

CITY OF OLNEY  
FIRE PENSION BOARD  
MARCH 3, 2020

AGENDA #1 CALL TO ORDER The City of Olney Fire Pension Board met in the Fire Station at 9:00 a.m. on March 3, 2020, with Firefighter Taylor Akers presiding.

AGENDA #2 ROLL CALL The following members were present at roll call: Retired Firefighter Clarence Smith, Firefighter Taylor Akers, Firefighter Mitchell Pflaum, Leon Stallard, and City Treasurer Jane Guinn. City Clerk Kelsie Sterchi was also present.

AGENDA #3 APPROVE MINUTES FROM FIRE PENSION BOARD MEETING ON NOVEMBER 12, 2019 Mrs. Guinn moved to approve the Fire Pension Board minutes from November 12, 2019, seconded by Firefighter Pflaum. A majority affirmative voice vote was received.

AGENDA #4 TREASURER'S REPORT

4-A "Discussion: Income and Expense May 1, 2019 – February 29, 2020" The Board was provided with a copy of an income and expense statement from May 1, 2019, through February 29, 2020.

Mrs. Guinn told the Board that all income for the fiscal year had been received, other than some employee contributions and Corporate Replacement Tax. Most payments had also been completed, other than remaining pension payments and an expected invoice for the January training. Overall, income and expenses were tracking to budget.

Mrs. Guinn expected to need 10 months worth of pension payments on hand until August or September when some tax levy funds would be received.

4-B "Discussion: Investment Schedule and Maturities" The Board was provided with an investment schedule as of February 28, 2020.

Mrs. Guinn then reported that the Morgan Stanley sweep account currently held \$1,031,857.27. Since the last meeting of the Fire Pension Board, three CDs had matured and had been placed into the sweep account.

To catch Mr. Stallard up to speed, Mrs. Guinn explained that the sweep account was being used to hold such a large amount of cash because it was receiving a better interest rate than other options. Mr. Stallard agreed with the decision.

Mrs. Guinn believed the Board could invest about \$900,000.00, if desired. As of February 28, 2020, 8.80% was invested into Morgan Stanley variables. State statute capped that kind of investment at 10% until the fund hit \$2,500,000.00 or more.

AGENDA #5 MORGAN STANLEY INVESTMENTS – ERIC LAUGHLIN The conference call with Eric Laughlin began at 9:03 a.m.

Mr. Laughlin briefly reviewed the Morgan Stanley quarterly report. In the past quarter, new highs were seen in the stock market. Mr. Laughlin had believed that the markets were due for a pullback, but were waiting on a trigger. Before long, the Coronavirus hit and initiated a pullback similar to what was seen in the Ebola, SARS, and swine flu outbreaks.

If looking to invest, Mr. Laughlin advised that an additional \$5,000.00 could be invested into equities. An amount of \$2,000.00 could go into the Europacific Growth Fund, \$1,500.00 into the American Growth Fund, and \$1,500.00 into Washington Mutual. Mr. Stallard agreed with Mr. Laughlin's recommendations based on the information he was seeing in his own line of business.

QTD received a return of 1.35%, YTD a return of 6.30%, and since inception a return of 2.94%. The ending total value of investments was listed at \$1,929,151.00. Mr. Laughlin added that 2019 was the best year that the Board's investments had seen since working with Morgan Stanley.

Mr. Laughlin then reminded the Board that before long, the State would be taking control over the downstate Fire and Police Pension Funds. Mr. Laughlin had heard that a Pension Board had been voted in, and many of the trustees were police officers and firefighters. Even though the funds would be managed as one large sum, each municipality would still retain its own portions. It was Mr. Laughlin's belief that the new pension management system could be negative in the short term, but should improve over the long term.

Referencing page 12, Mr. Laughlin reminded the Board that Eaton Vance was the manager of corporate bonds, and an advisory fee was assessed. Mr. Stallard was curious what the advisory fee was for Eaton Vance. Mr. Laughlin said he would look up that information after reviewing the quarterly report, as it was located in a different screen.

Mr. Laughlin continued that the sweep account held assets that had not been invested. So much cash was being held because of the interest rate being received, and the fact that the Fund was close to the \$2,500,000.00 mark.

