MINUTES OF THE REGULAR MEETING OF THE
BLOOMINGTON FIRE PENSION BOARD
October 18, 2019

Attendees: Ron Fowler, Jeff Emmert, Carl Reeb, and Curt Oyer, Fire Pension Board members.

Absent: Scott Rathbun, Fire Pension Board member.

Others present: Steve McLeod, Wall Capital Group's Vice President Midwest Region, Vicky Campbell, Raymond James Senior Vice President Investments/Branch Manager, Jason Coyle, Baker Tilly Partner, and Tracey Covert, Recording Secretary.

The Fire Pension Board met at Fire Station 6 located at 4040 E. Oakland Ave. Ron Fowler, President, called the meeting to order at 2:05 p.m.

Jeff Emmert informed the Board that he would leave the meeting at 3:15 p.m.

Mr. Fowler opened the meeting to Public Comment. No one came forward to address the Board.

MINUTES

Motion by Jeff Emmert, seconded by Carl Reeb to approve the regular session minutes of July 19, 2019 as presented.

Motion carried, (viva voce).

TREASURER'S REPORT

Carl Reeb had prepared the Treasurer's Report. The account balance was as follows:

PNC:	$1,674,884.73 as of September 30, 2019
PNC:	$2,099,186.02 as of October 18, 2019

The monthly pension costs were as follows:

July 2019	$488,496.80
August 2019	$488,953.55
September 2019	$488,779.90

Mr. Reeb noted the following amounts had been paid during the preceding quarter:

Checks written:

Insight (accounting/financial services)	$3,406.17
Don Craven (legal services and one payment to physician)	$2,100.00
Tracey Covert (Recording Secretary)	$125.00

Killian & Associates (doctor duty disability)	$4,015.00
Baker Tilly (auditor)	$8,000.00
J. Miller (psychologist Guymon duty disability)	$375.00
IPPFA (membership)	$795.00
Alaris, (transcription services Guymon duty disability hearing)	$591.24
AFFI (conference registration for Ron Fowler, Jeff Emmert)	$350.00
TOTAL:	$19,757.41

Mr. Reeb added that the PNC CD, (Certificate of Deposit), would mature on October 31, 2019.

Motion by Jeff Emmert, seconded by Carl Reeb to accept the Treasurer's Report as presented.

Ayes: Jeff Emmert, Carl Reeb, and Curt Oyer.

Nays: none.

Motion carried.

AUDIT

Jason Coyle, Baker Tilly Partner, addressed the Board. He presented the Board with its Comprehensive Annual Financial Report (CAFR) for the Year Ended April 30, 2019. The report contained a lot of information. He directed the Board to the Independent Auditor's Report (see page 1). Baker Tilly had issued a clean opinion. The Management's Discussion & Analysis (Unaudited), (see page 4), included the audit highlights. He encouraged the Board to read same. The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position, (see pages 8 and 9 respectively), was described as the meat of the CAFR. It addressed assets and net position which had increased by $3.3 million. The income statement addressed this increase. Net investment income had decreased from the previous year. He directed the Board to the Schedule of Investment Returns, (see page 20), which listed five, (5), years of returns, (2015 – 2019).

Mr. Coyle addressed required supplementary information. The Schedule of Changes in the City's Net Pension Liability & Related Ratios, The Schedule of Employer Contributions Last Five Fiscal Years and Schedule of Investment Returns, (see pages 18, 19 & 20 respectively). The Schedule of Changes in City's Net Pension Liability documents the beginning and ending total pension liability. The Schedule of Employer Contributions documents the City's contributions. The Schedule of Investment Returns documents a five, (5), year trend. Eventually, there will be a ten, (10), year report.

Mr. Coyle noted that the Actuarial Section and Investment Section started on page 35. These reports had not been audited.

Mr. Coyle addressed the Communication to Those Charged with Governance & Management As of & for the Year Ended April 30, 2019, (a/k/a the Management Letter). He commented on the Market Value of the annuities.

