension fund as prepared by Mr. Laughlin. Mr. Laughlin explained that investors were concerned with the timing of Federal interest rate hikes along with economic woes in Greece, China, and Puerto Rico. Mr. Laughlin felt the markets might respond right away, but would go back to normal later in 2015 or early in 2016.

Mr. Laughlin noted that almost all bond indexes for the quarter to date were negative. He also added that international stock markets were up for the quarter to date.

In January of 2015, the Board had relocated some equities to the European market. Year to date showed Europe up 5%.

Dollar weighted rate of return was down (1.46%) for the quarter. Year to date was still up .31%. Last year's rate of return was at 5.59%.

Mr. Laughlin then broke down the performance of each Morgan Stanley account. The bond account aggregate was underperforming at (1.65%) for the quarter. The equity account was up .13% for the quarter. The most recent CD was up .14%.

Mr. Laughlin went on to explain that the forecasting chart on page 19 was being asked for based on GASB reporting requirements.

McDonnell was using a government corporate strategy. When interest rates go up, bond prices go down. Mr. Laughlin felt it was a good time to tweak the portfolio. Mr. Laughlin suggested intermediate government credit that will shorten maturity.

Mr. Sanders clarified that the strategy change would lessen long term bonds investment to intermediary because interest rates were rising. Although there could be concern on what would be lost by liquidating long term, he felt it would not be significant, and the Board would be in a better position to make up the loss in intermediate bonds.

Mr. Lobacz moved to move McDonnell long term bonds investments to intermediary term, seconded by Mr. Sanders. A majority affirmative voice vote was received.

Mr. Laughlin planned on coming to Olney sometime in the fall. The Board scheduled Mr. Laughlin to appear at a meeting on October 28, 2015, at 1:00 p.m. at the Fire Station.

Mr. Sanders also commented that he would soon be starting to work on the annual pension report for the Fire Pension. He thought next year the City might solicit bids to have the Police and Fire pension reports completed by an outside firm.

Mr. Sanders then told Mr. Laughlin that in his conversations with Kemper C.P.A., Kemper had indicated that GASB reporting would not be necessary for the City because they work on a modified cash reporting basis and not an accrual basis. He was curious if Mr. Laughlin was aware of any such exemptions. Mr. Laughlin was not sure, but would ask his attorney.

Mr. Sanders also believed that \$100,000.00 could be invested. He asked Mr. Laughlin what his investment recommendations would be. Mr. Laughlin recommended a 12 month CD with an interest rate of .65%. Should the Board not decide to reinvest the money at Morgan Stanley, Mr. Laughlin would issue a wire transfer or send the funds electronically.

The call ended at 10:18 a.m.

Firefighter Hill moved to approve the Treasurer's Report, seconded by Mr. Lobacz. A majority affirmative voice vote was received.

AGENDA #6 "ELECTION OF OFFICERS" Before electing officers, Firefighter Hill had received a text message that the firefighters had completed their election. Firefighter Taylor Akers' position on the Fire Pension Board would be replaced by Firefighter Michael Beam.

Mr. Lobacz moved to elect Firefighter Mike Hill as President, Dave Lobacz as Vice President, Clarence Smith as Secretary, Firefighter Michael Beam as Assistant Secretary, and Chuck Sanders as Treasurer, seconded by Firefighter Mike Hill. A majority affirmative voice vote was received.

AGENDA #7 "EDWARD JONES AGREEMENT AND INVESTMENTS TRANSFER TO INVESTMENT CENTERS OF AMERICA, INC." Mr. Sanders asked for the Board's official approval to allow himself and Firefighter Hill to sign all documents and to take any other actions necessary to transfer all investments from Edward Jones to Investment Centers of America, Inc. The Investment Centers of America agreement was straightforward and would have no indemnifications.

Ms. Fehrenbacher detailed that Investment Centers of America did hold a \$25.00 inactivity fee with a \$4.00 confirmation charge on any purchase or sale. They would also hold a \$10.00 redemption charge. Ms. Fehrenbacher noted that the confirmation charges and redemption charges could be absorbed through Investment Centers of America.

After some discussion, it was determined that earning .35% in a money market account would be acceptable for the time being. The money could be re-evaluated in September when interest rates were expected to rise.

Mr. Smith moved to leave \$100,000.00 in a money market account at Citizens National Bank and having Morgan Stanley send \$100,000.00 to deposit into a money market account at Citizens National Bank, seconded by Firefighter Hill. A majority affirmative voice vote was received.

Mr. Smith moved to authorize the Fire Pension Board President and Treasurer to sign all documents and take other actions necessary to transfer all investments and accounts from Edward Jones to Investment Centers of America, and to authorize the President and Treasurer to open accounts and become signatories for all investments at Investment Centers of America, seconded by Firefighter Hill. A majority affirmative voice vote was received.

Mr. Lobacz exited the meeting at 10:56 a.m.

AGENDA #8 "AUTHORIZE REIMBURSEMENT TO CITY OF OLNEY FOR PAYMENT OF COMPLIANCE FEE" Mr. Sanders told the Board that there was an invoice in the amount of \$419.24 for the Fire Pension Public Pension Fund Compliance Fee. The invoice came due in May of 2015 where Mr. Sanders paid the amount out of the City Treasurer budget. He asked for the Board's permission to reimburse the City Treasurer budget for that payment.

Mr. Smith moved to reimburse the City Treasurer budget in the amount of \$419.24, seconded by Firefighter Hill. A majority affirmative voice vote was received.

AGENDA #9 "ACTUARIAL SERVICES DISCUSSION" After much discussion at prior Fire Pension Board meetings, Mr. Sanders formally recommended engaging Art Tepfer as a third party actuary for the Fire Pension fund. Mr. Tepfer's fee would be \$2,000.00.

Firefighter Hill moved to engage Art Tepfer as a third party actuary for the Fire Pension fund, seconded by Mr. Smith. A majority affirmative voice vote was received.

AGENDA #10 "SCHEDULING OF NEXT MEETING" The next meeting of the Fire Pension Board would be held on October 28, 2015, at 1:00 p.m. at the Fire Station.

AGENDA #11 "ADJOURN" Mr. Smith moved to adjourn, seconded by Firefighter Hill. A majority affirmative voice vote was received.

The Fire Pension meeting adjourned at 11:12 a.m.

Clarence Smith
Secretary