Morgan Stanley Economist Mike Wilson had been reporting a 40% chance of a mild recession with a 10% pullback in the Fall of 2019. In reality, Mr. Laughlin felt about a 5% pullback was actually seen. Overall, Morgan Stanley felt that the markets were in the middle of what could be a 20-year secular bull market for equities. The first phase (2010-2019) was characterized by financial repression and financial engineering driving returns. The second phase, which was now beginning, would likely be characterized by a demographic tailwind and a possible resurgence in productivity growth powered by the Fourth Industrial Revolution.

Reverting back to Mr. Stallard's question on Eaton Vance fees, Mr. Laughlin indicated that the Eaton Vance fee was right around 15 or 16 basis points on the investments side. For advisory rates, Eaton Vance was a .55%. Morgan Stanley fees for equities were set on a tiered system, and right now were at .73%.

Mr. Stallard then asked about the circumstance around purchasing the annuity. Mr. Laughlin replied that at the time the annuity was purchased, the local investment firm at the time (Investment Centers of America) had handled and managed that annuity. Since then, the firm was no longer servicing the Board, so Morgan Stanley had taken over the annuity.

AGENDA #6 DISCUSSION/APPROVE ANY INVESTMENTS Mr. Smith moved to invest more into equities by placing \$2,000.00 into the Europacific Growth Fund, \$1,500.00 into the American Growth Fund, and \$1,500.00 into Washington Mutual, seconded by Mr. Stallard. A majority affirmative voice vote was received.

The conference call ended at 9:35 a.m.

Mr. Stallard told the Board that he echoed the opinions of Mr. Laughlin. He felt that any account paying over 1.6% interest was a great rate. Mr. Stallard also did not expect to see a recession in the near future. Mr. Stallard then stated that he felt all fees being charged were in line and well thought out.

AGENDA #7 AUTHORIZE REIMBURSEMENT/PAYMENT OF INVOICES Mrs. Guinn told the Board that an invoice had been received from Arthur J. Gallagher in the amount of \$9,386.00 for fiduciary liability insurance. Mrs. Guinn was seeking authorization for that payment.

Firefighter Pflaum moved to authorize payment in the amount of \$9,386.00 to the City of Olney for fiduciary liability insurance, seconded by Mr. Smith. A majority affirmative voice vote was received.

AGENDA #8 DISCUSSION/POSSIBLE ACTION: FIRE PENSION 2020-2021 PROPOSED BUDGET Mrs. Guinn had passed around the proposed 2020-2021 Fire Pension Budget for the Board's review. She explained that the Council would review the proposed budget at the March 23<sup>rd</sup> Council meeting. She hoped the budget would be approved in April.

Mrs. Guinn was proposing a budget for Fire Pension revenue to come in at \$294,833.00 for the 2020-2021 year. She also proposed that expenses could total \$279,006.00. This meant that the budget was expected to be favorable by \$15,827.00.

In the past, the City Council had previously authorized contributing an additional \$100,000.00 into the Fire Pension Fund. Mrs. Guinn expected that she would ask the Council for another infusion before the closure of the 2019-2020 year.

Mr. Stallard asked if the Council's infusion was a budgeted expense. Mrs. Guinn replied that the infusions were not budgeted. If some funds remained toward the end of a fiscal year, those funds were asked to be placed into needed areas such as the Fire Pension Fund. For the 2019-2020 year, an amount of \$44,000.00 was budgeted because the Council did not levy enough to cover the expenses. Instead, the Council agreed to take the needed remaining amount from the General Fund. For 2020-2021, Mrs. Guinn indicated that the Council would be levying what had been requested.

Mr. Stallard noticed that that only \$6,494.00 had been spent in 2018-2019 for Morgan Stanley advisory fees, but the 2019-2020 budget had been set at \$7,500.00. He wondered why there was the increase. Mrs. Guinn replied that \$7,500.00 was what got budgeted for each year, but the actual number often came in lower.

Mr. Smith moved to approve the Fire Pension 2020-2021 proposed budget, seconded by Mr. Stallard. A majority affirmative voice vote was received.

AGENDA #9 PUBLIC COMMENTS/PRESENTATIONS No one from the public wished to speak.

AGENDA #10 SCHEDULING OF NEXT MEETING The next meeting of the Fire Pension Board was scheduled for May 28, 2020, at 9:00 a.m.

AGENDA #11 ADJOURN Mrs. Guinn moved to adjourn, seconded by Firefighter Pflaum. A majority affirmative voice vote was received.

The Fire Pension meeting adjourned at 9:46 a.m.

Clarence Smith  
Secretary