Curt Oyer questioned the Investment Results, (see page 27 of the CAFR). The Total Portfolio showed an investment return of 6.29%. He questioned if this return complied with GASB, (Government Accounting Standards Board), calculation. Mr. Coyle believed it was possible to have two, (2), different figures. Mr. Oyer acknowledged the methodology could be challenging. The variable annuities had two, (2), values: Market and Surrender.

Vicky Campbell, Raymond James Senior Vice President, Investment/Branch Manager, addressed the Board. She noted that these values fluctuate. She cited the Athene contracts. There are two, (2), and they were different.

Mr. Oyer believed the Board used the full market value in its Financial Reports. It appeared that the audit used the cash surrender values. He believed the cash surrender values used were as of March 31, 2019. Insight used historical information. He noted stock market fluctuations. The S & P had a four percent, (4%), gain in April 2019. He believed the variable annuities had been undervalued. The Income Statement showed $1.1 million of investment income from the variable annuities. The S & P had been lowered from thirteen to ten percent, (13 to 10%). He cited concerns regarding the annuities and expense ratios. The methodology undervalued the variable annuities. He recommended there be a discussion between the Board, Baker Tilly and Insight.

Mr. Coyle expressed Baker Tilly's willingness to participate in such a discussion.

Steve McLeod, Wall Capital Group's Vice President Midwest Region, addressed the Board. He noted that Ms. Campbell was not the agent of record at that time. He added that timing was critical. The Board was receiving timely financial information.

Mr. Oyer questioned maturity in years. The variable annuities had maturity dates. Ms. Campbell responded affirmatively. However, any pay out would use the surrender date. Mr. Oyer believed the information had been provided by Insight. He requested that a meeting be scheduled during November 2019 which would include Insight, Wall Capital Group and Baker Tilly. Mr. Coyle stated that the process had been frustrating. Mr. Oyer restated his interest in a conference call during the month of November. He added that Ms. Campbell should be included. He offered to schedule same and contact all parties via email.

Motion by Carl Reeb, seconded by Jeff Emmert to accept the CAFR for the Year Ended April 30, 2019 and place it on file.

Motion carried, (viva voce).

FINANCIAL INVESTMENT REPORT

Ms. Campbell addressed the Board's annuity holdings. Mr. McLeod informed the Board that all annuities that could possibly be moved to Ms. Campbell as broker of record had been completed. There were two, (2), Athene contracts where this was not possible.

Ms. Campbell had prepared a spreadsheet for the Board. It listed each contract with the insurance company. Fixed annuities were known as General Account, (GA), of the insurance company. Variable annuities were invested in the stock market. She noted that there was always risk when one invested in the stock market. She had attempted to put everything in order. The Values listed were as of September 30, 2019. She reviewed the spreadsheet with the Board.

The following comments, questions and/or suggestions were noted:

Annuitant James Moniker, last name was misspelled. Correct spelling was Monniger.

Name of all accounts, (i.e. owner): for consistency should be Bloomington Firefighters Pension Fund.

Tax id number was correct on all accounts except for Jackson National Life holdings. This firm would not provide the owner named.

Board consensus to move away from annuity contracts. Difficult to give up the Death Benefit Value.

Mr. Oyer requested that surrender values be obtained for each contract on April 30th for the next fiscal year. Ms. Campbell responded affirmatively. She believed this value would increase.

Ms. Campbell directed the Board to the Delaware Life Insurance Co. holdings. Two, (2), annuitants were listed for each one. If an annuitant died, the Death Benefit would be paid.

Mr. Oyer requested that the Fixed and Variable Annuities be place on separate spreadsheets. He also requested the spreadsheets be prepared on calendar quarters, (March 31st, June 30th, September 30th and December 31st). This request did not include the Athene holdings.

He noted there were fixed annuities that were Out of Surrender. He questioned if these should be cashed in. Ms. Campbell addressed the American National contract. It listed zero Internal Expenses and zero Sub Account Fees. The Fixed Annuities included interest rates.

