

CITY OF OLNEY
FIRE PENSION BOARD
JANUARY 16, 2014

AGENDA #1 “CALL TO ORDER” The City of Olney Fire Pension Board met in the Fire Station at 8:30 a.m. on January 16, 2014, with President Mike Hill presiding.

AGENDA #2 “ROLL CALL” The following members were present: Firefighter Hill and Pipher, City Treasurer Chuck Sanders and City Clerk Belinda Henton. Retired Firefighter Clarence Smith was absent.

AGENDA #3 “APPROVE MINUTES FROM FIRE PENSION BOARD MEETING OCTOBER 10, 2013, OCTOBER 30, 2013 AND DECEMBER 11, 2013” Firefighter Pipher moved to approve the minutes from the Fire Pension Board meeting of October 10, 2013, October 30, 2013 and December 11, 2013, seconded by Mr. Sanders. A unanimous voice vote was received.

AGENDA #4 “TREASURER’S REPORT” Mr. Sanders reported that both Eric Laughlin from Morgan Stanley and LaNae Mitchell from Edward Jones are on standby if the Board needs to call.

4-B “Discussion: Investment Schedule and Maturities” Mr. Sanders distributed a schedule of investments and noted that the \$62,000 Hartford fixed annuity at Edward Jones will mature on January 22, 2014. There is an option within that annuity to renew it for five more years at a guaranteed rate of 3%. Mr. Sanders believed that would be Mrs. Mitchell’s recommendation. Mr. Sanders provided the Board with the local investment rates. The best potential certificate of deposit for five years was 1.9%. The Board would also have the option of transferring this money to Morgan Stanley, but Mr. Sanders did not expect Morgan Stanley would have a strong recommendation.

4-A “Discussion: Income and Expense May 1 - December 30, 2013” Mr. Sanders reviewed the income and expense statement. He believed the fund would have sufficient funds available to reinvest the maturing annuity for five years. All of the real estate taxes have been received.

The Board was presented with Morgan Stanley’s 4th quarter report.

4-C “Update: Fiduciary Insurance” Mr. Sanders reported that the fiduciary insurance policy has been bound for 12 ½ months to make the policy expire at the end of the year. The current policy will run from December 11, 2013 through December 31, 2014. Because of the extended time period, the premium was a couple of hundred dollars higher than originally stated.

Mr. Sanders has contacted two actuarial firms that were on the State’s list of actuarial firms that other municipalities use. Eric Laughlin from Morgan Stanley also gave him the name of two or three firms that he recommended. These firms were also on the State’s list. Mr.

Sanders selected two firms to contact. Both firms have submitted information. An appointment has been set up with Art Tepfer on January 27. He provides actuarial services to approximately 120 municipal fire and police pension funds primarily in southern Illinois. Mr. Sanders would like to invite two representatives from the Police Pension Board, two from the Fire Pension Board, the Mayor and one City Council member to attend the meeting he has set up with Mr. Tepfer. Mr. Sanders will attend and asked if one other member from the Fire Pension board would like to attend. Mike Hill volunteered to attend.

Mayor Vaughn suggested proceeding with one of the two pension funds initially and then see how the actuarial report turns out. Mr. Sanders suggested the Police Fund because they are the larger of the two funds. As soon as possible after the fiscal year audit is completed, Mr. Sanders will complete the annual pension report and file it with the State. This will allow for the State's actuarial report and the independent actuarial report to be completed and a presentation made. If desired, it may also allow time for a Fire Pension actuarial report to be prepared in time for the tax levy. Funds have been provided in the tax levy for both pension funds to hire an actuary service.

Eric Laughlin from Morgan Stanley was called on a conference call to discuss the 4th quarter report. Mr. Laughlin reviewed the 4th quarter report and reported that the last portion of the Nationwide fixed annuity investment has been moved into equities. The equity investments are now at the 10% level. Mr. Laughlin explained 2013 was an amazing year in the US stock market. The S&P was up 32% and US stocks 34%, but the bond market was down.

Investments at Morgan Stanley during the 4th quarter increased \$10,656 and year to date increased \$9,545. Mr. Laughlin suggested moving \$10,000 from to the American Investment Company of America to the American Europacific Growth Fund and \$2,000 from the Vanguard Small Capital Index to American New World Fund.

Mr. Laughlin reported that the annualized bond account was down 3.1%, but at some point he believed this would level out. The annualized equity account was up 27.3%.

The predictions for 2014 are that stocks will increase approximately 4% to 18% and bonds will continue to be down.

Mr. Sanders moved to accept Mr. Laughlin's recommendation to moved \$10,000 from American Investment Company of America to the American Europacific Growth Fund and move \$2,000 from Vanguard Small Capital Index to the American New World Fund, seconded by Firefighter Pipher. A unanimous voice vote was received.

Mr. Laughlin recommended either renewing the entire \$62,000 Hartford fixed annuity at Edward Jones for five more years at a guaranteed rate of 3%, or investing one-half of that amount with Morgan Stanley.

The conference call with Mr. Laughlin ended at 9:33 a.m.

Mr. Sanders called Edward Jones and verified the possibility of rolling over the Hartford fixed annuity for five more years at a guaranteed rate of 3%. The only fees charged would be if the investment were pulled out early. Sandy Doser at Edward Jones confirmed this information because LaNae was not available.

Mr. Sanders pointed out that next investment maturities will be July and October 2014 and then not until November 2015. He will need to make sure there is enough money for monthly expenses.

Firefighter Hill moved to renew the Hartford fixed annuity at Edward Jones for five years at a guaranteed rate of 3%, seconded by Firefighter Pipher. A unanimous voice vote was received.

Firefighter Pipher moved to approve the Treasurer's report, seconded by Firefighter Hill. A unanimous voice vote was received.

Firefighter Hill said he appreciated the service Mrs. Henton has given to the Fire Pension Board.

AGENDA #9 "ADJOURN" Firefighter Pipher moved to adjourn, seconded by Firefighter Hill. A unanimous voice vote was received.

The Fire Pension meeting adjourned at 9:42 a.m.

Belinda C. Henton
Secretary