Mr. Oyer stated some of the Fixed Annuities were indexed. He requested that these holdings be monitored when there is ability to change. Ms. Campbell reminded the Board that she would not give the Board advice.

Mr. McLeod noted that Wall Capital provided monitoring on a monthly basis.

Mr. Oyer requested an additional column for variable annuities: What Invested In. He believed that there was a listing of subaccounts.

Ms. Campbell informed the Board that Raymond James only received payment from one, (1), insurance company: Delaware Life Insurance Co. made $10,000 or higher quarterly payments. She referred to “trails”. She added that annuities generally paid trails. She would report this information on a quarterly basis. She questioned if there were contracts that had paid up front. If this was true, she could not determine as the other companies would not comment.

Mr. Oyer did not believe the Investment GL, (Gain/Loss), column was needed. Ms. Campbell restated that the document was a work in progress.

Mr. McLeod informed that Board that Ms. Campbell’s efforts were of benefit during the audit process. He addressed the Account Asset Allocations, (see Wall Capital’s September 30, 2019 report, pages 2 – 3). Under Broad Asset Class, sixty-eight percent, (68%), was invested in equities. Under the Performance Summary, the End Marker Value was $70,216,122. The Investment Gain was $98,380. The Year to Date Investment Gain was $7,501,798. The fund was doing well.

Mr. Oyer stated that the figures would have been higher if the Market Values were used. The CAFR used the Surrender Value. Mr. McLeod noted that there would be variances. The fiscal year end would be as of April 30th. He directed the Board to the Board Analysis, (see page 5). The holdings were listed. If the fed cuts interest rates, there is an impact on the bond market.

Mr. McLeod directed the Board to the Holdings, (see page 7 & 8). He addressed the Metabank CD, with a current value of $1 million, had an October 25, 2019 maturity date. He also cited the US Treasury also with a value of $1 million, had a November 30, 2019 maturity date. The Board has $2 million in cash available to put to work.

Mr. Reeb informed the Board that the last property tax receipt in the amount of $850,000 was received in September 2019. The next property tax receipt would be received in June 2020.

Mr. McLeod questioned the cash reserved needed. Mr. Reeb believed the current account balance would last for four, (4), months. In January 2020, there would be a three percent, (3%), pension increase. Mr. Oyer added that the active participants’ monthly contributions equaled $75,000.

Mr. McLeod presented an option: the Board could open another $2 million ninety, (90), day CD. Mr. Reeb informed the Board that PNC Bank had offered a ninety, (90), day CD at 1.7%. Mr. Oyer added that there would still be $800,000 in the PNC account. Mr. McLeod stated the both holdings cited, (Metabank and US Treasury), were in the Schwab accounts.

Mr. Reeb restated that the Board’s PNC CD would mature on October 31, 2019. Mr. McLeod restated that the Board could put $2 million into Treasuries or a six, (6), month CD.

Mr. Oyer noted that the US Treasuries had been laddered. The Board could do another with a longer focus or a short term CD in case the Board needed cash.

Mr. McLeod stated the Board could select another Metabank CD for ninety (90), days which would mature in January 2020.

Motion by Curt Oyer, seconded by Carl Reeb to establish a new or renew the existing CD at PNC Bank.

Ayes: Jeff Emmert, Carl Reeb and Curt Oyer.

Nays: none.

Motion carried.

Motion by Curt Oyer, seconded by Jeff Emmert to reinvest the Metabank CD for an additional ninety, (90), days and to reinvest the US Treasury utilizing the laddering strategy.

Ayes: Jeff Emmert, Carl Reeb and Curt Oyer.

Nays: none.

Motion carried.

Mr. McLeod informed the Board that the Variable Annuities were listed on pages 8 – 10 and were separated by contract. He added that Fixed Annuities were listed on page 10. He addressed the Athene and Aviva holdings. There were two (2) contracts with each company. At the Board's July 19, 2019 meeting, the Board voted to liquidate $1 million from the Vanguard and establish a Schwab account and establish two (2) new accounts: 1.) DoubleLine and 2.) iShares. This work had not been completed as of this date as the necessary paperwork had not been completed. It was good to diversify and Wall Capital stills recommended this work be completed. These investments would complement each other, (Vanguard, DoubleLine and iShares). This work would be completed during this quarter.

Mr. Oyer noted the sixty-eight percent, (68%), equity holdings. He questioned the Board's comfort level. Board consensus to sit tight.

Mr. Reeb requested that Mr. McLeod check with Barb Bobbitt, Wall Capital Group's Office Manager to confirm receipt of Athene and Aviva statements.

Mr. McLeod noted that Capital Flows, PNC Asset Allocations, (see pages 12 &13), listed deposits and withdrawals; and values for the bank operating account. He questioned if the word CD was listed on the statement.

Mr. McLeod stated that Fixed Income Asset Allocation and Performance Summary were found on pages 16 & 17. He added that there had be rate cuts to US Treasury.

He directed the Board to pages 19 & 20 which addressed the Vanguard account's Asset Allocation and Performance Summary. He cited his preference for year to date returns. See page 20, Account Return (Net TWR), Year to Date column 20.49%. The Investment Gain was $1,581,035.

The Variable Annuity holdings were located on pages 22 – 39. He recommended that the Board review same. The holdings were listed by company. There was an Asset Allocation and Performance Summary page per company. There was year to date information addressing returns and fees. The account was compared to benchmarks. They were presented in alphabetical order by company. He directed the Board to page 38, Voya International Annuity. The return was negative. It had been a rough quarter.

The Fixed Annuity holdings were located on pages 40 – 42. They had been collectively totaled. GA, (General Account), equaled Fixed Annuities.

Mr. Oyer believed the returns appeared low. He questioned if the full market value had been used. Ms. Campbell stated that fixed annuities did not decline in value. She questioned if there was an NVA on the Athene contracts. He also questioned if the date was correct for the second Nationwide Life Insurance Co. contract, (November 30, 2024). It was noted that an Athene contract would expire on November 16, 2020, (see page 10).

Mr. Emmert left the meeting at 3:30 p.m.

In addition, there was a Symetra Life Insurance Co. contract that would expire on April 8, 2020. Ms. Campbell expressed her belief that the Surrender Value and Death Benefit Value would be the same.

Mr. Oyer believed that Wall Capital had the age of all annuitants. Mr. Reeb requested that Ms. Campbell add the annuitants' age to the Variable Annuities.

Ms. Campbell directed the Board to the Jackson National Life Insurance Co. holdings. The Board had withdrawn more than it had invested for two, (2), of them, (see spreadsheet). She planned to check with the company to determine if this was dollar for dollar or prorate. She also questioned if Larry Rankens, Mischler Financial, was still the advisor for the Athene holdings.

Mr. McLeod and Ms. Campbell left the meeting at 3:40 p.m.

COMMUNICATION

Mr. Fowler informed the Board that he had received a letter from Tim Gleason, City Manager. It addressed duty related disability. The City planned to issue Petitions to Intervene on all duty disability pension applications. The issue was sustainability and costs to the City, (i.e. health insurance).

He noted that under the pension code an individual cannot receive worker's compensation and a pension benefit.

OLD BUSINESS

Mr. Reeb informed the Board that the state's Department of Insurance report was close to completion. The Municipal Compliance Report was a work in process. Both reports were being completed by Baker Tilly.

Mr. Reeb addressed the Annual Meeting List. The plan was to move the meeting time to 2:00 p.m. The 2020 meeting dates would be on January 17th, April 17th, July 17th and October 16th. These dates would be submitted to the City Clerk. This item would be placed on the Board's January 17, 2020 meeting agenda.

The meeting adjourned at 4:00 p.m.

Respectfully submitted,

Tracey Covert
Recording Secretary

Signed by:

Ronald E. Fowler

Ron Fowler, President

Carl R. Reeb

Carl Reeb, Secretary